

**COMPREHENSIVE**

**ANNUAL  
FINANCIAL  
REPORT**

**POLICE AND FIREMEN'S  
DISABILITY AND  
PENSION FUND  
OF OHIO**

**FOR THE YEAR**

**ENDED DECEMBER 31, 1989**

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DISABILITY AND  
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OF OHIO**

**FOR THE YEAR**

**ENDED DECEMBER 31, 1989**

**PREPARED BY THE ACCOUNTING DEPARTMENT  
JOHN N. BABEL, ASSISTANT DIRECTOR, FINANCE**

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# BOARD OF TRUSTEES

## ELECTED MEMBERS:



**Robert M. Shields**  
Chairman  
Columbus Fire Department  
Term expires June 6, 1994



**Virgil F. McDaniel, Jr.**  
Dayton Police Department  
Term expires June 7, 1993



**William R. Bennett**  
Cincinnati Police Department  
Term expires June 2, 1991



**Lawrence P. Miller**  
Stow Police Department  
Term expires June 2, 1991



**Elmer J. Khal**  
Cleveland Fire Department  
Term expires June 1, 1992



**Joseph S. Voss**  
Cincinnati Fire Department  
(Retired)  
Term expires June 2, 1991

## STATUTORY MEMBERS:



**Hugh J. Dorrian**  
Columbus City Auditor



**Thomas E. Ferguson**  
Auditor of State



**Anthony J. Celebrezze, Jr.**  
Attorney General

# ADMINISTRATION



**Henry E. Helling, III**  
Executive Director



**John N. Babel**  
Assistant Director, Finance



**Ronald J. Corn**  
Deputy Director  
(through June 30, 1990)



**Theodore G. Hall**  
Assistant Director, Investments



**David J. Nesbitt**  
Assistant Director, Benefits

# PROFESSIONAL CONSULTANTS

**Actuary:**

The Wyatt Company

**Auditor:**

KPMG Peat Marwick

**Legal Counsel:**

Attorney General Anthony J. Celebrezze, Jr.

**Investments:**

Atalanta/Sosnoff Capital Corporation  
(Equity)

Loomis, Sayles, and Company (Equity)

Oppenheimer Capital Corporation (Equity)

Value Line Asset Management (Equity)

Duff and Phelps Asset Management  
(Ohio Equity)

Society National Bank—Cleveland  
(Ohio Equity)

Axe Core Investors (Index Fund)

Bankers Trust Company (Index Fund)

Copley Real Estate Advisors (Real Estate)

Schroder Real Estate Associates  
(Real Estate)

T.A. Associates Realty (Real Estate)

Trident/Meyer (Real Estate)

Townsend Group (Real Estate Consultants)

Cardinal Financial Management Corp.  
(Venture Capital)

Primus Venture Partners (Venture Capital)

**Others:**

AGS Information Services, Inc.

Health Research Institute

Michael J. Zettler and Associates, Inc.

# ORGANIZATIONAL CHART

## BOARD OF TRUSTEES

Robert M. Shields, Columbus Fire Department  
Chairman

William R. Bennett, Cincinnati Police Department

Elmer J. Khal, Cleveland Fire Department

Virgil F. McDaniel, Jr., Dayton Police Department

Lawrence P. Miller, Stow Police Department

Joseph S. Voss, Cincinnati Fire Department (Retired)

Hugh J. Dorrian, Columbus City Auditor

Anthony J. Celebrezze, Jr., Attorney General

Thomas E. Ferguson, Auditor of State

## ADMINISTRATIVE STAFF

EXECUTIVE DIRECTOR  
Henry E. Helling, III

DEPUTY  
DIRECTOR

Ronald J. Corn  
(through June 30, 1990)

ASSISTANT  
DIRECTOR,  
BENEFITS

David J. Nesbitt

ASSISTANT  
DIRECTOR,  
INVESTMENTS

Theodore G. Hall

ASSISTANT  
DIRECTOR,  
FINANCE

John N. Babel

# ORGANIZATIONAL CHART

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DIRECTOR,  
INVESTMENTS

Theodore G. Hall

ASSISTANT  
DIRECTOR,  
FINANCE

John N. Babel

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Police and Firemen's Disability and  
Pension Fund of Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 1988

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 (CAFR's) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



# PLAN SUMMARY

## PURPOSE

The Police and Firemen's Disability and Pension Fund of Ohio was established by the Ohio General Assembly to provide disability benefits and pensions to members of the fund and their surviving spouses, children, and dependent parents.

## ADMINISTRATION

The administration, control, and management of the Fund are vested in the Police and Firemen's Disability and Pension Board of Ohio which is comprised of nine members as follows:

- Three representatives of police departments
- Three representatives of fire departments
- One municipal fiscal officer
- The Auditor of State
- The Attorney General

The representatives of police and fire departments are elected for four-year terms by the members with one being a retired member or surviving spouse, alternating between the police and fire. The municipal fiscal officer is appointed by the Governor.

The Auditor of State and Attorney General serve by virtue of their office and are also members of other state retirement boards.

The Board appoints an executive director as the chief administrative officer of the Fund. The executive director oversees the daily activity of the staff.

## MEMBERSHIP

Membership in the Fund is mandatory under Ohio law for all full-time police officers and fire fighters employed by Ohio municipalities and full-time fire fighters employed by townships.

## CONTRIBUTIONS

Contributions are established by statute. Employers of police officers pay 19.5% of compensation; employers of fire fighters pay 24% of compensation. Members contribute 10% of salary.

## BENEFITS

### 1. Service Retirement

- (a) Eligibility: Age 48 and 25 years of service.
- (b) Benefit: An annual pension equal to a percentage of the average annual salary, where the percentage equals 2.5% for each of the first 20 years of service, 2% for each of the next five years of service, and 1.5% for service in excess of 25 years, to a maximum of 72% of the average annual salary. Average annual salary means one-third of the total salary during the three years of highest earnings during which the total earnings were greatest.

### 2. Special Service Retirement for Late Hires

- (a) Eligibility: Age 62 and 15 years of service.
- (b) Benefit: The same as the Service Retirement Benefit.

### 3. Permanent and Total Disability (On-duty)

- (a) Eligibility: No age or service requirement.
- (b) Benefit: An annual pension equal to 72% of the annual earnings during the last year of active service.

### 4. Partial Disability (On-duty)

- (a) Eligibility: No age or service requirement.
- (b) Benefit: An annual pension to be fixed by the Board of Trustees, but not to exceed 60% of the average annual salary; provided that if the member has 25 or more years of service the annual disability pension is equal to the accrued Service Retirement Benefit.

### 5. Cardiovascular and Respiratory Disease

- (a) Eligibility: No age or service requirement.
- (b) Benefit: An annual pension in an amount determined in accordance with the benefit provisions of Item 3 or Item 4 above, as the case may be.

### 6. Ordinary Disability (Off-duty)

- (a) Eligibility: Any age and five years of service.
- (b) Benefit: An annual pension to be fixed by the Board, but not to exceed the accrued Service Retirement Benefit, or 60% of the average annual salary, whichever is smaller.

## 7. Termination of Service Prior to Retirement

One of the following benefits is payable depending upon the particular circumstances:

### (a) Refund if less than 15 years

- (1) Eligibility: No age or service requirement.
- (2) Benefit: A lump-sum amount equal to the sum of the contributions made by the member to the Fund.

### (b) Greater than 15 years, but fewer than 25 years

- (1) Eligibility: 15 years of service.
- (2) Benefit: Commencing at age 48 or 25 years elapsing from full-time hire date, whichever is later; an annual pension equal to 1.5% of the average annual salary multiplied by the number of complete years of service.

### (c) 25+ Years of Service

- (1) Eligibility: 25 years of service.
- (2) Benefit: Commencing at age 48, the accrued Service Retirement Benefit.

## 8. Flat Death Benefits

(a) Eligibility: Upon death of any member of the Fund, active or retired.

(b) Benefit:

(1) Surviving Spouse's Benefit—An annual amount equal to \$4,920.

(2) Surviving Children—An annual amount equal to \$1,416, payable until such child attains age 18 or marries, whichever occurs first. (Similar payments made, regardless of age, to disabled children.) An annual amount equal to \$1,416 will continue beyond age 18 up to age 22 while the child is a student and unmarried.

(3) Dependent Parents—An annual amount of \$1,896 to one dependent parent or \$948 each to two dependent parents, during their lifetime or until dependency ceases or until remarriage, provided that deceased member leaves no surviving spouse or surviving children.

(4) Lump Sum Death Benefit—On the death of a member of the Fund, who at the time of death is receiving a retirement pension or disability benefits, a lump sum payment of one thousand dollars (\$1,000.00) shall be paid to the member's surviving spouse. If there is no surviving spouse, the payment shall be made to the member's estate.

## 9. Pre-retirement Survivor or Annuity

(a) Eligibility: Upon death before retirement but

after having satisfied the requirements for normal service retirement.

(b) Benefit: The surviving spouse or contingent dependent beneficiary will receive 50% of the benefit that the deceased member would have been entitled to had he retired effective the day following his death under the 50% Joint & Survivor annuity form.

## 10. Group Health Insurance and Medicare

Commencing January 1, 1974, the Board may contract for group health insurance on the basis of part or all of the cost of the premium for the coverage to be paid by the Fund.

Effective January 1, 1977, the Fund will pay the premium for supplemental Medicare (Part B).

## 11. COLA or Terminal Pay

Members retiring after July 24, 1986, and who have 15 or more years of service as of January 1, 1989, are allowed to select between (1) a pension calculated on the basis of average salary which is increased to reflect terminal pay adjustments, or (2) a pension based on average salary excluding the terminal pay adjustment, but increasing by 3% of the initial pension each retirement anniversary after July 1, 1988. The 3% addition is paid only if the annual increase in the Consumer Price Index, plus unused prior increases, equals or exceeds 3%. This additive 3% COLA annuity without terminal pay adjustment is the automatic form for an active member with less than 15 years of service as of January 1, 1989.

## 12. Additional COLA

Members and/or their unmarried beneficiaries retired prior to July 24, 1986, are entitled to a cost of living adjustment if the last annual increase in the Consumer Price Index plus unused prior increases equals or exceeds 3% and the members' benefits are less than a certain amount. That qualifying amount was \$18,000 per year in 1988 and increases by \$500 per year each calendar year. The COLA is an increase of \$360 under a Single Life Annuity basis in annual benefits.

## 13. Optional Forms of Payment

Effective February 28, 1980, retiring members may elect to have actuarially reduced benefits payable under certain and continuous and joint and survivor annuity forms. The maximum certain period is 20 years, and the maximum continuation percentage under the joint and survivor form is limited to 100%.

Effective for one year beginning September 26, 1984, members who retired before February 28, 1980, could make a one-time election to have their benefits reduced and paid under the joint and survivor annuity form with the surviving spouse as survivor annuitant.

# LETTER OF TRANSMITTAL

## **The Police and Firemen's** Disability and Pension Fund

230 East Town Street/Columbus, Ohio 43215-4650/(614) 228-3781

June 30, 1990

Dear Chairman and Members of the Board of Trustees:

We are pleased to submit to you the comprehensive annual financial report (CAFR) of the Police and Firemen's Disability and Pension Fund of Ohio (the Fund) for the year ended December 31, 1989. This CAFR was prepared to aid interested parties in assessing the Fund's status at December 31, 1989, and its results for the year then ended. The report is divided into five sections: an Introductory Section which contains this Letter of Transmittal, along with the identification of the administrative organization and consulting services utilized by the Fund; a Financial Section which includes the Independent Auditors' Report and the financial statements, and a plan summary of the Fund; an Actuarial Section which includes the Actuary's Certification Letter and results of the annual actuarial valuation; a Statistical Section which includes significant data pertaining to the Fund; the last section is an Investment Section which contains the investment report, portfolio summary, and the investment policy and guidelines. The Investment Section is not required but has been included for purposes of added analysis.

### **Accounting System and Internal Controls**

The financial statements were prepared in accordance with generally accepted accounting principles applicable to governmental units, including the pronouncements of the Governmental Accounting Standards Board (GASB).

The principles promulgated by Statement No. 6 of the National Council On Governmental Accounting (predecessor to GASB) are used in the Fund's accounting and subsequent reporting of financial activities. The accrual basis of accounting is used to record all financial transactions. Gains and losses on sales and exchanges of investments are recognized on the transaction date. Interest, dividends, net realized gains and other investment income is recognized on the accrual basis and included in investment income, net of investment related expenses. Investments in corporate and government bonds and obligations are reported at amortized cost with discounts or premiums amortized using the interest method. All other investments are carried at cost, subject to adjustment for market declines determined to be other than temporary. Income on venture capital is recognized once distributions received are in excess of the Fund's capital contributions. Depreciation on buildings is provided using the straight-line method over 40 years, the estimated useful life of the property. All other assets are carried at cost.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Fund are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of

financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Management believes its internal control structure meets these objectives.

#### Plan History and Overview

The Police and Firemen's Disability and Pension Fund (the Fund) was created by the Ohio General Assembly in 1965, replacing 454 separate local police and firemen's relief and pension funds in Ohio. The statewide Fund began operating January 1, 1967. On that date the local pension funds transferred their assets and liabilities to the Fund. Assets transferred to the Fund were approximately \$75 million. The fund actuary computed the liabilities accrued up to 1966 at approximately \$490 million. Unfunded accrued liabilities totaling over \$415 million are being paid by the employers over a 67-year period which began in 1969.

The Fund provides pension, disability and health care to qualified participants, and survivor and death benefits and health care to qualified spouses, children and dependent parents. Please refer to the plan summary at the beginning of this introductory section for further information on plan benefits.

The table below is a tabulation of current participating employers. The statistical section beginning on page 67 provides more detail of the aforementioned participating employers.

#### Participating Employers

	<u>Police</u>	<u>Fire</u>
Municipalities	239	186
Townships	—	78
Villages	<u>281</u>	<u>24</u>
<b>Total</b>	<u><b>520</b></u>	<u><b>288</b></u>

#### Economic Conditions and Outlook

The local and national economies remained relatively stable throughout 1989, and is expected to do so in the early 1990's. The Fund's three main sources of revenues are relatively free from small changes in the economy as employee and employer contribution rates are established by law and may be adjusted if necessary to fund possible future funding shortages. Additionally, the Funds investment strategies are such that ensure flexible maneuvering/diversibility of funds to maximize investment earnings. Please refer to the Investment section of the Comprehensive Annual Financial Report for further discussion regarding our investment strategies and outlook.

Additionally, there were no major changes in the available benefit packages offered to the members that would significantly impact funding requirements. However, Amended Substitute House Bill No. 377, effective November 2, 1989, provides a \$1,000 lump sum payment on the death of a person who at the time of death is receiving a retirement or disability pension from the Fund. This will not effect future funding requirements as by law,

the State of Ohio is to finance all death benefit payments.

### Financial Overview

#### Revenues:

The Fund receives virtually all of its funds from the following sources: Member contributions, Employer contributions, State Subsidies and reimbursements, and Investment earnings. Revenues from all sources totaled \$568,944,045 in 1989, as compared to \$462,389,229 in 1988. A summary of revenues for 1989 and 1988 is as follows:

REVENUES BY SOURCE	1989		1988		INCREASE (DECREASE)
	Amount	Percent	Amount	Percent	
Contributions:					
Employers	\$159,472,669	28%	\$149,640,020	32%	\$9,832,649
Employees	77,657,290	14	70,671,103	15	6,986,187
State of Ohio—Subsidies	5,857,000	1	6,470,000	2	(613,000)
State of Ohio—Death Benefit Fund	9,368,095	2	6,796,504	2	2,571,591
	252,355,054	45	233,577,627	51	18,777,427
Net Investment Income	299,006,174	52	207,473,616	45	91,532,558
Interest on Local Fund's Receivable	17,257,042	3	19,902,971	4	(2,645,929)
Other Income	325,775	0	1,435,015	0	(1,109,240)
<b>Total</b>	<b>\$568,944,045</b>	<b>100%</b>	<b>\$462,389,229</b>	<b>100%</b>	<b>\$106,554,816</b>

The increase in revenues resulted from a rise in average member salary, an increase effective October 1, 1988, in the employee contribution rate from 9.5% to 10.0%, improved investment yields and a higher average investment balance.

#### Expenses:

Benefit payments are the primary expense of the Fund. Total expenses for the Fund were \$268,828,256 in 1989, as compared to \$240,475,625 in 1988. A summary of expenses for 1989 and 1988 is as follows:

EXPENSES BY TYPE	1989		1988		INCREASE (DECREASE)
	Amount	Percent	Amount	Percent	
Benefits:					
Retirement	\$126,558,091	47%	\$113,022,120	47%	\$13,535,971
Disability	49,754,448	19	43,739,268	18	6,015,180
Health Care	45,172,283	17	43,703,422	18	1,468,861
Survivor	27,036,857	10	23,814,341	10	3,222,516
Death Benefit Fund	9,368,095	3	6,796,504	3	2,571,591
	257,889,774	96	231,075,655	96	26,814,119
Administrative Expenses	6,601,071	2	5,341,465	2	1,259,606
Refund of Employee Contributions	3,906,362	2	3,528,968	2	377,394
Other Expenses	431,049	0	529,537	0	(98,488)
<b>Total</b>	<b>\$268,828,256</b>	<b>100%</b>	<b>\$240,475,625</b>	<b>100%</b>	<b>\$28,352,631</b>

The increase in the number of benefit recipients, the average benefit paid, health care expenses and yearly cost of living increases account for nearly all of the Fund's incurred expenses.

#### **Funding Practices and Actuarial Overview**

Funds are derived from the excess of revenues over expenses, and are accumulated by the Fund in order to meet current and future benefit obligations to retirees and beneficiaries. Net income for the year ended December 31, 1989, increased the fund balance by approximately \$300.1 million. This increase is approximately \$78.2 million greater than the total fund balance increase recognized in the prior year.

The actuarial valuation for funding purposes dated January 1, 1989, date of the most recent actuarial valuation, reported an unfunded actuarial accrued liability of \$2,516 million. This balance represents the difference between the actuarial accrued liability for benefits to be paid members and retirees (\$5,175 million) and total valuation assets (\$2,659 million). The unfunded actuarial accrued liability is being amortized in an orderly fashion over future years.

#### **Investments Policy**

The Fund invests all available funds in order to maximize both current income yield and long-term appreciation. For the year ended December 31, 1989, the investment portfolio provided 52.5% of the Fund's total revenues while employee and employer contributions provided 13.7% and 28%, respectively. All other sources provided the remaining 5.8%.

The primary objective of the Fund's investment policy is to assure that the Fund meets its responsibilities for providing retirement and other benefits. The portfolio is diversified to provide adequate cash flow, and to provide the highest possible total return on the Fund's assets with the least exposure to risk. Details of portfolio composition, rates of return, analysis of significant economic conditions, and additional information concerning the Fund's investment policy is provided on pages 79 and 80 of the comprehensive annual financial report.

#### **Material Plan Amendments**

The Fund was amended effective September 9, 1988. The amendment changed certain benefit provisions which included providing normal retirement benefits to members who retired at age 48 through 51 with 25 years of service credit. Prior to 1989, reduced benefits were paid to these members. Other changes which became effective under the plan amendment included establishing a cost-of-living increase for certain former members of the Fund who retired before July 24, 1986, increasing benefits for surviving dependents of retired members, and increasing the minimum benefit for retirees receiving benefits based on service or permanent and total disability. There were no material plan amendments in 1989.

#### **Independent Auditors**

The financial statements of the Fund for the year ended December 31, 1989 were audited by KPMG Peat Marwick, independent Certified Public Accountants, whose opinion thereon is included at the beginning of the Financial Section of this report.

### Notes to the Combined Financial Statements

The notes to the combined financial statements which follow the combined financial statements contain additional information and are an integral part of such statements.

### 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 Fund for its Comprehensive Annual Financial Report for the fiscal years ended December 31, 1988.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

### Acknowledgements

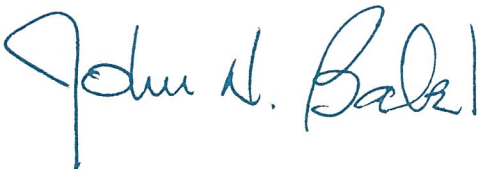
The preparation of this report reflects the combined efforts of the Fund's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, to disclose compliance with legal provisions, and as a means of determining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

This report is being mailed to all employer members of the Fund and other interested parties.

Respectfully submitted,



HENRY E. HELLING, III  
Executive Director



JOHN N. BABEL  
Assistant Director, Finance

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# FINANCIAL SECTION

Independent Auditors' Report

Balance Sheets

Statements of Revenues, Expenses and Changes in Fund Balances

Statements of Changes in Financial Position

Notes to Financial Statements

## Required Supplemental Schedules:

Analysis of Funding Progress

Revenues by Source

Expenses by Type

Administrative Expenses

Refunds of Employee Contributions

## Supplemental Schedules:

Fund Balance Accounts

Cash Receipts, Cash Disbursements and Changes in Cash Balance

Management Fees and Commissions

Detailed Listing of Investment Portfolio

## Auditor of State's Letter

# INDEPENDENT AUDITORS' REPORT

**KPMG** Peat Marwick

Certified Public Accountants

Two Nationwide Plaza  
Columbus, OH 43215

Telephone 614 249 2300

Telecopier 614 249 2348

Members of the Board  
The Police and Firemen's Disability  
and Pension Fund of Ohio:

We have audited the accompanying financial statements of The Police and Firemen's Disability and Pension Fund of Ohio (the Fund) as of and for the years ended December 31, 1989 and 1988 as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund at December 31, 1989 and 1988, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the Fund's basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

June 8, 1990

*KPMG Peat Marwick*

# BALANCE SHEETS

DECEMBER 31, 1989 AND 1988

	<u>1989</u>	<u>1988</u>
<b>Assets:</b>		
Cash (note 5)	\$ 11,763,112	12,243,520
Receivables:		
Employers' contributions	53,501,146	44,656,623
Employees' contributions	7,471,001	6,069,066
Accrued investment income	36,066,191	26,132,289
Investment sale proceeds	<u>18,365,711</u>	<u>3,086,067</u>
Total receivables	115,404,049	79,944,045
Investments, at cost (market value \$3,149,840,081 and \$2,677,964,296 in 1989 and 1988, respectively) (notes 5, 6 and 8)	2,861,093,339	2,587,336,295
Local funds' receivable (note 7)	411,190,543	414,400,057
Property and equipment, net of accumulated depreciation of \$882,180 and \$663,761 in 1989 and 1988, respectively	2,115,530	1,682,260
Other assets (note 9)	<u>4,893,947</u>	<u>727,887</u>
Total assets	<u>3,406,460,520</u>	<u>3,096,334,064</u>
<b>Liabilities:</b>		
Health care benefits payable	11,337,564	10,879,619
Investment commitments payable	15,278,901	6,753,932
Accounts payable and accrued expenses	1,562,623	1,399,815
Note payable (note 8)	2,200,000	2,200,000
Other liabilities (note 9)	<u>1,750,719</u>	<u>885,774</u>
Total liabilities	32,129,807	22,119,140
Commitments and contingencies (note 11)		
<b>Net assets available for benefits</b>	<u><b>\$ 3,374,330,713</b></u>	<u><b>3,074,214,924</b></u>
<b>Fund balance (note 3):</b>		
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 1,756,800,000	1,496,900,000
Current employees:		
Accumulated employee contributions	477,700,000	436,478,801
Employer financed portion	<u>1,534,900,000</u>	<u>1,447,821,199</u>
Total pension benefit obligation	3,769,400,000	3,381,200,000
Unfunded pension benefit obligation	<u>(395,069,287)</u>	<u>(306,985,076)</u>
Total fund balance	<u><b>\$ 3,374,330,713</b></u>	<u><b>3,074,214,924</b></u>

See accompanying notes to financial statements.

# STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

YEARS ENDED DECEMBER 31, 1989 and 1988

	<u>1989</u>	<u>1988</u>
<b>Operating revenues:</b>		
Contributions:		
Employers (note 4)	\$ 159,472,669	149,640,020
Employees (note 4)	77,657,290	70,671,103
State of Ohio—subsidiaries (note 4)	5,857,000	6,470,000
State of Ohio—Death Benefit Fund	<u>9,368,095</u>	<u>6,796,504</u>
	252,355,054	233,577,627
Net investment income (note 5)	299,006,174	207,473,616
Interest on local funds' receivable	17,257,042	19,902,971
Other income	<u>325,775</u>	<u>1,435,015</u>
Total operating revenues	<u>568,944,045</u>	<u>462,389,229</u>
 <b>Operating expenses:</b>		
Benefits (note 3):		
Retirement	126,558,091	113,022,120
Disability	49,754,448	43,739,268
Health care	45,172,283	43,703,422
Survivor	27,036,857	23,814,341
Death Benefit Fund	<u>9,368,095</u>	<u>6,796,504</u>
	257,889,774	231,075,655
Administrative expenses, including depreciation on operating properties	6,601,071	5,341,465
Refund of employee contributions (note 4)	3,906,362	3,528,968
Other expenses	<u>431,049</u>	<u>529,537</u>
Total operating expenses	<u>268,828,256</u>	<u>240,475,625</u>
Net operating income	300,115,789	221,913,604
Fund balance, beginning of year	<u>3,074,214,924</u>	<u>2,852,301,320</u>
Fund balance, end of year	<u>\$ 3,374,330,713</u>	<u>3,074,214,924</u>

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1989 AND 1988

	<u>1989</u>	<u>1988</u>
<b>Resources provided:</b>		
From operations:		
Net operating income	\$ 300,115,789	221,913,604
Items which do not use (provide) working capital:		
Net gain due to accretion of discount and investment sales	(134,891,761)	(70,881,535)
Unrealized loss on investments	—	3,643,482
Depreciation on investment in real estate	2,763,876	2,205,067
Depreciation on property and equipment	<u>218,419</u>	<u>175,812</u>
Total resources provided from operations	168,206,323	157,056,430
Proceeds from investment sales and maturities	6,082,486,738	8,756,651,081
Local funds' receivable principal payments	3,209,514	2,386,352
Additions to local funds' receivable	—	(1,733,151)
Increase in other liabilities	<u>864,945</u>	<u>173,910</u>
<b>Total resources provided</b>	<b><u>\$ 6,254,767,520</u></b>	<b><u>8,914,534,622</u></b>
<b>Resources used:</b>		
Investment purchases	6,224,115,897	8,915,726,753
Additions to property and equipment	651,689	488,400
Increase in other assets	4,166,060	176,752
Increase (decrease) in working capital	<u>25,833,874</u>	<u>(1,857,283)</u>
<b>Total resources used</b>	<b><u>\$ 6,254,767,520</u></b>	<b><u>8,914,534,622</u></b>
<b>Changes in components of working capital:</b>		
Increase (decrease) in current assets:		
Cash	(480,408)	(4,538,425)
Receivables	<u>35,460,004</u>	<u>6,740,781</u>
	<u>34,979,596</u>	<u>2,202,356</u>
Increase (decrease) in current liabilities:		
Health care benefits payable	457,945	1,781,755
Investment commitments payable	8,524,969	2,137,261
Accounts payable and accrued expenses	<u>162,808</u>	<u>140,623</u>
	<u>9,145,722</u>	<u>4,059,639</u>
<b>Increase (decrease) in working capital</b>	<b><u>\$ 25,833,874</u></b>	<b><u>(1,857,283)</u></b>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1989 AND 1988

## 1. DESCRIPTION OF THE SYSTEM

### (a) Organization

The Police and Firemen's Disability and Pension Fund of Ohio (the Fund) is a cost-sharing multiple-employer public employee retirement system established by Chapter 742 of the Ohio Revised Code (ORC) in 1967 to consolidate the various local police and firemen's relief and pension funds into one statewide plan. The Fund administers pension, disability, and health care to qualified participants, and survivor and death benefits and health care to qualified spouses, children and dependent parents.

Employer and employer membership data as of January 1, 1989, date of the most recent actuarial valuation, follows:

Employee Members	Police	Firemen	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>8,672</u>	<u>7,583</u>	<u>16,255</u>
Current employees:			
Vested	5,271	3,671	8,942
Nonvested	<u>7,722</u>	<u>5,703</u>	<u>13,425</u>
	<u>12,993</u>	<u>9,374</u>	<u>22,367</u>
<b>Employer Members</b>			
Municipalities	239	186	
Townships	—	78	
Villages	<u>281</u>	<u>24</u>	
<b>Total</b>	<u>520</u>	<u>288</u>	

### (b) Benefits

Members are eligible for normal retirement benefits at age 48 with 25 years of service credit or at age 62 with 15 years of service credit. The normal retirement benefit is equal to 2.5% of annual earnings for each of the first 20 years of service, 2.0% for each of the next 5 years of service, and 1.5% for each year of service thereafter. However, this normal retirement benefit is not to exceed 72% of the member's average annual earnings for the three consecutive years during which the total earnings were greatest or the member's recalculated average annual salary for any three years during which earnings were the greatest. Retirement with reduced benefits is available upon reaching age 48

with 15 years of service credit or 25 years from the date the member became a qualified employee.

The Fund was amended in 1989 to permit members to have benefits calculated on the basis of the member's "recalculated average annual salary," rather than his average annual salary. The effect of this change on the funding status of the Fund has not been actuarially determined.

The Fund was amended during 1988 to change certain benefit provisions. Changes included providing normal retirement benefits to members who retired at age 48 through 51 with 25 years of service credit. Prior to 1988, reduced benefits were paid to these members. The effect of 1988 benefit provision changes on the funding status of the Fund had not been actuarially determined for 1988, but has been reflected in the 1989 evaluation.

In addition to retirement benefits, the Fund also provides disability, survivor and health care benefits. Disability benefits are available to all members and vary by length of service and type of disability. Survivor benefits are specified dollar amounts paid to eligible survivors upon the death of an active member or retiree. All benefit recipients are eligible to receive health care benefits. Health care coverage includes 100% of qualifying hospital expenses and 80% of other qualifying medical expenses, such as doctor fees and medical prescriptions.

An eligible spouse or dependent of a member whose death resulted from injury or disease sustained while on active duty as a policeman or fireman is entitled to a death benefit. The death benefit payment is equal to a one time lump sum payment of \$1,000 plus the member's full monthly salary, which will be reduced at the member's retirement eligibility date. The payment will be terminated at the spouse's remarriage or the dependant's attainment of age 18 (or 22 if attending school). The death benefit payments are in addition to any optional payment plan benefits elected by the member. Funding for death benefits is received from the State of Ohio, as the ORC requires the State to finance 100% of death benefit payments.

### (c) The Reporting Entity

The accompanying financial statements include all the organizations, activities and functions over which the Fund exercises oversight responsibility. Determination of oversight responsibility includes consideration of such factors as financial interdependency, selection of governing authority, designation of management, ability to significantly

influence operations and accountability for fiscal matters.

Responsibility for the organization and administration of the Fund is invested in the Board of Trustees. The Board consists of nine members. Six are elected by the employee groups they represent. The Auditor of State, the Attorney General and Columbus City Auditor are statutory members. The State of Ohio issues its own financial statements and does not exercise oversight responsibility over the Fund, which is a separate legal entity. The Fund, therefore, operates independently from the State of Ohio. Accordingly the Fund is not considered part of the State of Ohio's financial reporting entity.

The OP & F (Ohio Police and Firemen's) Trust and the OP & F Schroder Trust (the Trusts) were created to provide the Fund with a medium for the acquisition of real estate investments. Management of the Fund is responsible for the operations of the Trusts. Additionally, the Fund is the beneficiary and sole participant in the Trusts. The Fund, therefore, exercises oversight responsibility of the Trusts and the Trusts' financial transactions have been included in the Fund's financial statements.

The Death Benefit Fund was created to finance all death benefit payments. Although the State of Ohio is responsible for financing the cost of death benefits, the Fund is responsible for the organization and administration of the Death Benefit Fund. The Fund, therefore, acts as an agent and exercises oversight responsibility. All activity of the Death Benefit Fund has been included in the Fund's financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of Accounting**

The Fund's financial statements have been prepared using the accrual basis of accounting. The following are the significant accounting policies followed by the Fund.

### **(b) Investments**

Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transaction date. Interest, dividends, net realized gains and other investment income is included in investment income, net of investment related expenses, realized and unrealized losses.

Investments in corporate and government bonds and obligations are reported at amortized cost with discounts or premiums amortized using the interest method.

Investments in common and preferred stocks are

carried at cost, subject to adjustment for market declines determined to be other than temporary. Six nondiscretionary advisers manage the Fund's stock portfolio. Gains and losses on sale of stocks are recognized on the transaction date based upon FIFO cost of the shares managed by each adviser.

Investments in commercial paper are carried at cost, which approximates market value.

Investments in venture capital limited partnerships and real estate are accounted for at cost, subject to adjustment for market declines determined to be other than temporary. Income on venture capital is recognized once distributions received are in excess of the Fund's capital contributions. Depreciation on buildings owned through real estate investments is provided using the straight-line method over 40 years, the estimated useful life of the property.

Investments in assets held under the deferred compensation program (note 9) are carried at market.

### **(c) Federal Income Tax Status**

The Fund was determined to be exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code.

### **(d) Health Care Benefits Payable**

The health care program is self-insured and is administered by an insurance carrier. Amounts accrued for health care claims payable and for incurred but not reported health care claims are based upon estimates furnished by the insurance carrier and management. Such estimates have been developed from prior claims experience.

### **(e) Property and Equipment**

Property and equipment 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:

Buildings	40 years
Furniture, fixtures and equipment	5 to 10 years

### **(f) Reclassifications**

Certain 1988 balances have been reclassified to conform with 1989 presentation.

## **3. FUNDING STATUS AND PROGRESS**

The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

The measure is called the "actuarial present value of credited projected benefits" and is intended to help users assess the funding status of the Fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and allow for comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the Fund.

The pension benefit obligation was determined as part of the January 1, 1989 actuarial valuation, the date of the most recent actuarial valuation. The calculation excludes the present value of credited projected benefits for death benefits, a 1972 statutory benefit increase and health care benefits. The cost of death benefits and the 1972 statutory benefit increase are fully funded by State of Ohio appropriations. Health care benefits are funded on a pay-as-you-go basis. Significant actuarial assumptions used in the valuation are as follows:

- (a) 8.25% (7.75% for January 1, 1988) rate of return on investments, compounded annually.
- (b) 5.75% (5.50% for January 1, 1988) projected salary increase, compounded annually. Increase is attributable to inflation and promotional raises.
- (c) Pre-retirement mortality is based on the 1951 Group Annuity Table as projected to 1965. To

reflect actual fund experience, these rates have been decreased by 33% for Firemen.

- (d) Benefit recipient mortality is based upon the following:
  - The 1951 Group Annuity Table as projected to 1965 for service retirees and survivor benefit recipients.
  - The 1956 Railroad Retirement Board Disability Annuitants Ultimate Mortality Table for members receiving disability benefits. These rates have been actuarially adjusted to reflect actual plan experience.
- (e) Rates of retirement for ages 53 through 65 are based upon the experience during the period of 1982 to 1986. The rates of retirement for ages 48 through 52 are based upon experience for the 1989 valuation. The rates are applicable after the member has satisfied the conditions for retirement.
- (f) Rates of withdrawal from active service for reasons other than death, and rates of disability have been developed based on actual plan experience.

At January 1, 1989, the unfunded pension benefit obligation was computed to be approximately \$695,185,000 as follows (in thousands):

	<u>Police</u>	<u>Firemen</u>	<u>Total</u>
<b>Pension benefit obligation:</b>			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 911,500	845,300	1,756,800
<b>Current employees:</b>			
Accumulated employee contributions	278,500	199,200	477,700
Employer-financed vested	644,200	482,000	1,126,200
Employer-financed nonvested	223,200	185,500	408,700
	<u>1,145,900</u>	<u>866,700</u>	<u>2,012,600</u>
<b>Total pension benefit obligation</b>	<b><u>\$ 2,057,400</u></b>	<b><u>1,712,000</u></b>	<b>3,769,400</b>
Net assets available for benefits, at cost (market value \$3,164,823)			<u>3,074,215</u>
<b>Unfunded pension benefit obligation at January 1, 1989</b>			<b><u>\$ 695,185</u></b>

The actuarial effect of 1989 membership changes, plan amendments and changes in actuarial assumptions on the pension benefit obligation have

not been determined and are therefore not reflected in the December 31, 1989 balance sheet value for the unfunded pension benefit obligation.



At January 1, 1988, the unfunded pension benefit obligation was computed to be approximately

\$528,899,000 as follows (in thousands):

	<u>Police</u>	<u>Firemen</u>	<u>Total</u>
<b>Pension benefit obligation:</b>			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 777,900	719,000	1,496,900
<b>Current employees:</b>			
Accumulated employee contributions	252,584	183,895	436,479
Employer-financed vested	549,400	433,600	983,000
Employer-financed nonvested	<u>258,016</u>	<u>206,805</u>	<u>464,821</u>
	1,060,000	824,300	1,884,300
<b>Total pension benefit obligation</b>	<b><u>\$ 1,837,900</u></b>	<b><u>1,543,300</u></b>	3,381,200
Net assets available for benefits, at cost (market value \$2,877,849)			<u>2,852,301</u>
<b>Unfunded pension benefit obligation at January 1, 1988</b>			<b><u>\$ 528,899</u></b>

The actuarial effect of 1988 membership changes on the pension benefit obligation had not been determined and are therefore not reflected in the December 31, 1988 balance sheet value for the unfunded pension benefit obligation.

#### 4. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The ORC requires contributions by active members and their employers. The contribution requirement was not actuarially determined but rather established by law under the ORC. Contribution rates are, however, subject to annual review by the Ohio Retirement Study Commission. Additionally, an actuary is used to determine the actuarial implications of the requirement. The adequacy of contribution rates is determined annually using the entry age normal with frozen initial liability actuarial cost method. Contribution rates as required by the ORC and as calculated by the Fund's actuary are as follows:

	<u>Police</u>	<u>Firemen</u>
	(% of active member payroll)	
Rates established by the ORC at December 31, 1989 and 1988:		
Employer	19.50	24.00
Member	<u>10.00</u>	<u>10.00</u>
Total actual rate	<u>29.50</u>	<u>34.00</u>
Actuarially determined rate as of January 1, 1989	<u>34.49</u>	<u>37.82</u>

The Fund's actuary allocated 6.90% (5.99% in 1988) of the current actuarial contribution rate to health care and the remaining to basic retirement benefits. Funding for health care benefits is on a pay-as-you-go basis. Significant actuarial assumptions used to determine the adequacy of contribution rates were the same as those used to compute the standardized measure of the pension benefit obligation. There were no material changes in the current year in actuarial funding method or benefit provisions.

Contributions as a percentage of active member payroll required and made for 1989 represented 29.50% for Police and 34.00% for Fire. Contributions were approximately \$128,618,006 for Police and \$108,512,000 for Fire for the year ended December 31, 1989.

Contributions as a percentage of active member payroll required and made for 1988 represented 29.13% for Police and 33.13% for Fire. Contributions were approximately \$119,500,000 for Police and \$100,811,000 for Fire for the year ended December 31, 1988. These amounts differ from the actual rate stated above due to an increase in the member contribution rate from 9.50% to 10.00%, effective October 1, 1988.

Employee contributions may be refunded, without interest, to a member who withdraws from the Fund. Accumulated employer contributions for the withdrawn member remain in the Fund and are used to finance current and future benefit payments of remaining members.

In accordance with the ORC, the State of Ohio is required to contribute \$1,200,000 annually to the Fund. The State also contributes additional amounts to finance the cost of State-legislated benefit

improvements. Total amounts contributed by the State for the year ended December 31, 1989 was \$5,857,000, exclusive of the death benefit contributions.

## 5. DEPOSITS AND INVESTMENTS

### (a) Deposits

The Fund's deposits are categorized in the following table based on the following criteria: Category 1 includes deposits insured or collateralized with securities held by the Fund or by its agent in the Fund's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agents in

the Fund's name. Category 3 includes uncollateralized deposits. This category also includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Fund's name. Category 2 is omitted from the table since there were no deposits which met the criteria of Category 2 at December 31, 1989 or 1988. The deposits with the Ohio Public Employees Deferred Compensation Program are recorded as other assets and are not required to be categorized due to their nature.

A summary of deposits as of each December 31 follows:

	1989			1988		
	CATEGORY		TOTAL	CATEGORY		TOTAL
	1	3		1	3	
Deposits:						
Cash	\$ 397,354	11,094,631	11,491,985	329,209	11,264,530	11,593,739
Reconciling items (net)			271,127			649,781
Carrying Value			11,763,112			12,243,520
Deposits with the Ohio Public Employees Deferred Compensation Program (note 9)			\$ 277,882			\$ 247,166

### (b) Investments

The Fund is authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stock shares, debentures, and other obligations or securities as set forth in the ORC.

The Fund's investments are categorized to give an indication of the level of risk assumed by the Fund as of December 31, 1989. Category 1 includes investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust

department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Fund's name.

All investments of the Fund meet the criteria of Category 1, except for the investments in real estate, mortgage notes receivable and venture capital which, by their nature, are not required to be categorized.

A summary of investments as of each December 31 follows:

	1989		1988	
	CARRYING VALUE	MARKET VALUE	CARRYING VALUE	MARKET VALUE
Corporate and government bonds and obligations	\$ 1,699,759,948	1,746,148,310	1,504,846,871	1,485,446,122
Common and preferred stock	821,890,455	1,044,082,820	597,751,632	690,048,262
Commercial paper	130,761,649	130,761,649	339,520,148	339,520,148
Real estate, net of accumulated depreciation (note 6)	184,834,774	205,000,789	122,490,886	140,223,006
Mortgage notes receivable	12,708,484	12,708,484	11,058,077	11,058,077
Venture capital	11,138,029	11,138,029	11,668,681	11,668,681
	<u>\$ 2,861,093,339</u>	<u>3,149,840,081</u>	<u>2,587,336,295</u>	<u>2,677,964,296</u>

Market values of bonds and stocks are based primarily on quotations from national security exchanges. Real estate market values are based upon external or management appraisals. Mortgage notes receivable and venture capital do not have quoted market prices and are therefore shown at cost. In addition, the carrying and market values of venture capital as of December 31, 1988 reflect writedowns for unrealized losses of \$1,711,312, and the carrying value of real estate reflects writedowns for unrealized losses of \$1,932,170, representing market declines determined to be other than temporary and are included in the determination of net investment income for 1988. There were no such writedowns in 1989.

## 6. INVESTMENT IN REAL ESTATE

The Fund's investment in real estate as of each December 31 consists of:

	1989	1988
Land	\$ 32,863,434	20,787,564
Buildings	108,535,509	84,500,662
Capital improvements	<u>8,529,185</u>	<u>6,240,689</u>
	149,928,128	111,528,915
Less accumulated depreciation	<u>7,329,312</u>	<u>4,565,436</u>
	142,598,816	106,963,479
Real estate limited partnerships	<u>42,235,958</u>	<u>15,527,407</u>
	<u>\$ 184,834,774</u>	<u>122,490,886</u>

Real estate rental income was approximately \$6,912,000 and \$5,020,000 in 1989 and 1988, respectively, net of depreciation of approximately \$2,764,000 and \$2,205,000. Real estate income is included in net investment income.

The following is a schedule by years of minimum future rentals on noncancelable operating leases related to the Fund's investment in real estate as of December 31, 1989:

Year ending December 31,	
1990	\$ 13,108,057
1991	10,604,488
1992	6,574,459
1993	3,789,390
1994	2,660,207
Later years	<u>7,978,966</u>
<b>Total minimum future rentals</b>	<b>\$ 44,715,567</b>

## 7. LOCAL FUNDS' RECEIVABLE

Local governments are required by state statute to pay the unfunded portion of the actuarially determined liability of the local police and firemen's relief and pension funds that were merged to form the Fund in 1967. The ORC names this obligation of local governments the "Employers' Accrued Liability". Interest on the outstanding balance is being accrued at a rate of 4.25%, compounded semiannually. Local governments began repayment in 1969 and payments are required to be made until 2035. Between 1969 and 1973, payments of principal and interest were received at incremental semiannual rates ranging from 1% to 2% of the original receivable balance. Between 1973 and 2035, semiannual payments of principal and interest are required to be made by the local governments at a rate of 2.5% of the original receivable balance. The balance due at December 31, 1989 includes \$1,712,933 due from local governments which had previously underpaid their semiannual payment and from local governments which joined the Fund subsequent to 1967 according to a 20-year payment plan.

The following is a summary of the amounts due on the local funds' receivable:

Year ending December 31,	
1990	\$ 20,601,823
1991	20,590,410
1992	20,504,859
1993	20,456,945
1994	20,453,993
Later years	<u>819,288,305</u>
Total projected payments	921,896,335
Less interest portion	<u>(510,705,792)</u>
Balance due at December 31, 1989	<u>\$411,190,543</u>

### 8. NOTE PAYABLE

The \$2,200,000 note payable, secured by a real estate office building held for investment with a net book value of approximately \$5,829,000, bears interest at the fixed rate of 9.13% per annum and is payable in monthly installments of \$16,738 for interest only. The outstanding principal and any accrued interest are due October 1, 1991. The Fund assumed the note during 1987 in connection with the acquisition of the real estate building which secures the note.

### 9. DEFERRED COMPENSATION

Employees of the Fund may elect to participate in the Ohio Public Employees Deferred Compensation Program (Program). Under the Program, employees may elect to defer a portion of their pay until a later date, usually after retirement. The deferred pay and any income earned thereon is not subject to income taxes until actually received by the employee.

The market value of deposits with the Program was approximately \$278,000 and \$247,000 as of December 31, 1989 and 1988, respectively. Under the terms of the Program agreement, these monies are subject to the claims of the Fund's general creditors. Accordingly, this amount is reflected as an asset in "other assets" along with a corresponding liability in "other liabilities" to the employees participating in the Program. Participating employees' rights under the Plan are equal to those of general creditors of the Fund in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Fund's legal counsel that the Fund has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent adviser. The Fund believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

### 10. DEFINED BENEFIT PENSION PLAN

All full-time employees of the Fund are eligible to

participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system. The payroll for employees covered by PERS for the year ended December 31, 1989 was approximately \$1,207,000; the Fund's total payroll was approximately \$1,243,000.

Employees are eligible for retirement benefits at age 60 with 5 or more years of service credit or at any age with 30 or more years of service. The benefit is based on 2.1% of final average salary multiplied by the years of service credit. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. PERS also provides disability and survivor benefits.

The Fund and covered employees are required by State statute to contribute 13.95% and 8.5%, respectively, of covered employee payroll to PERS. These rates are the actuarially determined contribution requirement for PERS. The Fund's and employees' contributions for the year ended December 31, 1989 were approximately \$168,000 and \$103,000, respectively; these contributions represented 13.95% and 8.5% of covered employee payroll, respectively.

PERS does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at December 31, 1989 for PERS as a whole, determined through an actuarial valuation performed as of January 1, 1989, date of the most recent actuarial valuation, was \$15.7 billion. PERS' net assets available for benefits on that date, at market value were \$13.3 billion. The Fund's 1989 actuarially determined contribution requirement represented .029% of total contributions required of all participating entities.

Historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in PERS' December 31, 1989 comprehensive annual financial report for only three years.

### 11. COMMITMENTS AND CONTINGENCIES

The property securing a mortgage note receivable is first encumbered by a mortgage senior to the Fund's investment. The balance of the first mortgage was approximately \$4,376,000 at December 31, 1989. In event of default on the first mortgage, management of the Fund intends to guarantee payment. The Fund's estimated value of the security was approximately \$18,250,000 and the outstanding balance of the Fund's mortgage note receivable was \$12,708,484 at December 31, 1989. Management of the Fund is of the opinion that ultimate payment of the first mortgage will be made by the debtor.

The Fund is a defendant in a number of lawsuits pertaining to matters which are incidental to performing routine business functions. Fund Management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Fund's financial position as of December 31, 1989.

## **12. SUBSEQUENT EVENTS**

In February 1990, the Fund purchased 100% interest in a shopping center in Orlando, Florida, for a purchase price of \$26,110,000.

The Fund has made a commitment to purchase another shopping center for \$7,900,000.

## **13. HISTORICAL TREND INFORMATION**

Historical trend information designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due, is presented in the required supplemental schedules which immediately follow the notes to financial statements.

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<u>As of January 1,</u>	<u>Net assets available for benefits (2)</u>	<u>Pension benefit obligation</u>	<u>Percentage funded (3)</u>	<u>Unfunded pension benefit obligation (3)</u>	<u>Valuation payroll (1)</u>	<u>Unfunded pension benefit obligation as a percentage of covered payroll (3)</u>
1987	\$ 2,661,079	\$ 2,930,400	90.8	\$ 269,321	\$ 622,187	43.3
1988	2,852,301	3,381,200	84.4	528,899	651,435	81.2
1989	3,074,215	3,769,400	81.6	695,185	692,029	100.5

**Note:** Historical trend information is not available for years prior to 1987. Analysis of funding progress is presented for 1987 through 1989 in the accompanying schedule.

- (1) Equal to annual average salary multiplied by the number of members at the valuation date.
- (2) The local funds' receivable is included in this amount. This receivable is considered an asset for financial reporting purposes, but not considered available for actuarially determined funding status.
- (3) Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation for active and inactive accounts, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation for active and inactive accounts provides one indication of the Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund is. Trends in unfunded pension benefit obligation and valuation payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of valuation payroll approximately adjusts for the effects of inflation and aids analysis of the Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund is. The actuarial assumptions for investment return, and post-retirement mortality are revised periodically based on the Fund's experience.

See accompanying independent auditors' report.

## REQUIRED SUPPLEMENTARY INFORMATION REVENUES BY SOURCE

Year ended December 31,	Employer contributions (2)	Employee contributions (2)	State of Ohio subsidies	Net investment income (1)
1980	\$ 80,919,872	\$ 40,644,834	\$ 10,035,389	\$ 61,726,085
1981	83,362,974	41,455,835	9,792,950	79,530,675
1982	96,899,403	45,060,474	8,148,412	97,830,576
1983	103,330,679	46,261,767	7,916,482	99,834,810
1984	121,422,906	49,202,608	7,501,100	102,961,755
1985	128,531,626	52,592,700	7,271,000	116,299,670
1986	136,668,444	57,475,708	6,813,000	127,412,987
1987	139,543,550	63,363,415	6,635,000	174,772,550
1988	149,640,020	70,671,103	6,470,000	207,473,616
1989	159,472,669	77,657,290	5,857,000	299,006,174

Note: For years 1980 through 1986, revenues are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1989 revenues are shown on the accrual basis.

(1) For years 1979 through 1986 net realized gain on sale of investments is excluded.

## REQUIRED SUPPLEMENTARY INFORMATION EXPENSES BY TYPE

Year ended December 31,	Retirement, disability and survivor benefits	Health care benefits	Refund of employee contributions
1980	\$ 75,677,741	\$ 12,055,295	\$ 2,643,267
1981	87,168,453	10,870,137	2,776,852
1982	103,721,534	17,947,422	2,336,090
1983	113,944,003	22,837,676	2,329,264
1984	125,282,722	23,533,863	3,174,704
1985	137,391,797	27,055,162	3,654,760
1986	153,415,851	31,379,158	3,121,542
1987	164,367,103	39,465,273	2,915,311
1988	180,575,729	43,703,422	3,528,968
1989	203,349,396	45,172,283	3,906,362

Note: For years 1980 through 1986, expenses are shown on the basis of cash and investment receipts and disbursements, while 1987

through 1989 expenses are shown on the accrual basis.

See accompanying independent auditors' report.



<u>Interest on local funds' receivable</u>	<u>Other income</u>	<u>State contribution to death benefit fund</u>	<u>Total</u>	<u>Employer contributions as a percentage of covered payroll</u>
\$ 20,117,737	\$ 143,722	\$ 1,720,797	\$ 215,308,436	16.9
20,750,375	243,649	1,987,337	237,123,795	17.1
20,750,973	312,219	2,799,623	271,801,680	18.3
20,465,903	357,192	2,418,758	280,585,591	19.0
20,399,728	299,806	2,343,132	304,131,035	21.0
20,432,283	236,843	6,484,686	331,848,808	20.8
20,393,099	242,446	6,666,157	355,671,841	22.0
17,508,079	643,607	6,720,685	409,186,886	21.4
19,902,971	1,435,015	6,796,504	462,389,229	21.4
17,257,042	325,775	9,368,095	568,944,045	22.3

(2) The contribution requirement for the years presented was not actuarially determined but rather established by law under the Ohio Revised Code. Contributions actually made are in accordance with the legal requirement.

<u>Administrative expenses</u>	<u>Other expense</u>	<u>Death benefit fund benefits</u>	<u>Total</u>
\$ 1,080,170	\$ 857,426	\$ 1,581,153	\$ 93,895,052
1,329,517	397,531	1,962,970	104,505,460
1,448,166	156,884	2,191,632	127,801,728
1,715,696	174,762	2,332,109	143,333,510
2,423,594	419,296	3,066,383	157,900,562
2,572,055	192,936	5,988,102	176,854,812
2,974,357	430,866	6,001,201	197,322,975
3,903,646	592,220	6,720,685	217,964,238
5,341,465	529,537	6,796,504	240,475,625
6,601,071	431,049	9,368,095	268,828,256

# REQUIRED SUPPLEMENTARY INFORMATION ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 1989 AND 1988

	<u>1989</u>	<u>1988</u>
<b>Personal Services:</b>		
Administrative salaries	\$ 1,243,491	1,119,114
Employee benefits	249,758	260,242
Employer contributions—PERS	<u>174,790</u>	<u>148,732</u>
	<u>1,668,039</u>	<u>1,528,088</u>
<b>Professional services</b>	<u>3,796,341</u>	<u>2,605,397</u>
<b>Other services and charges:</b>		
Equipment—rental and maintenance	107,875	265,423
Travel expenses	167,534	142,743
Postage	123,580	132,836
Printing	114,874	102,519
Insurance—administrative	66,942	81,367
Office supplies and maintenance	150,656	57,431
Utilities—telephone	49,852	53,979
Ohio Retirement Study Commission	31,680	22,875
Dues and subscriptions	24,433	14,195
Depreciation expenses	218,419	175,812
Miscellaneous expenses	<u>80,846</u>	<u>158,800</u>
	<u>1,136,691</u>	<u>1,207,980</u>
<b>Total administrative expenses</b>	<u>\$ 6,601,071</u>	<u>5,341,465</u>

See accompanying independent auditors' report.

# REQUIRED SUPPLEMENTARY INFORMATION REFUNDS OF EMPLOYEE CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>(1) Police</u>	<u>(1) Fire</u>	<u>Total</u>
1980			2,736,341
1981			2,891,218
1982			2,381,605
1983			2,378,717
1984	2,813,925	532,959	3,346,884
1985	2,945,944	844,632	3,790,576
1986	2,293,032	929,257	3,222,289
1987	2,307,728	607,583	2,915,311
1988	2,562,415	966,553	3,528,968
1989	2,802,932	1,103,430	3,906,362

**Note:** For years 1980 through 1986, refunds are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1989 refunds are shown on the accrual basis.

(1) The breakdown between Police and Firemen is not available for years prior to 1984.

See accompanying independent auditors' report.

# SUPPLEMENTAL SCHEDULES

## FUND BALANCE ACCOUNTS

YEAR ENDED DECEMBER 31, 1989

### SCHEDULE 1

#### Description of Accounts (Funds)

Chapter 742 of the Ohio Revised Code requires the establishment and maintenance of specific funds. These funds are classified as accounts for financial reporting purposes and are noted as follows:

#### (A) Contribution Funds

The Police and Firemen's Contribution Funds accumulate the contributions deducted from the salaries of members. Upon retirement, a member's accumulated contribution are transferred to the Policemen's or Firemen's Pension Reserve Fund.

#### (B) Employers' Contribution Funds

The Policemen and Firemen Employers' Contribution Funds are the depositories for employer contributions. Based on actuarial valuations, amounts are transferred from this fund to the Policemen's and Firemen's Pension Reserve Fund.

#### (C) Pension Reserve Funds

The Policemen's and Firemen's Pension Reserve Funds are the funds from which all retirement, disability, health care and survivor benefits are paid. Amounts are transferred into the Pension Reserve Funds from the Contribution Funds and the Employers' Contribution Funds.

	Contribution Fund		Employer's Contribution Fund	
	Police	Firemen	Police	Firemen
Fund balance at beginning of year	\$ 279,041,882	200,011,479	659,183,945	439,077,618
Changes for the year:				
Contributions:				
Employers	—	—	83,821,155	75,651,514
Employees	44,797,121	32,860,169	—	—
State of Ohio subsidies	—	—	—	—
Death benefit fund	—	—	—	—
Investment income	—	—	—	—
Interest on local funds' receivable	—	—	8,989,930	8,267,112
Other income	—	—	—	—
Benefits:				
Retirement	—	—	—	—
Disability	—	—	—	—
Health care	—	—	—	—
Survivor	—	—	—	—
Death benefit fund	—	—	—	—
Administrative expenses	—	—	—	—
Refund of employee contributions	(2,802,932)	(1,103,430)	—	—
Other expenses	—	—	—	—
Transfers	(17,430,117)	(13,027,317)	(103,390,019)	(76,418,709)
Net changes	24,564,072	18,729,422	(10,578,934)	7,499,917
Fund balance at end of year	\$ 303,605,954	218,740,901	648,605,011	446,577,535

See accompanying independent auditors' report.

**(D) Guarantee Fund**

The Guarantee Fund records all investment earnings of the Fund. In addition, contributions from the State of Ohio, exclusive of death benefit contributions, are recorded in this fund. Annually, investment earnings are transferred to the Pension Reserve Funds and the Expense Fund.

**(E) Expense Fund**

The Expense Fund is used to record all expenses for the administration and management of the Fund. Annually, funds are transferred from the Guarantee Fund to cover expenses incurred.

**(F) Death Benefit Fund**

The Death Benefit Fund is used to record the death benefit contributions from the State of Ohio and the death benefit payments made to a spouse or dependent of a member whose death resulted from injury or illness sustained while on active duty as a policeman or fireman.

Pension Reserve Fund		Guarantee Fund	Expense Fund	Death Benefit Fund	Totals	
Police	Firemen				1989	1988
777,900,000	719,000,000	—	—	—	3,074,214,924	2,852,301,320
—	—	—	—	—	159,472,669	149,640,020
—	—	—	—	—	77,657,290	70,671,103
—	—	5,857,000	—	—	5,857,000	6,470,000
—	—	—	—	9,368,095	9,368,095	6,796,504
—	—	299,006,174	—	—	299,006,174	207,473,616
—	—	—	—	—	17,257,042	19,902,971
—	—	325,775	—	—	325,775	1,435,015
(62,193,035)	(64,365,056)	—	—	—	(126,558,091)	(113,022,120)
(28,137,676)	(21,616,772)	—	—	—	(49,754,448)	(43,739,268)
(23,426,346)	(21,745,937)	—	—	—	(45,172,283)	(43,703,422)
(15,125,981)	(11,910,876)	—	—	—	(27,036,857)	(23,814,341)
—	—	—	—	(9,368,095)	(9,368,095)	(6,796,504)
—	—	—	(6,601,071)	—	(6,601,071)	(5,165,653)
—	—	—	—	—	(3,906,362)	(3,528,968)
—	—	(431,049)	—	—	(431,049)	(705,349)
<u>262,483,718</u>	<u>245,939,273</u>	<u>(304,757,900)</u>	<u>6,601,071</u>	—	—	—
<u>133,600,680</u>	<u>126,300,632</u>	—	—	—	300,115,789	221,913,604
<u>911,500,680</u>	<u>845,300,632</u>	—	—	—	<u>3,374,330,713</u>	<u>3,074,214,924</u>

# CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BALANCE

YEARS ENDED DECEMBER 31, 1989 AND 1988

## SCHEDULE 2

	<u>1989</u>	<u>1988</u>
<b>Cash receipts:</b>		
Investment sales and maturities	\$ 6,088,384,274	\$ 8,788,745,966
Contributions:		
Employer	150,530,548	145,358,260
Employee	76,255,355	70,169,689
State of Ohio—subsidiaries	5,857,000	6,470,000
State of Ohio—Death Benefit Fund	5,330,617	6,601,863
	<u>237,973,520</u>	<u>228,599,812</u>
Net investment income	149,427,865	145,567,005
Local fund's receipts	20,466,556	20,409,080
Other income	10,242,444	725,718
Total cash receipts	<u>6,506,494,659</u>	<u>9,184,047,581</u>
<b>Cash Disbursements:</b>		
Investment purchases	<u>6,236,297,581</u>	<u>8,950,442,482</u>
Benefits:		
Retirement	126,962,101	112,958,091
Disability	49,730,246	43,714,482
Health care	44,715,650	41,918,668
Survivor	27,002,283	23,799,883
Death Benefit Fund	9,366,783	6,796,504
	<u>257,777,063</u>	<u>229,187,628</u>
Administrative expenses	6,366,341	5,115,275
Refund of employee contributions	4,168,535	3,057,855
Other expenses	2,365,547	782,766
Total cash disbursements	<u>6,506,975,067</u>	<u>9,188,586,006</u>
Deficiency of cash receipts over cash disbursements	(480,408)	(4,538,425)
Cash balance, beginning of year	<u>12,243,520</u>	<u>16,781,945</u>
Cash balance, end of year	<u>\$ 11,763,112</u>	<u>\$ 12,243,520</u>

See accompanying independent auditors' report.

# MANAGEMENT FEES AND COMMISSIONS

YEAR ENDED DECEMBER 31, 1989

## SCHEDULE 3

Individual or Firm Name	Official Plan Position/Nature of Services	Salary or Allowance Paid	Fees and Commissions Paid
<b>Administrative Officials:</b>			
Henry E. Helling, III	Executive Director	\$72,383	
Ronald J. Corn	Deputy Director	65,845	
David J. Nesbitt	Asst. Director, Benefits	62,023	
Theodore G. Hall	Asst. Director, Investments	58,023	
John N. Babel	Asst. Director, Finance	51,246	
<b>Investment Management Fees:</b>			
Atlanta/Sosnoff Capital Corp.	Investment Advisory Managers		\$375,409
Axe Core Investors, Inc.	Investment Advisory Managers		34,047
Bankers Trust Co.	Investment Advisory Managers		567,300
Duff and Phelps Asset Management	Investment Advisory Managers		58,258
Loomis, Sayles, and Company Meyer	Investment Advisory Managers		432,402
Oppenheimer Capital Corp.	Investment Advisory Managers		569,360
Schroder Real Estate Assoc.	Investment Advisory Managers		435,852
Society National Bank - Cleveland	Investment Advisory Managers		591,954
Value Line Asset Management	Investment Advisory Managers		77,802
	Investment Advisory Managers		356,684
<b>Other Professional Fees:</b>			
Attorney General of Ohio	Legal Services		164,505
Health Research Institute	Management Consulting Services		52,099
KPMG Peat Marwick	Audit & Accounting Services		142,000
The Townsend Group	Investment Services		199,711
The Wyatt Co.	Actuarial Services		69,595
Mike Zettler & Assoc., Inc.	Programming Services		268,446

See accompanying independent auditors' report.

# DETAILED LISTING OF INVESTMENT PORTFOLIO

DECEMBER 31, 1989

## SCHEDULE 4

### BONDS

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
FNMA	12.35	12/10/13	\$ 3,000,000	\$ 3,684,820	\$ 3,390,000
Tennessee Valley Authority	8.75	10/01/19	3,060,000	2,965,411	2,961,499
Manitoba (Prov. of)	14.75	03/15/97	8,500,000	8,683,187	10,312,115
American Housing TR-1 CL-3	7.625	08/25/18	8,855,105	7,660,727	8,002,801
BSIT 88-7 CL-2	9.25	12/01/18	15,100,000	14,815,289	15,052,888
BSIT 89-1 CL-Y3	9.97	01/01/15	2,757,000	2,754,435	2,860,388
BSIT 89-3 CL-Y4	0	01/01/17	28,777,000	10,597,952	12,086,340
Community Prog. Ser. 87 A-3	4.5	04/01/02	13,700,000	9,401,096	10,326,375
FHLMC Series F-3	12.25	03/15/95	9,139,817	9,560,488	9,706,029
FNMA Gtd Remic 88-23C	9.75	09/25/18	5,000,000	4,856,416	5,109,400
FNMA Remic 89-8 CL 8D	9.5	07/25/03	4,500,000	4,438,500	4,632,030
FNMA Remic 89-11 C-Y2	0	06/25/07	20,402,000	12,324,994	13,873,360
FNMA 89-34 Y3	9.85	11/25/02	6,300,000	6,466,766	6,481,125
FNMA Trust 27	0	02/01/17	52,538,306	27,601,526	29,897,448
FNMA Trust 28	0	02/01/17	42,720,243	21,700,853	24,310,382
FNMA Strip TR34 CL1	0	05/01/18	34,676,496	17,999,419	20,199,059
FNMA Trust 35	0	09/01/17	6,471,380	3,464,870	3,761,489
MLT #12 Class F	8.45	09/01/17	15,000,000	14,214,156	13,589,100
Merrill Lynch Great Western	11.35	04/01/05	1,472,890	1,444,360	1,487,383
Mid-State TR II CL A-3	9.35	04/01/98	45,000,000	44,723,602	45,603,000
Mid-State TR II A-4	9.625	10/01/03	25,075,000	24,551,580	25,482,469
Rural Housing TR 87-1 2-C	6.83	04/01/26	13,370,000	10,413,726	11,376,934
First Union Real Estate Eq	10.25	07/31/09	250,000	250,000	260,000
Sudbury Holdings Inc.	7.5	04/15/11	200,000	200,000	112,000
Telxon Inc.	7.5	06/01/12	100,000	100,000	54,000
Associates Corp. N.A.	12.5	09/15/94	7,000,000	7,664,259	7,965,860
Associates Corp. N.A.	12.4	10/01/95	1,000,000	1,187,449	1,156,250
Associates Corp. N.A.	7.625	04/15/98	16,700,000	16,693,023	16,350,970
Associates Corp. N.A.	8.75	02/15/91	10,000,000	9,968,940	10,035,000
Associates Corp. N.A.	8.375	01/15/98	7,000,000	6,946,891	6,955,200
Bank of New England	9.625	02/15/91	4,750,000	4,712,409	4,755,225
Bank of New England	9.75	02/23/91	22,950,000	22,807,148	23,005,080
Beneficial Corp.	12.75	08/15/94	6,450,000	6,455,142	7,347,969
D.C.S. Capital Corp.	12.375	10/15/96	5,000,000	4,987,645	5,612,500
First Chicago Corp.	8.5	06/01/98	20,000,000	20,035,622	19,952,600
First Chicago	10.2	03/06/91	10,000,000	10,000,000	10,185,300
First Chicago	9.5	08/30/91	12,000,000	12,015,978	12,141,840
First Chicago	10.25	03/08/91	7,750,000	7,714,586	7,883,223
G.E. Capital Corp.	8.25	05/01/18	6,380,000	6,287,930	6,363,157
GMAC	8.65	11/01/93	4,775,000	4,775,779	4,758,288
GMAC	8.55	12/07/92	15,350,000	15,313,952	15,254,063
GMAC	9	10/15/91	2,000,000	2,016,252	2,011,560
GMAC	7.125	01/15/92	3,100,000	3,022,605	3,010,658
GMAC	8.5	02/01/93	3,150,000	3,158,035	3,125,588
GMAC	8.625	06/15/99	9,500,000	9,560,621	9,490,500
GMAC	8.5	02/25/93	12,500,000	12,493,821	12,410,000
GMAC	8.625	08/06/91	2,200,000	2,211,987	2,199,560



# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
GMAC	9.6	01/25/94	1,500,000	1,495,130	1,535,400
GMAC	9.5	01/27/94	15,000,000	15,240,053	15,313,500
GMAC	8.7	06/16/92	5,000,000	4,958,740	4,996,300
GMAC	8.375	08/05/92	8,750,000	8,757,526	8,673,438
GMAC	8.5	07/11/91	3,000,000	3,004,179	2,996,100
Great Western Bank	9.8	12/01/93	5,000,000	5,125,562	5,071,500
Great Western Bank	9.8	02/15/94	3,000,000	3,092,265	3,040,500
Great Western Bank	10.15	03/15/92	4,070,000	4,059,812	4,164,017
Household Finance Corp.	9.5	12/15/93	4,500,000	4,444,822	4,598,100
ITT Financial Corp.	12.75	08/15/94	12,650,000	13,122,624	13,750,424
ITT Financial Corp.	8.75	03/01/06	11,000,000	11,333,022	10,967,770
ITT Financial	8.5	01/15/98	3,000,000	2,980,486	2,985,000
ITT Financial	8.35	11/01/04	15,000,000	14,760,727	14,752,800
International Lease Finance	9.8	07/28/95	2,500,000	2,538,677	2,589,000
International Lease Finance	9.55	02/23/93	2,000,000	2,047,015	2,031,900
International Lease Finance	8.6	03/04/92	10,000,000	10,000,000	9,955,500
McDonnell Douglas Finance	9.7	01/15/92	7,500,000	7,373,760	7,623,750
Merrill Lynch & Co.	0	02/21/06	2,600,000	720,857	724,880
Merrill Lynch	10.625	03/30/91	13,980,000	13,980,000	14,275,118
National Cr. Card TR. 89-1	9.7	02/17/92	23,475,000	23,232,625	23,901,071
Shearson Lehman American Exp.	12.5	10/15/94	18,915,000	20,238,967	20,892,563
Shearson Lehman Bros. Inc.	11.625	05/15/05	6,400,000	7,372,718	7,259,392
Shearson Lehman Brothers	7.875	08/15/93	11,250,000	10,648,142	10,717,650
Shearson Lehman Hutton	10.75	04/29/96	3,360,000	3,506,470	3,522,960
American Medical International	9.75	02/01/93	5,300,000	5,389,705	4,751,238
Chrysler Building of N.Y.	9.125	05/01/99	15,000,000	14,950,833	15,169,500
Dayton-Hudson Corp.	9.25	11/15/16	1,850,000	1,841,304	1,750,359
General Motors Corp.	8.125	04/15/16	4,800,000	3,987,697	4,260,864
HCA Corp. Sub. Disc. 15.75%	0	07/01/03	800	420	532
Interco Sub. Disc. Deb.	0	12/15/03	400	122	205
Interco Sr. Sub. Pik. Deb.	0	12/15/03	800	396	179
Kroger Co. Sub. Deb. Disc.	15.5	10/15/08	600	103	373
Transamerica Corp.	9.375	11/15/92	7,000,000	7,000,000	7,096,250
Union Carbide Corp.	13.25	01/31/93	48,600	33,942	48,843
Union Carbide Corp.	14.25	01/31/96	48,600	28,910	50,362
Union Carbide Corp.	15	01/31/06	60,700	30,566	69,805
Xerox Corp.	13.25	09/01/14	6,500,000	8,244,126	7,664,215
FHLMC #140540	5.25	04/01/02	16,343,118	14,283,924	14,647,519
FHLMC #181186	8	10/01/08	913,037	618,351	860,830
FHLMC #181734	7.5	05/01/09	1,868,851	1,121,766	1,726,351
FHLMC #185130	9.75	10/01/09	1,469,758	1,250,608	1,475,270
FHLMC #185228	11.5	08/01/13	639,853	607,425	676,248
FHLMC #185711	12	09/01/13	401,101	383,132	428,676
FHLMC #185839	12	08/01/13	286,797	271,049	306,514
FHLMC #186256	12	10/01/13	375,047	290,041	400,831
FHLMC #186808	13	10/01/13	19,270	18,176	21,028
FHLMC #187000	13	12/01/13	182,983	171,384	199,680
FHLMC #189847	9.75	12/01/09	1,752,545	1,448,685	1,759,117
FHLMC #170164	9	05/01/16	646,777	635,069	630,206
FHLMC #230013	7.25	08/01/98	3,272,430	3,070,356	3,064,827
FHLMC #251021	12	08/01/99	616,401	728,409	658,779
FHLMC #252397	7.25	07/01/03	1,389,237	1,321,009	1,331,501

## DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
FHLMC #252548	7	09/01/02	983,503	917,734	939,245
FHLMC #254617	9.75	01/01/11	1,010,163	898,078	1,013,951
FHLMC #212242	7.5	07/01/01	6,992,333	6,322,707	6,548,740
FHLMC #300846	7	06/01/02	1,163,135	1,127,619	1,120,971
FNMA #281	9.5	12/01/10	1,670,489	1,567,952	1,672,059
FNMA/GL #2494	8	01/01/08	15,917,362	14,960,940	15,017,076
FNMA #7726	4	06/01/01	7,766,326	6,649,242	6,642,616
FNMA/GL #8245	8	02/01/08	7,457,622	7,093,188	7,066,097
FNMA/GL #8300	7.5	07/01/07	22,812,349	20,714,165	21,108,495
FNMA/GL #44046	7.5	02/01/14	10,639,698	9,688,326	9,891,621
FNMA/GL #44048	7	12/01/05	17,154,711	15,238,037	15,599,465
FNMA/GL #57839	7.25	07/01/07	8,642,726	7,827,339	7,908,095
GNMA #228868	8	04/15/17	1,784,850	1,521,445	1,682,221
Mid-Penn Telephone Co.	9.5	05/01/00	620,000	620,000	631,625
Western Reserve Telephone	9.375	05/15/00	563,000	563,000	572,149
U.S. Treasury	8.125	08/15/19	41,000,000	42,293,755	41,678,960
U.S. Treasury	11.625	01/15/92	39,980,000	43,002,412	42,659,859
U.S. Treasury	7.375	05/15/96	269,130,000	253,542,905	260,550,136
U.S. Treasury	7.25	11/15/96	341,820,000	315,229,130	328,147,200
U.S. Treasury	8.625	08/15/97	119,900,000	123,356,919	123,946,625
U.S. Treasury	8.875	11/15/97	95,560,000	96,389,233	100,128,724
Pacific Gas & Electric	12.75	11/01/17	4,000,000	5,294,032	4,825,240
Virginia Electric & Power	13.3	07/01/94	8,000,000	8,275,857	8,510,400
<b>Total</b>			<b><u>\$1,844,326,209</u></b>	<b><u>\$1,699,759,949</u></b>	<b><u>\$1,746,148,310</u></b>

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

## COMMON STOCKS

	SHARES	COST	MARKET VALUE
Abbott Labs	86,600	\$ 4,039,515	\$ 5,888,800
Acme Cleveland	35,000	461,220	380,625
Action Auto Rental, Inc.	85,800	1,608,750	729,300
Aetna Life & Casualty	7,800	409,906	440,700
Agency Rent A Car, Inc.	15,000	169,375	174,375
Ahmanson (H H) & Co.	8,800	185,240	167,200
Air Products & Chemical	163,800	7,517,742	7,862,400
Alaska Air Group, Inc.	400	8,820	8,250
Albertson's, Inc.	90,900	3,249,008	5,044,950
Alco Standard Corp.	7,700	228,498	265,650
Alexander & Alexander	9,100	231,732	278,688
Allied-Signal, Inc.	18,249	656,763	636,434
Alltel Corp.	51,075	819,886	1,985,541
Aluminum Co. of America	23,000	1,297,280	1,725,000
Amax, Inc.	22,800	377,380	524,400
Amcast Industrial	30,000	364,165	371,250
Amerada Hess Corp.	8,000	285,763	390,000
Amdahl Corp.	34,400	636,075	494,500
American Brands, Inc.	17,900	803,032	1,270,900
American Cyanamid Co.	76,900	4,022,943	4,123,763
American Electric Power	147,300	4,358,965	4,860,900
American Express	284,400	6,422,949	9,918,450
American Family Corp.	210,200	3,482,596	3,783,600
American General Corp.	39,700	1,458,809	1,240,625
American Greetings Corp.	60,000	1,853,021	2,115,000
American Home Products	95,100	6,726,798	10,223,250
American Information Tech.	32,400	1,287,006	2,203,200
American International	153,600	10,547,906	15,897,600
American Medical Ent.	1,007	22,320	7,175
American Steel & Wire	10,000	71,250	77,500
America Stores Co.	2,000	100,700	113,000
American Tel & Tel Co.	149,800	3,639,030	6,815,900
Ameritrust Corp.	45,000	1,009,265	1,125,000
Amp, Inc.	36,800	1,315,947	1,637,600
Amoco Corp.	111,500	4,661,966	6,090,688
Anheuser Busch Cos. Com. Inc.	313,256	10,524,684	12,060,356
Apache Corp.	8,300	102,090	152,513
Archer Daniels Midland	210,486	3,462,860	4,867,489
Arkla, Inc.	45,200	997,669	1,231,700
Armstrong World Industries	4,300	181,864	160,175
Asarco, Inc.	8,200	226,935	244,975
Ashland Oil	109,600	3,851,043	4,384,000
Atek Metals Center, Inc.	19,000	145,250	83,125
Atlantic Richfield Co.	92,900	7,183,378	10,346,738
Audio Video Affiliates	19,932	161,625	72,254
Automatic Data Process	148,000	6,683,923	7,252,000
Avery International	8,800	227,040	284,900
Avnet, Inc.	50,000	1,547,520	1,550,000

FINANCIAL SECTION

## DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Avon Products	22,800	604,741	840,750
Bairnco Corp.	170,000	4,071,010	3,038,750
Baker Hughes, Inc.	19,100	348,255	487,050
Baldwin Piano & Organ	22,000	306,000	220,000
Bally Mfg. Corp.	20,900	511,186	316,113
Baltimore Gas & Electric	4,800	102,840	165,600
Banc One Corp.	43,600	1,470,990	1,411,550
Bandag, Inc.	39,500	3,111,126	3,327,875
Bank of Boston	5,900	183,195	112,100
BankAmerica Corp.	36,900	808,370	987,075
Bankers Trust Corp.	3,200	105,560	132,400
Bard (C.R.), Inc.	9,400	230,770	207,975
Barnett Banks, Inc.	4,275	103,503	154,434
Barry (R.G.)	13,000	74,340	139,750
Bausch & Lomb	58,200	3,405,004	3,783,000
Baxter Int'l. Inc. Com.	27,918	410,068	697,950
Bearings Inc. Com. New	15,750	252,298	439,031
Beckman Instruments Inc. New	3,852	50,465	68,373
Becton, Dickinson	28,300	1,646,453	1,751,063
Bell Atlantic Corp.	26,500	1,675,784	2,948,125
Bellsouth Corp.	85,450	2,591,138	4,945,419
Beneficial Corp.	4,300	269,778	210,700
Bergen Brunswig Corp.	40,000	1,026,120	975,000
Bethlehem Steel	14,300	293,878	264,550
Black & Decker	26,100	513,476	508,950
Block (H & R)	5,800	183,570	208,800
Bob Evans Com.	14,000	195,750	196,000
Boeing Co.	98,375	4,473,071	5,841,016
Boise Cascade Corp.	18,166	581,134	806,116
Bolar Pharmaceutical Co.	50,000	1,455,445	912,500
Borden, Inc.	67,000	1,788,275	2,303,125
Bowater, Inc.	15,500	569,538	428,188
Bristol Myers Squibb Co.	260,480	8,107,404	14,586,880
Broad, Inc. Com.	2,200	15,307	25,850
Brown Forman	3,600	226,919	317,700
Browning & Ferris Industries	249,000	6,538,329	9,648,750
Brunswick Corp.	9,800	138,163	138,425
Brush Wellman, Inc.	38,400	983,737	801,600
Burlington Northern	146,500	3,392,249	4,614,750
CBS, Inc.	3,100	383,322	582,800
Cigna Corp.	10,700	587,333	636,650
CPC International, Inc.	16,600	819,201	1,224,250
CSX Corp. Com.	5,700	135,233	204,488
Campbell Soup Co.	27,400	1,055,719	1,606,325
Capital Cities/ABC, Inc.	9,900	4,456,123	5,584,838
Capital Holding Corp.	4,000	101,400	208,000
Carolina Power & Light	5,200	239,808	241,150
Caterpillar, Inc.	20,700	827,538	1,198,013
Centerior Energy Corp.	42,200	729,664	870,375
Centex Corp.	27,000	1,064,257	833,625
Central & Southwest Co.	86,200	3,064,844	3,458,775
Chamption International	6,800	180,865	217,600
Charter One Financial	20,000	229,125	355,000

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Chase Manhattan Corp.	6,200	197,652	215,450
Chemed Corp.	16,000	567,768	568,000
Chevron Corp.	95,000	4,297,372	6,436,250
Chrysler Corp.	22,700	750,260	431,300
Chubb Corp.	12,250	1,012,490	1,166,813
Cincinnati Financial	3,150	204,250	250,425
Cincinnati Microwave	27,090	145,895	213,334
Cincinnati Milacron	15,000	286,200	262,500
Circuit City Stores	4,200	54,994	91,350
Citicorp	75,200	1,988,240	2,171,400
Clevetrust Realty SBI	30,000	215,000	127,500
Clorox Co.	5,800	101,428	243,600
Coast Savings Financial, Inc.	180,000	2,919,476	2,115,000
Coastal Corp.	4,500	158,850	223,313
Coca Cola Co.	101,200	4,397,587	7,817,700
Colgate Palmolive Co.	2,990	74,032	189,865
Columbia Gas Systems	3,100	153,106	161,200
Comair Holdings	10,000	109,250	133,750
Comcast Class A	7,900	112,080	132,325
Comdisco, Inc.	100,000	2,929,449	2,475,000
Commercial Intertec Co.	12,000	180,167	270,000
Commonwealth Edison	156,500	5,460,334	5,888,313
Community Psych Center	82,100	2,029,816	2,442,475
Computer Assoc. Int'l.	2,600	54,828	32,500
Conagra Inc.	9,900	105,518	282,150
Consolidated Edison	70,600	1,367,641	2,056,225
Consolidated Freightway	10,350	261,617	274,275
Consolidated Natural Gas	6,100	176,024	307,288
Consolidated Stores	50,000	414,455	193,750
Contel Corp.	29,400	523,450	1,003,275
Control Data Corp.	24,100	577,366	436,813
Cooper Industries, Inc.	108,000	3,446,223	4,320,000
Cooper Tire & Rubber	20,000	155,038	647,500
Corning, Inc.	43,700	1,728,828	1,879,100
Corroon & Black Corp.	6,600	231,766	238,425
Dana Corp.	12,000	400,123	415,500
Dayton Hudson	67,203	3,886,404	4,275,791
Deere & Co.	10,900	317,172	670,350
Delta Airlines	10,300	475,297	702,975
Deluxe Corp.	17,300	570,628	594,688
Detroit Edison Co.	6,100	102,023	154,788
Diebold, Inc.	10,600	433,471	408,100
Dillard Dept. Stores A	58,400	2,912,202	4,146,400
Walt Disney Co.	126,200	9,865,096	14,134,400
Dominion Resources, Inc.	5,400	186,885	256,500
Donnelley R. R. & Sons	3,800	104,215	194,750
Dover Corp.	19,700	576,799	709,200
Dow Chemical Co.	135,300	8,013,525	9,657,038
Dow Chemical Co. RTS	1,820	9,844	15,015
Dow Jones & Co.	6,500	221,525	216,125
Dow Jones & Co. Class B	2,050	57,807	68,163
Dresser Industries Inc.	22,900	466,802	1,027,638
Dreyfus Corp.	22,900	523,426	815,813

## DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
E.I. Dupont De Nemours	90,300	7,296,171	11,106,900
Duke Power Co.	30,900	1,310,967	1,734,263
Dun & Bradstreet	28,565	1,299,565	1,313,990
E. G. & G., Inc.	2,700	105,773	91,800
Essef Corp.	25,000	300,000	212,500
E Systems	1,400	42,098	43,225
Eagle Picher Industries	15,000	419,015	138,750
Eastern Enterprises	6,500	154,700	226,688
Eastman Kodak Co.	55,300	1,921,579	2,274,213
Eaton Corp.	67,950	3,453,458	3,873,150
Echlin, Inc.	8,200	196,185	128,125
A. G. Edwards, Inc.	9,790	244,506	222,723
Emerson Electric	27,700	681,676	1,080,300
Englehard Corp.	11,550	235,984	222,338
Enron Corp.	16,300	762,395	939,288
Enserch Corp.	23,100	578,361	615,038
Entergy Corp. Com.	11,300	125,229	262,725
Equifax, Inc.	140,000	2,549,396	2,240,000
Equitable Resources	12,900	415,093	535,350
Ethyl Corp.	87,100	1,979,964	2,395,250
Exxon Corp.	274,900	9,278,735	13,745,000
FPL Group, Inc.	4,500	109,013	163,688
Fabri Centers of America	20,000	229,930	275,000
Fed. Home Loan Mtg. Ptc. Pfd.	72,000	4,679,149	4,833,000
Federal National Mortg. Assoc.	180,600	4,853,285	6,117,825
Ferro Corp.	22,500	256,014	579,375
First Fid Bancorp New Com.	3,800	153,140	88,350
First Interstate Bancorp	43,100	2,681,340	1,804,813
First Union Corp.	7,400	163,170	152,625
First Union Real Estate	45,000	856,196	736,875
Fleet Norstar Fin. Group	6,000	156,300	156,750
Fleetwood Enterprises	32,300	866,228	775,200
Fleming Companies, Inc.	6,000	226,050	180,750
Flightsafety International	80,000	2,965,590	3,830,000
Florida Progress Corp.	13,400	377,618	536,000
Fluor Corp.	11,000	198,449	404,250
Food Lion Class B	75,000	911,298	843,750
Ford Motor Co.	245,700	10,631,364	10,718,663
Freeport McMoran	23,925	592,866	765,600
GTE Corp. Com.	154,500	6,808,115	10,815,000
Gannett Co.	30,300	1,075,995	1,318,050
Gap (The), Inc.	88,100	3,951,685	4,526,138
Gencorp	33,074	616,375	396,888
General Cinema Corp.	6,400	98,720	164,800
General Dynamics	1,800	103,590	80,775
General Electric	428,600	18,829,324	27,644,700
General Instrument	73,674	2,713,980	2,928,542
General Mills, Inc.	39,400	2,142,864	2,851,575
General Motors Corp.	84,800	2,972,191	3,582,800
General RE Corp.	188,500	11,079,082	16,423,063
General Signal Corp.	2,300	99,498	110,975
Genuine Parts Co.	24,100	915,559	1,012,200
Georgia Pacific	39,400	1,769,397	1,910,900

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Gerber Products	84,800	2,570,113	4,028,000
Giant Food, Inc.	5,800	168,855	165,300
Gibson Greetings	16,000	268,925	414,000
Gillette Co.	96,744	3,805,943	4,752,549
Golden West Financial	10,000	231,500	268,750
Goodrich (B.F.)	12,000	489,434	498,000
Goodyear Tire & Rubber	7,372	205,552	320,682
W. R. Grace & Co.	28,100	586,232	920,275
Grainger (W.W.), Inc.	5,300	168,757	341,850
Great Atlantic & Pacific Tea	41,300	2,524,410	2,431,538
Great Lakes Chemical	46,000	2,023,251	2,173,500
Great Northern Nekoosa	21,200	745,260	1,303,800
Great Western Financial	7,500	123,150	131,250
Halliburton Co.	26,100	794,656	1,115,775
Handleman Co.	118,850	2,295,382	2,495,850
Hanna (M.A.) Co.	19,500	281,570	526,500
Harris Corp.	41,600	1,482,602	1,378,000
Hasbro, Inc.	95,500	2,115,360	1,790,625
Health Care REIT	16,000	240,560	234,000
Hecla Mining Co.	5,500	98,588	77,000
Heinz H J	118,800	2,910,648	4,158,000
Helmrich & Payne, Inc.	11,900	290,854	409,063
Hercules, Inc.	22,100	1,133,375	861,900
Hershey Foods Corp.	7,500	101,500	269,063
Hewlett Packard	130,200	6,297,905	6,151,950
Hillenbrand, Ind. Inc.	60,000	2,416,175	2,625,000
Hilton Hotels Corp.	28,200	2,638,405	2,326,500
Homestake Mining Co.	29,500	380,719	564,188
Honeywell, Inc.	42,500	3,515,893	3,686,875
Household International	3,300	150,660	171,188
Houston Industries	38,000	1,140,898	1,330,000
Huffy Corp.	30,000	253,220	570,000
Humana, Inc.	94,700	3,256,195	4,166,800
Huntington Bancshares	6,000	114,000	120,000
ITT Corp.	35,800	1,752,074	2,107,725
Illinois Tool Works	93,000	3,814,742	4,173,375
Ingersoll Rand	97,500	3,224,045	4,899,375
Inland Steel Industries	4,600	201,480	155,250
Interco, Inc.	6,100	9,569	3,428
Interlake Corp.	4,700	57,413	64,038
Intl. Business Machines	137,200	16,874,100	12,913,950
Intl. Flavors & Fragrances	6,700	210,633	453,925
International Paper Co.	116,000	5,868,670	6,554,000
Interpublic Group Co.	136,300	3,466,711	4,446,788
Invacare Corp.	30,000	216,775	330,000
James River Corp. of VA	154,750	4,039,455	4,391,031
Jefferson Pilot Corp.	3,750	104,625	159,375
Johnson & Johnson	210,700	7,268,228	12,510,313
Johnson Controls, Inc.,	4,300	154,840	138,675
K Mart	120,050	3,968,636	4,201,750
Kaufman & Broad Home Inc.	1,613	17,524	21,977
Keithley Instruments	25,750	319,500	312,219
Kellogg Co.	27,500	1,277,194	1,859,688

## DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Kellwood Co.	147,150	4,141,267	3,274,088
Kerr McGee Corp.	15,900	532,127	806,925
Keystone International	28,256	376,962	600,440
Kimberly Clark Corp.	8,800	460,140	646,800
Knight Ridder Inc.	85,700	4,493,642	5,002,738
Kroger Co.	11,200	37,175	165,200
Krug International Corp.	20,000	125,780	72,500
LDI Corp.	16,800	245,500	260,400
Lamson & Sessions	15,000	151,775	142,500
Lancaster Colony Corp.	30,800	495,195	770,000
Lilly Eli & Co.	83,700	4,049,272	5,733,450
Limited, Inc.	168,700	5,234,083	5,904,500
Lincoln National Corp.	86,500	4,000,590	5,265,688
Litton Industries, Inc.	3,696	322,864	285,516
Liz Claiborne	105,500	2,527,530	2,532,000
Lockheed Corp.	31,200	1,542,034	1,216,800
Loctite Corp.	25,800	1,195,128	1,206,150
Loews Corp.	112,000	9,012,269	13,916,000
Long Island Lighting	26,800	236,243	542,700
Lotus Dev. Corp.	15,000	347,598	465,000
Louisiana Land & Exploration	4,800	157,440	212,400
Lubrizol Corp.	12,000	350,263	450,000
M/A Com., Inc.	16,500	281,970	78,375
MCA, Inc.	4,400	177,020	273,900
Manufacturers Hanover	21,900	682,543	725,438
Mapco, Inc.	14,000	385,106	560,000
Marion Merrell Dow, Inc.	1,820	32,789	49,140
Marriott Corp.	26,100	856,419	871,088
Marsh & McLennan	81,200	4,501,363	6,333,600
Martin Marietta Corp.	17,250	635,964	765,469
Masco Corp.	12,600	274,436	307,125
Mattel, Inc.	23,100	334,193	456,225
Maxus Energy Corp.	19,158	175,148	210,738
May Department Stores	132,200	5,109,463	6,329,075
Maytag Co.	31,000	712,203	604,500
McCormick & Co. Inc. Com. Vtg.	18,000	779,198	704,250
McDonald & Co. Investments	50,000	525,000	306,250
McDonalds Corp.	341,150	8,045,336	11,769,675
McDonnell Douglas Corp.	1,500	105,525	91,875
McGraw Hill & Co.	19,100	1,047,325	1,083,925
McKesson Corp.	4,300	152,790	153,188
Mead Corp.	34,100	871,401	1,253,175
Measurex Corp.	14,600	445,140	366,825
Medex, Inc.	15,000	131,875	127,500
Medtronic, Inc.	37,400	2,216,285	2,454,375
Mellon Bank Corp. Com.	73,300	2,270,986	2,098,213
Melville Corp.	126,800	3,573,920	5,658,450
Mercantile Stores	3,250	129,540	127,156
Merck & Co.	226,400	8,388,271	17,546,000
Merrill Lynch & Co.	7,500	227,473	196,875
Minnesota Mining & Mfg.	83,800	5,106,711	6,672,575
Mr. Gasket Co.	55,000	407,518	130,625
Mobil Corp.	127,600	5,004,334	7,990,950



# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Monsanto Co.	23,100	1,893,272	2,665,163
Morgan (J.P.) & Co.	45,900	1,586,157	2,019,600
Mortgage & Realty Trust	600	11,993	8,325
Morton Intl. Inc. Ind. Com.	6,400	257,540	229,600
Motorola, Inc.	118,200	6,395,125	6,899,925
Multicolor Corp.	13,000	111,250	162,500
Murphy Oil	75,000	2,982,011	3,103,125
NCNB Corp.	63,000	3,144,710	2,913,750
NCR Corp.	26,900	1,061,649	1,583,738
NBD Bancorp, Inc.	6,150	153,705	196,800
Nacco Industries, Inc.	3,000	98,000	166,500
National City Corp.	100,500	3,620,126	3,932,063
National Ed. Corp.	3,753	32,004	25,802
National Medical Enter.	8,500	272,912	329,375
National Services, Ind., Inc.	9,100	233,497	253,663
New York Times (A)	6,000	157,062	159,000
Newell Co.	11,400	226,290	252,225
Newmont Mining Co.	200	2,813	9,500
Niagra Mohawk Power Co.	142,600	1,802,672	2,049,875
Nicor, Inc.	1,600	67,880	73,600
Nike, Inc.	3,900	239,850	207,675
Nordstrom, Inc.	5,600	124,040	208,600
Norfolk Southern Corp.	46,400	1,328,293	1,879,200
Northern States Power	3,300	130,515	131,175
Northrop Corp.	9,300	339,431	162,750
Norton Co.	4,300	229,728	253,163
Norwest Corp.	9,600	158,640	216,000
Nucor Corp.	20,200	763,636	1,217,050
Nynex Corp.	74,600	5,044,343	6,816,575
OHM Corp.	10,000	121,575	107,500
Occidental Petroleum Corp.	19,834	575,382	587,582
Ogden Corp.	137,500	4,008,302	4,382,813
Ogden Projects Inc. Com.	3,626	91,443	92,010
Oglebay Norton	8,000	215,750	284,000
Ohio Edison Co.	36,900	762,840	876,375
Omnicare, Inc.	55,000	468,945	467,500
Oracle Systems	10,200	242,250	238,425
Oryx Energy Co.	18,600	494,265	825,375
Outboard Marine	5,100	226,568	132,600
PHM Corp.	10,000	167,662	111,250
PNC Financial Corp.	3,500	157,100	145,688
PPG Industries	88,700	3,559,810	3,525,825
Paccar, Inc.	5,000	101,250	213,750
Pacific Enterprises	5,200	224,280	262,600
Pacific Gas & Electric	16,700	302,360	367,400
Pacific Telesis	80,700	1,844,898	4,065,263
Pacificorp	5,300	188,102	242,475
Pall Corp.	67,200	2,335,604	2,301,600
Panhandle Eastern	12,418	255,134	370,988
Paramount Communications Inc.	46,300	1,272,425	2,338,150
Park-Ohio Industries	13,000	98,350	76,375
Parker Hannifin	34,300	961,348	866,075
Penney (J.C.)	68,100	4,040,792	4,954,275

## DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Pennzoil Co.	8,300	433,753	735,588
Pepsico, Inc.	133,200	5,215,743	8,524,800
Perkin Elmer Corp.	9,300	237,118	210,413
Petrie Stores Corp.	60,000	1,848,006	1,282,500
Pfizer, Inc.	82,300	4,405,388	5,719,850
Philadelphia Electric	6,500	100,588	150,313
Philip Morris Cos., Inc.	517,300	7,670,293	21,532,613
Philips Industries	41,300	765,425	965,388
Phillips Petroleum Co.	8,400	98,744	212,100
Pioneer Standard Electric	55,000	403,125	440,000
Pitney Bowes	6,900	131,445	327,750
Polaroid Corp.	18,890	529,412	864,218
Premark Intl.	5,800	230,840	178,350
Premier Ind. Corp. No Par	20,000	440,782	755,000
Prime Motor Inns	9,300	287,017	220,875
Primerica Corp. Del	14,600	369,704	416,100
Proctor & Gamble	138,800	6,143,456	9,750,700
Progressive Corp. Ohio	138,000	4,364,970	5,313,000
Public Service Enterprise	6,900	134,435	201,825
Quaker Oats Co.	4,600	100,568	265,650
Quantum Chemical Corp.	10,726	227,449	319,099
Rax Restaurants	19,000	117,500	38,000
RPM, Inc.	38,000	448,250	722,000
Ralston Purina	3,100	131,285	257,300
Raytheon Co.	3,200	143,632	222,400
Reynolds & Reynolds Class A	22,000	620,350	530,750
Reynolds Metals Co.	5,000	82,438	268,125
Rite Aid Corp.	118,300	3,707,029	3,948,263
Roadway Services	29,900	1,076,988	1,263,275
Robbins & Myers, Inc.	10,000	107,830	162,500
Rockwell International	51,400	895,633	1,220,750
Rohm & Haas	4,900	97,200	170,275
Rowan Cos., Inc.	56,900	483,543	640,125
Rubbermaid, Inc.	106,400	3,172,778	3,910,200
Ryder Systems	14,200	399,834	289,325
Ryland Group	2,800	55,790	52,850
SCE Corp.	46,800	1,306,886	1,842,750
Safeco Corp.	33,600	1,111,216	1,297,800
Safety-Kleen Corp.	38,000	1,195,700	1,159,000
St. Paul Companies	30,900	1,339,796	1,826,963
Salomon, Inc.	155,600	3,957,081	3,637,150
Santa Fe Southern Pacific	8,500	156,613	157,250
Sara Lee Corp. Com.	232,600	4,757,844	7,792,100
Schering Plough Corp.	41,800	2,897,081	3,573,900
Scott Paper Co.	8,400	235,825	404,250
E. W. Scripps Co.	5,000	80,000	120,000
Sears Roebuck & Co.	46,500	1,742,970	1,772,813
Security Pacific Corp.	27,700	1,066,785	1,125,313
Service Corp. Intl.	11,700	241,652	182,813
Shawmut National Corp.	8,300	233,853	168,075
Sherwin Williams	56,800	1,650,419	1,952,500
Smithkline Beecham PLC	100,000	4,426,221	4,312,500
J. M. Smucker Co.	5,000	227,250	364,375

## DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Snap On Tools	5,400	104,423	175,500
Society Corp.	10,000	287,750	341,250
Sonat, Inc.	7,900	279,858	385,125
Southern Co.	53,600	1,146,863	1,561,100
Southland Corp. Pfd. Exchg. 15%	1	5	2
Southwest Airlines	13,600	308,488	326,400
Southwestern Bell Corp.	131,600	5,491,409	8,405,950
Sovran Financial Corp.	4,600	157,205	174,800
Square D	9,600	388,478	512,400
Standard Products	15,000	431,575	331,875
Stanley Works	7,500	214,125	292,500
State Street Boston	43,000	1,650,253	1,687,750
Stride Rite	175,000	3,167,997	5,053,125
Sun, Inc.	31,900	1,146,791	1,303,913
Sundstrand Corp.	71,600	4,776,888	4,645,050
Sun Trust Banks, Inc.	6,600	153,780	150,975
Super Value Stores, Inc.	47,800	1,162,416	1,386,200
Syntex Corp.	4,800	179,520	240,000
Sysco Corp.	134,800	2,409,024	4,263,050
TJX Cos. Inc. New Com.	223,600	4,012,402	3,437,850
TRW, Inc.	117,800	5,419,629	5,816,375
Tandy Corp.	125,000	5,262,006	4,890,625
Tektronix, Inc.	3,400	99,620	60,775
Telecredit, Inc.	15,000	591,050	596,250
Teledyne, Inc.	12,000	4,085,280	4,119,000
Telxon Corp.	17,000	205,458	136,000
Temple Inland, Inc.	3,800	225,815	264,100
Tenneco, Inc.	75,600	4,527,194	4,706,100
Texaco, Inc.	41,000	1,472,407	2,413,875
Texas Instruments	18,600	565,408	667,275
Texas Utilities Co.	186,800	6,066,933	6,561,350
Textron, Inc.	27,200	724,786	669,800
Thor Industries	20,000	321,345	205,000
Time Warner, Inc. Com.	45,700	4,791,765	5,512,563
Times Mirror Co.	14,150	398,809	505,863
Timken Co.	11,000	288,903	305,250
Todd Shipyards Corp.	400	12,020	1,600
Torchmark Corp.	46,800	2,178,926	2,609,100
Transamerica Corp.	3,300	95,260	146,025
Transco Energy Co.	16,100	678,193	774,813
Tranzonic Co.	7,000	32,981	89,250
Tranzonic Co. Class B	3,500	16,064	44,625
Travelers Corp.	3,200	143,520	118,000
Tredegar Industries Inc.	6,390	79,608	101,441
Tribune Co. New	4,200	120,068	198,975
Trinova Corp.	29,700	828,877	727,650
Trustcorp, Inc.	5,000	108,750	125,625
Tyco Laboratories	64,600	2,961,925	3,254,225
UAL Corp.	1,400	160,545	239,750
USX Corp.	155,133	4,951,511	5,546,005
UST, Inc.	69,600	1,452,396	2,131,500
USG Corp. Com. Par \$.10	18,200	42,943	81,900
Union Camp Corp.	4,350	100,340	160,406

## DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Union Carbide Corp.	8,438	210,911	196,184
Union Pacific Corp.	13,480	778,394	1,032,905
Unisys Corp.	45,000	972,666	663,750
U.S. Bancorp	45,000	1,378,625	1,406,250
U.S. Air Group	22,200	961,663	740,925
U.S. Shoe	17,000	321,200	342,125
U.S. West, Inc.	18,900	846,490	1,514,363
United Technologies	89,900	4,424,836	4,877,075
United Telecommunications Inc.	296,200	7,404,748	11,255,600
Unocal Corp.	163,400	4,533,507	4,861,150
Upjohn Co.	175,600	4,964,312	6,760,600
U.S. Life Corp.	5,300	230,025	238,500
V F Corp	32,698	758,476	1,042,249
Van Dorn Co.	60,800	1,029,940	896,800
Wal-Mart Stores	204,700	5,443,965	9,185,913
Walgreen Co.	92,400	3,556,050	4,319,700
Wang Labs (B)	43,500	468,804	222,938
Warner Communications	13,856	663,182	883,320
Warner Lambert Co.	57,000	4,570,471	6,583,500
Washington Post B	5,000	1,096,786	1,407,500
Waste Management, Inc.	293,000	6,152,950	10,255,000
Wells Fargo Corp.	15,700	978,310	1,163,763
Wendy's International	60,500	794,624	279,813
Westinghouse Electric	29,000	961,786	2,146,000
Westvaco Corp.	145,100	4,354,541	4,389,275
Weyerhaeuser Co.	58,100	1,877,828	1,605,013
Whirlpool Corp.	4,400	106,722	145,200
Whitman Corp. Com.	6,200	93,993	178,250
Whittaker Corp. Com. \$.01	2,600	14,182	20,150
Winn Dixie Stores, Inc.	2,900	102,515	188,500
Witco Corp.	8,100	241,897	311,850
Woolworth Corp. Com.	54,800	2,859,582	3,500,350
Worthington Industries	41,600	765,880	956,800
Wrigley, Wm. Jr.	21,600	462,343	1,158,300
Xerox Corp.	9,425	568,351	539,581
Xidex Corp. Warrants	14,482	56,188	188,266
Yellow Freight Sys. Inc. Del.	11,200	344,400	299,600
Zenith Radio	800	16,640	10,300
Total	<u>23,989,511</u>	<u>\$821,890,455</u>	<u>\$1,044,239,845</u>

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

## COMMERCIAL PAPER

SECURITY NAME	MATURITY	BOOK VALUE	MARKET VALUE
Bear Stearns & Co.	01/04/90	\$ 2,498,134.00	2,498,134.00
Bear Stearns & Co.	01/04/90	5,595,831.35	5,595,831.35
Brunswick Corp.	01/08/90	5,988,608.28	5,988,608.28
Diamond Shamrock R & M	01/16/90	7,710,607.97	7,710,607.97
Diamond Shamrock R & M	01/03/90	10,894,490.49	10,894,490.49
Diamond Shamrock R & M	01/10/90	3,392,219.72	3,392,219.72
Ford Motor Credit	01/03/90	5,497,226.03	5,497,226.03
Goldman Sachs & Co.	01/02/90	9,997,412.22	9,997,412.22
GTE Corp.	01/05/90	9,989,910.47	9,989,910.47
Hewlett Packard	01/02/90	9,997,472.67	9,997,472.67
John Deere & Co.	01/17/90	4,979,747.41	4,979,747.41
Macy's Real Estate Cap.	01/12/90	2,692,806.08	2,692,806.08
Marriott Corp.	01/05/90	4,195,324.90	4,195,324.90
Marriott Corp.	01/19/90	2,986,113.11	2,986,113.11
McDonnell Douglas Corp.	01/05/90	2,297,744.93	2,297,744.93
McDonnell Douglas Corp.	01/03/90	4,997,514.07	4,997,514.07
Merrill Lynch & Co.	01/08/90	4,991,601.38	4,991,601.38
Merrill Lynch & Co.	01/09/90	6,347,763.64	6,347,763.64
Phillip Morris Cr. Corp.	01/12/90	3,989,204.96	3,989,204.96
Shearson Lehman Hutton	01/02/90	7,997,942.33	7,997,942.33
Shearson Lehman Hutton	01/04/90	9,992,607.42	9,992,607.42
U.S. Leasing	01/05/90	3,731,365.48	3,731,365.48
<b>Total</b>		<b><u>\$130,761,648.91</u></b>	<b><u>\$130,761,648.91</u></b>

## DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

### VENTURE CAPITAL

NAME	COST	MARKET VALUE
Cardinal Development Cap.	\$ 2,910,193	\$ 2,910,193
Primus Capital Fund I	1,227,835	1,227,835
Primus Capital Fund II	<u>7,000,000</u>	<u>7,000,000</u>
Total	<u>\$ 11,138,028</u>	<u>\$ 11,138,028</u>

### REAL ESTATE

PROPERTY	BOOK VALUE	MARKET VALUE
Maricopa Business Ctr.	\$ 5,308,791	\$ 7,450,000
Northwest Sq. Shopping	9,945,986	13,300,000
Century Commerce Ctr.	3,795,432	5,200,000
Cedarbrook Business Pk.	7,663,967	8,900,000
Park Place Office Bldg.	9,378,393	8,000,000
Laurel Square Shopping Ctr.	5,230,404	5,300,000
Fullerton Industrial	9,205,064	14,100,000
Tri-view/Tri-County	10,408,915	12,600,000
Westmont Industrial	16,076,735	17,100,000
Executive Ctr.	5,731,896	5,400,000
Cablevision Building	9,698,234	10,850,000
Mill River	5,524,986	6,300,000
Sunrise Plaza	23,426,856	25,000,000
Torrence Business Park	19,621,107	19,899,703
Town Street Building	1,582,050	1,582,050
Schroder Real Estate Fund A	12,000,000	12,514,201
Advent Realty Ltd. Ptrshp.	8,334,000	8,837,938
Copley Instit. Inv. Fund II	4,500,000	4,833,192
MIG Residential Grp. Trust	<u>17,401,958</u>	<u>17,833,705</u>
Total	<u>\$184,834,774</u>	<u>\$205,000,789</u>

### MORTGAGE NOTES RECEIVABLE

	BOOK VALUE	MARKET VALUE
Village Square	<u>\$ 12,708,484</u>	<u>\$ 12,708,484</u>

See accompanying independent auditors' report.

# AUDITOR OF STATE'S LETTER



**THOMAS E. FERGUSON**

AUDITOR OF STATE  
COLUMBUS, OHIO 43266-0040  
(614) 466-4514

Members of the Board  
The Police and Firemen's Disability  
and Pension Fund of Ohio

We have reviewed the report of examination of The Police and Firemen's Disability and Pension Fund of Ohio as of December 31, 1989 and 1988 prepared by KPMG Peat Marwick, Certified Public Accountants. Based upon this review, we have accepted this report in lieu of the examination required by Section 117.10 of the Revised Code. The Auditor of State has not examined the accompanying financial statements and, accordingly, is unable to express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria as reflected by the Ohio Constitution; the Revised Code; policies, procedures and guidelines of the Auditor of State; and local resolutions/ordinances.

A handwritten signature in cursive script that reads "Thomas E. Ferguson".

THOMAS E. FERGUSON  
Auditor of State

June 26, 1990

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# ACTUARIAL SECTION

## Actuary's Certification Letter

### Summary of Methods and Assumptions

# ACTUARY'S CERTIFICATION LETTER

THE *Wyatt* COMPANY

ACTUARIAL SERVICES  
COMPENSATION PROGRAMS  
ADMINISTRATIVE SYSTEMS  
INTERNATIONAL SERVICES  
ORGANIZATION SURVEYS

1400 OHIO SAVINGS PLAZA  
CLEVELAND, OHIO 44114  
(216) 696-6250

EMPLOYEE BENEFITS  
EMPLOYEE COMMUNICATIONS  
RISK MANAGEMENT  
INSURANCE CONSULTING  
HEALTH CARE CONSULTING

June 8, 1990

Board of Trustees  
The Police and Firemen's Disability  
and Pension Fund of Ohio  
230 East Town Street  
Columbus, Ohio 43215

Gentlemen:

The Wyatt Company prepares an actuarial valuation of The Police and Firemen's Disability and Pension Fund of Ohio on an annual basis. The purpose of the valuation is to determine contribution rates (1) for disability and retirement benefits based on sound actuarial principles and (2) for retiree health care benefits based on a pay-as-you-go funding arrangement which can be used to assess the adequacy of contribution rates provided under Section 742.33 and 742.34 of the Revised Code. The most recent actuarial valuation was as of January 1, 1989.

The actuarial valuations are based upon census data and audited financial information submitted by the Fund. The Wyatt Company checks the data for reasonability. Information suspect of being in error is submitted to the Fund for correction.

The actuarial assumptions used in the valuation are recommended by the Actuary and approved by the Board. The decrement assumptions reflect actual Fund experience as measured in the quinquennial evaluations. The 1989 valuation uses new retirement decrement assumptions to reflect the availability of unreduced benefits at age 48, after 25 years of service. The interest rate and salary scale assumptions reflect both recent salary increases and Fund rates of return along with expected returns and salary increases over a long period in the future. The 1989 valuation is based on an 8.25% interest rate and a 5.75% salary scale, compared to 7.75% and 5.5%, respectively, for the 1988 valuation. The actuarial value of assets used in the valuation is the cost value as presented in the audited Financial Statements reduced by (1) the value of the employer accrued liability, (2) the member contributions which have yet to be refunded to members who terminated with less than 15 years of service and (3) Total Liabilities.

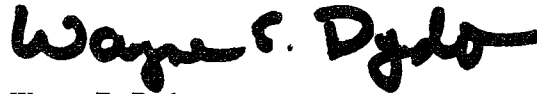
The benefit provisions valued in the valuation report reflect the status of the Revised Code as of the valuation date. Benefit changes during 1988 have been reflected in the 1989 valuation report.

The financial objective of The Police and Firemen's Disability and Pension Fund of Ohio is to collect employers' and members' contributions which, when expressed as percentages of the payroll for active members, separately for police and firemen, are close in value to the actuarially determined contributions. The actuarially determined contributions, in turn, are such that together with existing assets, including expected payments on the cities' initial unfunded liability and expected future investment earnings, they will fully provide for all expected benefit payments for current members if such contributions are made over the future working lifetime of the active members.

Under current law, the actuarially determined contributions are to be compared to the statutory contributions to determine if the statutory contributions are adequate. The Ohio Retirement Study Commission is, by law, charged with this responsibility. This policy of determination, review, and, if necessary, legislative change in the rates should assure that the financial condition of the Fund remains sound.

Respectfully submitted,

THE WYATT COMPANY

A handwritten signature in black ink that reads "Wayne E. Dydo". The signature is written in a cursive style with a large, sweeping "W" and "D".

Wayne E. Dydo  
Fellow—Society of Actuaries

WED:dld

# SUMMARY OF ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD

## A. INTEREST

A rate of 8¼% per annum, compounded annually.

## B. RATES AND OTHER ASSUMPTIONS AMONG ACTIVE MEMBERS

### 1. Before Retirement:

#### (a) Mortality:

The 1951 Group Annuity Table as Projected to 1965 decreased by 33% for Firemen. The following rates at selected ages are illustrative:

Age	Rate of Mortality	
	Police	Firemen
25	.000706	.000473
30	.000923	.000618
35	.001280	.000858
40	.001863	.001248
45	.003336	.002235
50	.006032	.004041
55	.009724	.006515

#### (b) Termination:

The following rates at selected ages are illustrative:

Age	Rate of Termination	
	Police	Firemen
25	.062525	.023466
30	.044587	.016902
35	.030568	.011926
40	.020499	.007473
45	.015876	.005010
50	.018613	.004047

Note: The present values of future benefits for active members resulting from the use of these withdrawal rates are actuarially adjusted to include provision for prospective terminated employees eligible for vested termination benefits arising from the vesting provisions of the 1971 Amended Substitute Senate Bill No. 137.

#### (c) Disability:

The rates of disability are based upon the results of the 1982-1986 Quinquennial Evaluation. The following rates at selected ages are illustrative:

Age	Rate of Disability	
	Police	Firemen
25	.000904	.000000
30	.001823	.001090
35	.004097	.002551
40	.008880	.006205
45	.016900	.013147
50	.026091	.024800
55	.039748	.040236

Note: The present values of future benefits for active members resulting from the use of these withdrawal rates reflect the fact that the occurrence of disability by type approximates the following:

On duty permanent and total	40%
On duty partial	57
Off duty ordinary	3

#### (d) Salary Increase Rate:

A rate of future salary increase of 5¾% per annum, compounded annually, has been employed. This rate can be divided into two component parts:

- (i) promotional increase of ¾ of 1% per year, and
- (ii) inflationary increase of 5% per year.

#### (e) Retirement:

The rates of retirement are based upon the experience during the periods 1982 through 1986. These rates are applicable after the member has satisfied the conditions for retirement. The rates are as follows:

Age(s)	Police	Firemen
48-52	.25	.25
53-59	.25	.30
60-64	.30	.40
65	1.00	1.00

**2. After Retirement:**

**(a) On Service Retirement Pension:**

The mortality, after retirement of active members expected to go on service retirement, is based on the 1951 Group Annuity Table as Projected to 1965. The following probabilities at selected ages are illustrative:

<u>Age</u>	<u>Probability of Mortality</u>
55	.009724
60	.014492
65	.022750
70	.036619
75	.060259
80	.100853
85	.155717
90	.222882
95	.297806

**(b) On Disability Retirement Pension:**

The mortality, after retirement of active members expected to go on disability retirement, is based on 70% of the 1956 Railroad Retirement Board Disability Annuitants Ultimate Mortality Table for ages 20 through 69, 80% for ages 70 through 85, 90% for ages 86 through 89 and 100% for ages 90 and above. The following probabilities at selected ages are illustrative:

<u>Age</u>	<u>Probability of Mortality</u>
35	.01712
45	.02126
55	.02700
65	.04209
75	.07710
85	.17018
95	.39621

**C. PROBABILITIES OF MORTALITY AMONG PENSIONERS**

**1. Nondisabled Pensioners:**

The mortality among all nondisabled retirants is equal to the 1951 Group Annuity Table as Projected to 1965 probabilities. The following probabilities at selected ages are illustrative:

<u>Age</u>	<u>Probability of Mortality</u>
35	.001280
40	.001863
45	.003336
50	.006032
55	.009724
60	.014492
65	.022750
70	.036619
75	.060259
80	.100853
85	.155717
90	.222882
95	.297806

**2. Disabled Pensioners:**

The mortality among all disabled retirants is based on 70% of the 1956 Railroad Retirement Board Disability Annuitants Ultimate Mortality Table for ages 20 through 69, 80% for ages 70 through 85, 90% for ages 86 through 89 and 100% for ages 90 and above. The following probabilities at selected ages are illustrative:

<u>Age</u>	<u>Probability of Mortality</u>
35	.017122
40	.019040
45	.021259
50	.023912
55	.026999
60	.032704
65	.042091
70	.061088
75	.077104
80	.101904
85	.170181
90	.280990
95	.396210

**D. PROBABILITIES AMONG SURVIVORS**

**1. Probabilities of Mortality Among Surviving Spouses:**

The mortality among all present surviving spouses is based on the 1951 Group Annuity Table as Projected to 1965 rates, decreased by 15% at all ages. The following probabilities at selected ages are illustrative:

<u>Age</u>	<u>Probability of Mortality</u>
35	.001326
40	.001938
45	.002950
50	.004471
55	.006775
60	.010464
65	.016448
70	.026121
75	.042560
80	.067465
85	.102527
90	.151530
95	.219657

**2. Probability of Remarriage  
Among Surviving Spouses:**

The probabilities of remarriage of surviving spouses are based upon the results of the 1982-1986 Quinquennial Evaluation. The following probabilities at selected ages are illustrative:

<u>Age</u>	<u>Probability of Remarriage</u>
35	.066173
40	.033604
45	.018466
50	.014738
55	.009249
60	.005891
65	.005065
70	.002751
75	.001206

**3. Dependent Children:**

No specific allowance has been made, in the evaluation of this benefit, for the probability of mortality prior to age 18, or the probability of disability at age 18 and thereafter. In valuing the benefit beyond age 18, it is assumed that 1/3 of the dependent children will be students and eligible for payments to age 22.

**4. Dependent Parents:**

Costs based upon allowance for mortality (the 1951 Group Annuity Table as projected to 1965), but no specific allowance for change in dependency status.

**E. COLA ANNUITIES**

It has been assumed that, where an election is possible, all members will elect the COLA annuity. It has also been assumed that the Consumer Price Index will increase each year at a rate equal to or greater than 3%.

**F. EXPENSE LOADING**

The net costs were loaded by 3/4 of 1% to allow for future administrative expenses of the Fund.

**G. ACTUARIAL COST METHOD**

The "frozen initial liability" method has been used in developing the required contributions to the Fund. Under this approach, the present value of future benefits is reduced by valuation assets and the present value of the employer accrued liability. This net amount is then expressed as a percentage of the present value of active member future compensation and that percentage is applied to current payroll to determine the actual contribution.

The employer accrued liability was determined for each separate police and firemen's fund as of April 1, 1966. Each employer with an existing liability is presently making payments at the rate of 5% of the original liability (adjusted for any excess payments) pursuant to the schedule set forth in Section 742.30 of the Ohio Revised Code.

The assumptions used for the actuarial valuation were adopted by the Board of Trustees after consulting with the actuary. Differences between assumed and actual experience (actuarial gains and losses) become part of unfunded actuarial accrued liabilities. When these differences between assumed and actual experience have been observed to be sizeable and persistent a change is made to the actuarial assumption.

**H. CHANGES IN ACTUARIAL ASSUMPTIONS**

The original actuarial assumptions have been modified nine times since their adoption in 1966. The changes were as follows.

**(1) 1970 evaluation:**

- The interest rate was increased from 4 1/4% to 4 5/8%.

**(2) 1972 evaluation:**

- The interest rate was increased from 4 5/8% to 4 3/4%.
- A loading was adopted to provide for the cost of 1972 Senate Bill No. 137 that, among other things, provided for special service retirement for late hires, vesting of service pension after 15 years of service under a 1 1/2% formula, and vesting of service pension after 25 years of service under the 2% formula.

• **(3) 1974 evaluation:**

- The interest rate was further increased from 4¾% to 5%.
- Adjustments were made in six assumption areas as a result of the findings in our first quinquennial evaluation; those adjustments were as follows:
  - (a) the termination rates for active members were increased by approximately two-thirds of the former rates;
  - (b) the mortality rates for active members eliminated the original accidental loading of .001;
  - (c) the disability rates for active members were increased by 25% for ages above 40, grading down to a reduction of rates by 50% for ages below 30;
  - (d) the mortality rates for retirants were increased by 50% (instead of the former 10% load) of the standard tables rates before age 65, grading down to a decrease of 20% after age 85;
  - (e) the mortality rates for widows were reduced by 15% at all ages; and
  - (f) the remarriage rates for widows were increased by 300% at ages prior to 45, grading down to an increase of 50% after age 60.

**(4) 1979 evaluation:**

- The interest rate was increased from 5% to 6%.
- The salary scale was increased from 3% to 4½%.
- The projected final salary was increased by 4% to allow for the sick pay allowance.
- The assumed retirement age was increased from 56 to 57 years for police and decreased from 58 to 57 years for firemen.
- Adjustments were made in four other assumption areas as a result of the findings in our second quinquennial evaluation; those adjustments were as follows:
  - (a) the termination rates for active members were decreased by approximately 20%;
  - (b) the disability rates for active members were increased by over 200%;
  - (c) the assumption that all disabilities are on-duty-permanent and total was changed to provide for 35% on-duty-partial and 5% off-duty-ordinary;
  - (d) the remarriage rates for widows were decreased by approximately 40%.

**(5) 1980 evaluation:**

- The interest rate was further increased from 6% to 6⅞%.

**(6) 1983 evaluation:**

- The interest rate was increased from 6⅞% to 7½%.

- The salary scale was increased from 4½% to 5½%.
- The terminal pay adjustment was increased from 4% to 13%.
- The assumed retirement age was decreased from 57 to 55 for both police and firemen.
- As a result of the third quinquennial evaluation, the mortality rates for active firemen were decreased by 33%.

**(7) 1986 evaluation:**

- The interest rate was increased from 7½% to 7¾%.

**(8) 1987 evaluation:**

- The 13% terminal pay adjustment was replaced with the assumption that all active members would retire under the COLA annuity.
- In valuing the COLA annuity, it is assumed that each year the change in the Consumer Price Index will be at least 3%.

**(9) 1988 evaluation:**

- A decrease in the termination rates to the graduated 1982-86 experience rates.
- An increase in the disability rates to the graduated 1982-86 experience rates.
- A change in the service retirement assumption from a fixed age of 55 or, if later, after satisfying the conditions for retirement, to rates based upon the 1982-86 experience. The rates are applicable for ages 48 through 65.
- A change in the post retirement mortality probabilities for retired members to separate sets of probabilities for nondisabled retirees and disabled retirees.
- A decrease in the probabilities of remarriage among surviving spouses to the graduated 1982-86 experience rates.

**(10) 1989 evaluation:**

- The interest rate increased from 7¾% to 8¼%.
- The salary scale increased from 5½% to 5¾%.
- New retirement rates have been developed for ages 48 through 52 to account for the effect of increased retirement of those ages.
- The assumption as to the occurrence of disability by type has been changed to reflect recent experience, which shows more partial and fewer permanent and total disabilities.

## ACTIVE MEMBER VALUATION DATA 1980 TO 1989

Actuarial Valuation as of Jan. 1	Number of Active Members		Average Annual Salary		Percentage of Average Annual Salary Increases		Annual Payroll (millions)
	Police	Firemen	Police	Firemen	Police	Firemen	
1980	12,485	9,478	18,320	18,120	8.0	8.0	400.5
1981	12,834	9,039	19,921	20,377	8.7	12.5	439.8
1982	12,955	9,201	21,448	21,468	7.7	5.4	475.4
1983	12,834	9,172	23,143	23,324	7.9	8.6	510.9
1984	12,796	9,040	24,273	24,442	4.9	4.8	531.6
1985	12,656	9,008	25,290	25,421	4.2	4.0	549.1
1986	12,614	9,226	26,987	26,973	6.7	6.1	589.3
1987	12,652	9,231	28,443	28,418	5.4	5.4	622.2
1988	12,862	9,292	29,391	29,424	3.3	3.5	651.4
1989	12,993	9,374	30,853	31,060	5.0	5.6	692.0

\* This information for annual salaries, broken down between Police and Firemen, is not available prior to 1979.

### SUMMARY OF UNFUNDED ACCRUED LIABILITIES

Each time a new benefit is added which applies to service already rendered, an "unfunded accrued liability" is created. The "unfunded accrued liability" was developed for funding requirement determinations. The value differs from the unfunded Pension Benefit Obligation reported in the financial statements because different actuarial cost methods were used for the two purposes. Laws governing the Fund require that "unfunded accrued liability" be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to unfunded accrued liabilities.

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

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



# SUMMARY OF ASSETS AND ACTUARIAL ACCRUED LIABILITIES

(\$ Amounts in Thousands)

	<u>Valuation Year</u>	<u>Actuarial Liabilities (AAL)</u>	<u>(A) Valuation Assets</u>	<u>Unfunded Actuarial Liabilities (UAAL)</u>	<u>Ratio of Assets to AAL</u>	<u>(B) Active Member Payroll</u>	<u>UAAL as a % of Active Member Payroll</u>
<b>Police</b>							
	1980	1,298,600	465,500	833,100	36%	228.7	364%
	1981	1,455,100	523,500	931,600	36	255.7	364
	1982	1,631,500	589,300	1,042,200	36	277.9	375
	1983	1,736,600	679,300	1,057,300	39	297.0	356
	1984	1,851,000	811,300	1,039,700	44	310.6	335
	1985	2,000,100	915,700	1,084,400	46	320.1	339
	1986	2,073,500	1,061,400	1,012,100	51	340.4	297
	1987	2,400,100	1,246,100	1,154,000	52	359.9	321
	1988	2,607,400	1,341,700	1,265,700	51	378.0	335
	1989	2,810,100	1,499,800	1,310,300	53	400.8	327
<b>Fire</b>							
	1980	1,115,300	340,100	775,200	30%	171.8	451%
	1981	1,233,300	388,600	844,700	32	184.1	459
	1982	1,375,100	446,500	928,600	32	197.5	470
	1983	1,487,500	527,900	959,600	35	213.9	449
	1984	1,577,700	643,400	934,300	41	221.0	423
	1985	1,680,500	725,500	955,000	43	229.0	417
	1986	1,763,300	838,600	924,700	48	248.9	372
	1987	2,008,400	985,100	1,023,300	49	262.3	390
	1988	2,200,700	1,094,400	1,106,300	50	273.4	405
	1989	2,365,400	1,159,300	1,206,100	49	291.2	414

**(A) Valuation assets are based upon the following:**

For 1988 and 1989—net assets available for benefits as provided in the December 31, 1987 and 1988, respectively, audited financial statements, less the local funds accrued receivable and contributions, which had yet to be refunded to employees who terminated with less than 15 years of service.

For 1980 through 1987—cost value of assets as reported by the Fund, less amounts reserved to the Death Benefit Fund, less contributions which had yet to be refunded to the employees who terminated with less than 15 years of service and plus member contributions which had not been deposited as of the reporting date.

**(B) Equal to average salary multiplied by the number of members at the valuation date.**

## SHORT-TERM SOLVENCY TEST

The Fund's 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 valuation assets are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to

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

## COMPUTED ACCRUED LIABILITIES

(\$ Amounts in Thousands)

Valuation Year	(1)	(2)	(3)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)		(1)	(2)	(3)
<b>Police</b>							
1980	108,500	339,300	850,800	465,500	100%	100%	2%
1981	123,700	378,600	952,800	523,500	100	100	2
1982	138,500	457,400	1,035,600	589,300	100	99	0
1983	156,000	458,100	1,122,500	679,300	100	100	6
1984	173,900	498,800	1,178,300	811,300	100	100	12
1985	190,700	563,700	1,245,700	915,700	100	100	13
1986	207,400	623,400	1,242,700	1,061,400	100	100	19
1987	231,300	702,200	1,466,600	1,246,100	100	100	21
1988	252,600	773,900	1,580,900	1,341,700	100	100	20
1989	278,500	907,300	1,624,300	1,499,800	100	100	19
<b>Fire</b>							
1980	84,100	290,200	741,000	340,100	100%	88%	0%
1981	94,500	336,000	802,800	388,600	100	88	0
1982	103,100	425,200	846,800	446,500	100	81	0
1983	114,200	439,300	934,000	527,900	100	94	0
1984	126,000	497,600	954,100	643,400	100	100	2
1985	137,800	546,300	996,400	725,500	100	100	4
1986	150,100	598,200	1,015,000	838,600	100	100	9
1987	168,000	660,700	1,179,700	985,100	100	100	13
1988	184,000	717,200	1,299,500	1,094,400	100	100	15
1989	199,200	844,300	1,321,900	1,159,300	100	100	9

Note: For the years 1980 through 1986, the active member contributions on deposit are as reported by the Fund in its annual reports which were prepared on the basis of cash receipts and disbursements. For 1987

through 1989, the member contributions on deposit are as reported in the Fund's audited financial statements, which were prepared on the accrual basis.

TABLE OF RECOMMENDED CONTRIBUTION RATES  
VS. ACTUAL CONTRIBUTION RATES

Year	Police		Firemen	
	(% of active member payroll)		(% of active member payroll)	
	Recommended	Actual	Recommended	Actual
1979	27.03	27.03	28.74	28.74
1980	24.16	24.16	28.33	28.33
1981	25.73	25.73	30.85	30.85
1982	26.61	26.61	32.38	32.38
1983	28.37	28.37	33.49	33.49
1984	30.85	28.37	36.13	33.49
1985	29.46	29.46	34.02	34.02
1986	27.80	29.00	31.25	33.50
1987	31.12	29.00	34.11	33.50
1988	32.38	29.50	34.02	34.00
1989	34.49	29.50	37.82	34.00

RETIRED AND BENEFICIARIES ADDED TO AND  
REMOVED FROM ROLLS

Year at Jan. 1	Police		Firemen	
	Additions	Deletions	Additions	Deletions
1986	697	360	574	313
1987	589	351	426	277
1988	612	499	476	417
1989	587	360	507	292

Note: Information for retirants and beneficiaries added and deleted is not readily available before 1986.

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# STATISTICAL SECTION

## Schedules:

Benefit Expenses by Type

Retired Members by Type of Benefits

Mean Monthly Payments

Participating Employers

# STATISTICAL SCHEDULES

## BENEFIT EXPENSES BY TYPE

1980 TO 1989

### SCHEDULE 1

Year ended December 31,	(1) Retirement	(1) Disability	(1) Survivor	Subtotal	Health Care	Death Benefit Fund Benefits	Total Benefits
1980	—	—	—	75,677,741	12,055,295	1,581,153	89,314,189
1981	—	—	—	87,168,453	10,870,137	1,962,970	100,001,560
1982	—	—	—	103,721,534	17,947,422	2,191,632	123,860,588
1983	—	—	—	116,944,003	22,837,676	2,332,109	142,113,788
1984	—	—	—	125,282,722	23,533,863	3,066,383	151,882,968
1985	—	—	—	137,391,797	27,055,162	5,988,102	170,435,061
1986	99,341,813	34,185,020	19,889,018	153,415,851	31,379,158	6,001,201	190,796,210
1987	105,307,595	38,247,807	20,811,701	164,367,103	39,465,273	6,720,685	210,553,061
1988	113,022,120	43,739,268	23,814,341	180,575,729	43,703,422	6,796,504	231,075,655
1989	126,558,091	49,754,448	27,036,857	203,349,396	45,172,283	9,368,095	257,889,774

Note: For years 1980 through 1986, expenses are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1989 expenses are shown on the accrual basis.

(1) The breakdown between retirement, disability and survivor benefits is not available for years prior to 1986.

## RETIRED MEMBERSHIP BY TYPE OF BENEFITS

1980 TO 1989

### SCHEDULE 2

Year	Service		Disability		Survivors		Combined Total Beneficiaries
	Police	Firemen	Police	Firemen	Police	Firemen	
1980	3,030	2,744	1,064	951	2,700	2,256	12,745
1981	3,181	2,983	1,124	1,001	2,762	2,248	13,299
1982	3,311	3,158	1,160	1,033	2,677	2,192	13,531
1983	3,385	3,343	1,234	1,101	2,786	2,235	14,084
1984	3,519	3,488	1,296	1,134	2,812	2,233	14,482
1985	3,654	3,649	1,398	1,173	2,894	2,265	15,033
1986	3,674	3,677	1,499	1,209	2,958	2,297	15,314
1987	3,687	3,703	1,534	1,216	2,949	2,289	15,378
1988	3,784	3,830	1,741	1,352	3,046	2,321	16,074
1989	4,020	4,009	1,893	1,426	2,856	2,182	16,386

**MEAN MONTHLY PAYMENTS  
FOR POLICE OFFICERS AND FIRE FIGHTERS  
PLACED ON RETIREMENT ROLLS BETWEEN 1984-1989  
SCHEDULE 3**

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<b>Service</b>						
Normal	*	1,771	1,864	1,928	2,022	1,988
Age Commuted	*	1,420	1,394	1,514	1,585	392
Service Commuted	*	221	300	337	394	412
Age/Service	*	723	1,035	920	886	1,258
Pre-1947	*	<u>1,739</u>	<u>0</u>	<u>35</u>	<u>947</u>	<u>0</u>
Subtotals		1,619	1,716	1,801	1,840	1,960
<b>Disability</b>						
Permanent & Total (P&T)	*	1,768	1,806	1,855	1,963	2,106
P&T Presumptive	*	1,737	1,778	1,823	2,038	2,065
Partial	*	1,247	1,265	1,273	1,337	1,450
Partial Presumptive	*	1,462	1,413	1,376	1,398	1,546
Off-duty	*	897	586	437	1,354	713
Pre-1947	*	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotals		1,444	1,460	1,483	1,538	1,617
<b>Service and Disability</b>						
Totals		1,538	1,624	1,682	1,719	1,817

\*This statistical information was not broken down prior to 1985 and only total average service and disability amounts were recorded.

# PARTICIPATING EMPLOYERS

## SCHEDULE 4

Villages	Cities	Townships (County-Zip Code)
Aberdeen	Akron	Anderson
Ada	Alliance	Ashtabula
Addyston	Amherst	Austintown
Adelphi	Ashland	Bainbridge
Alexandria	Ashtabula	Bath
Alger	Athens	Bazetta
Amberly	Aurora	Bazetta Cortland Joint EMS
Amelia	Avon	Beavercreek
Andover	Avon Lake	Boardman
Ansonia	Barberton	Brookfield
Antwerp	Bay Village	Butler
Arcanum	Beachwood	Carlisle
Archbold	Beavercreek	Champion
Arlington Heights	Bedford	Clearcreek
Ashley	Bedford Heights	Clinton
Ashville	Bellaire	Colerain
Baltimore	Bellbrook	Concord
Barnesville	Bellefontaine	Copley
Batavia	Bellevue	Cortland East Bazetta Fire
Beaver	Belpre	Coventry
Bellville	Berea	Crosby
Bentleyville	Bexley	Delhi
Berlin Heights	Blue Ash	Franklin (Franklin—43223)
Bethel	Bowling Green	Franklin (Summit—44319)
Bethesda	Brecksville	Green (Hamilton—45239)
Beverly	Broadview Heights	Green (Summit—44232)
Blanchester	Brook Park	Hamilton
Bloomville	Brooklyn	Howland
Bluffton	Brunswick	Jackson (Franklin—43123)
Boston Heights	Bryan	Jackson (Stark—44720)
Botkins	Bucyrus	Jefferson (Franklin—43004)
Bradford	Cambridge	Jefferson (Madison—43162)
Bradner	Campbell	Liberty (Summit—44087)
Bratenahl	Canfield	Liberty (Mahoning—44505)
Brewster	Canton	Mad River
Bridgeport	Celina	Madison Fire
Brooklyn Heights	Centerville	Madison (Franklin—43125)
Brookville	Cheviot	Madison (Montgomery—45426)
Buckeye Lake	Chillicothe	Madison (Richland—44905)
Burton	Cincinnati	Mantua-Shalersville
Byesville	Circleville	Margaretta
Cadiz	Cleveland	Marion
Caldwell	Cleveland Heights	Miami (Greene—45387)
Canal Fulton	Clyde	Miami (Montgomery—45342)
Coalton	Columbus	Mifflin (Franklin—43230)
Carey	Conneaut	Mifflin (Richland—44903)
Carlisle	Cortland	North Hampton
Carrollton	Coshocton	Norwich
Castalia	Crestline	Olmstead
Cedarville	Cuyahoga Falls	Painesville
		Perkins



# PARTICIPATING EMPLOYERS (continued)

Villages	Cities	Townships (County-Zip Code)
Chagrin Falls	Dayton	Perry (Franklin—43017)
Chardon	Deer Park	Perry (Lake—44081)
Chauncey	Defiance	Perry (Stark—44646)
Chesapeake	Delaware	Plain (Franklin—43054)
Cleves	Delphos	Plain (Stark—44721)
Coldwater	Dover	Pleasant
Columbiana	Dublin	Prairie
Columbus Grove	East Cleveland	Randolph
Corning	East Liverpool	Richland
Covington	East Palestine	Saybrook
Creston	Eastlake	Scioto
Cridersville	Eaton	Sharon
Crooksville	Elyria	Shawnee
Cuyahoga Heights	Englewood	Springfield
Danville	Euclid	Sugarcreek
Delta	Fairborn	Sylvania
Dennison	Fairfield	Tri-Township Fire
Deshler	Fairlawn	Truro
Dillonvale	Fairview Park	Union
Doylestown	Findlay	Violet
East Canton	Forest Park	Warren
Edgerton	Fostoria	Washington (Franklin—43002)
Edon	Franklin	Washington (Montgomery—45458)
Elmore	Fremont	West Licking Joint Fire
Elmwood Place	Gahanna	Whitewater
Evendale	Galion	Wooster
Fairfax	Gallipolis	Xenia
Fairport Harbor	Garfield Heights	
Farmersville	Geneva	
Fayette	Germantown	
Felicity	Girard	
Forest	Grandview Heights	
Fort Loramie	Greenfield	
Fort Recovery	Greenville	
Fort Shawnee	Grove City	
Fredericktown	Hamilton	
Galena	Harrison	
Garrettsville	Heath	
Gates Mills	Highland Heights	
Genoa	Hilliard	
Georgetown	Hillsboro	
Gibsonburg	Hubbard	
Glendale	Huber Heights	
Glouster	Huron	
Golf Manor	Indian Hill	
Grafton	Independence	
Grand River	Ironton	
Granville	Jackson	
Green Springs	Kent	
Greenhills	Kenton	
Greenwich	Kettering	
Groveport	Kirtland	
Hamden	Lakewood	
Hanging Rock	Lancaster	

## PARTICIPATING EMPLOYERS (continued)

Villages	Cities	Townships (County-Zip Code)
Hartville	Lebanon	
Hebron	Lima	
Hicksville	Lincoln Heights	
Higginsport	Logan	
Hiram	London	
Holgate	Lorain	
Holland	Louisville	
Hudson	Loveland	
Hunting Valley	Lyndhurst	
Jackson Center	Macedonia	
Jamestown	Madeira	
Jefferson	Mansfield	
Johnstown	Maple Heights	
Kingston	Marietta	
Kirtland Hills	Marion	
Lagrange	Martins Ferry	
Lakemore	Marysville	
Leetonia	Mason	
Leipsic	Massillon	
Lewisburg	Maumee	
Lexington	Mayfield Heights	
Linndale	Medina	
Lisbon	Mentor	
Lockland	Mentor-on-the-Lake	
Lodi	Miamisburg	
Lordstown	Middleburg Heights	
Loudonville	Middletown	
Lowellville	Milford	
Madison	Mingo Junction	
Manchester	Montgomery	
Mantua	Moraine	
Mariemont	Mount Healthy	
Mayfield	Mount Vernon	
McArthur	Napoleon	
McClure	Nelsonville	
McComb	New Lexington	
McConnellsville	New Philadelphia	
McDonald	Newark	
Mechanicsburg	Newton Falls	
Mendon	Niles	
Middlefield	North College Hill	
Milan	North Canton	
Millersburg	North Olmsted	
Minerva	North Ridgeville	
Minerva Park	North Royalton	
Minster	Northwood	
Mogadore	Norton	
Monroeville	Norwalk	
Montpelier	Norwood	
Moreland Hills	Oakwood	
Morrow	Oberlin	
Mount Eaton	Olmsted Falls	
Mount Gilead	Oregon	
Mount Orab	Orrville	

# PARTIAL LISTING EMPLOYERS

Villages	Cities	Townships (County-Zip Code)
Mount Sterling	Oxford	
Munroe Falls	Painesville	
Navarre	Parma	
New Albany	Parma Heights	
New Boston	Pepper Pike	
New Bremen	Perrysburg	
New Concord	Piqua	
New Lebanon	Port Clinton	
New London	Portsmouth	
New Madison	Ravenna	
New Miami	Reading	
New Richmond	Reynoldsburg	
New Vienna	Richmond Heights	
New Washington	Rittman	
Newburgh Heights	Rocky River	
Newcomerstown	Rossford	
Newton	Salem	
Northfield	Sandusky	
North Baltimore	Sebring	
North Bend	Seven Hills	
North Kingsville	Shaker Heights	
North Randall	Sharonville	
Oak Harbor	Sheffield Lake	
Oak Hill	Shelby	
Oakwood	Sidney	
Oakwood	Silverton	
Obetz	Solon	
Ontario	South Euclid	
Orange	Springdale	
Orwell	Springfield	
Ottawa	St. Bernard	
Ottawa Hills	St. Clairsville	
Ottoville	St. Marys	
Owensville	Steubenville	
Pandora	Stow	
Pataskala	Streetsboro	
Paulding	Strongsville	
Payne	Struthers	
Pemberville	Sylvania	
Peninsula	Tallmadge	
Pickerington	Tiffin	
Piketon	Tipp City	
Pioneer	Toledo	
Plain City	Toronto	
Pleasant Hill	Trenton	
Plymouth	Trotwood	
Poland	Troy	
Pomeroy	Twinsburg	
Powell	Uhrichsville	
Powhattan Point	University Heights	
Proctorville	Upper Arlington	
Reminderville	Upper Sandusky	
Richfield	Urbana	
Richwood	Vandalia	

## PARTICIPATING EMPLOYERS (continued)

Villages	Cities	Townships (County-Zip Code)
Rio Grande	Vanwert	
Ripley	Vermilion	
Riverside	Wadsworth	
Rockford	Wapakoneta	
Roseville	Warren	
Russellville	Warrensville Heights	
Sabina	Washington Court House	
Sardinia	Wauseon	
Seaman	Waverly	
Seville	Wellston	
Shadyside	Wellsville	
Shawnee	West Carrollton	
Shawnee Hills	Westerville	
Sherwood	Westlake	
Shreve	Whitehall	
Silver Lake	Wickliffe	
Smithville	Willard	
Somerset	Willoughby	
South Bloomfield	Willoughby Hills	
South Lebanon Village	Willowick	
South Point	Wilmington	
South Russell	Wooster	
South Zanesville	Worthington	
Spencer	Wyoming	
Spencerville	Xenia	
Springboro	Youngstown	
St. Henry	Zanesville	
St. Paris		
Strasburg		
Stryker		
Sugarcreek		
Sunbury		
Swanton		
Sycamore		
Terrace Park		
Union		
Union City		
Utica		
Valley View		
Versailles		
Waite Hill		
Walbridge		
Walton Hills		
Waterville		
Wayne		
Waynesfield		
Waynesville		
Wellington		
West Alexandria		
West Jefferson		
West Lafayette		
West Liberty		
West Milton		
West Salem		

PAR

Villages

Cities

Townships (County-Zip Code)

West Union  
West Unity  
Weston  
Wilkesville  
Williamsburg  
Winchester  
Windham  
Whitehouse  
Wintersville  
Woodlawn  
Woodmere  
Woodsfield  
Woodville  
Yellow Springs  
Yorkville

# INVESTMENT SECTION

Investment Report

Investment Portfolio Summary

Investment Policy

# INVESTMENT REPORT

As we entered 1989, investors were most concerned about the possibility of an overheated economy and an accompanying acceleration in inflation. Strong economic growth potential was evidenced by rising employment and growing consumer confidence. Soon after the year began, the Federal Reserve Board pushed short-term interest rates higher to help cool off the economy and head off inflationary pressures. As we approached mid-year, the economy began to show some signs of weakness, especially in the manufacturing sector. In turn, the Fed responded by gradually easing monetary policy. As the economy continued to slow over the remainder of the year, the nation's central bank pushed the federal funds rate down to the 8.00—8.25% range by year-end. All in all, real GNP slowed last year to a 3.0% growth pace. Meanwhile, inflation as measured by the CPI moved higher to a 4.8% rate.

The capital markets turned in a very good year from the standpoint of performance. Stocks were helped by continued economic growth, strong earnings growth early in the year, and declining interest rates over the latter half of 1989. Bonds benefited directly from the Fed's interest rate easing moves, a stronger dollar, slowing economic growth, and moderating inflation fears. Meanwhile, the markets had to struggle with the political turmoil in China and Eastern Europe, and every growing S & L crisis, and the collapse of both LBO activity and the junk bond market. Through all this, the stock market as measured by the S&P 500 turned in an excellent performance with a return of 31.7%. Bonds also had a good year as evidenced by the positive 14.4% return of the Salomon Brothers Broad Investment Grade Index.

The strong performance of the securities markets contributed tremendously to the growth of the fund's investment assets in 1989. The book value of our assets grew to \$2.86 billion from nearly \$2.59 last year, over a 10.5% increase. The market value of our investment portfolio jumped more than 17.5% growing to nearly \$3.15 billion from \$2.68 billion at the prior year-end. Also showing strong growth during the year was the fund's net investment income which leaped to over \$300 million. Finally, the 1989 book yield of our investment portfolio was 7.14%.

Significant changes within the portfolio included an increased commitment to stocks and real estate, a decrease in our cash equivalent holdings, and the continued growth of our bond portfolio. The growth in our equity holdings was attributable to strong stock market performance, a desire on the part of our advisors to be more fully invested and a larger commitment to our index fund component. The real estate growth reflects the addition of some new properties and the continued funding of several specialty real estate commingled funds. The growth of our bond portfolio was generally due to the solid performance of the fixed-income market last year.

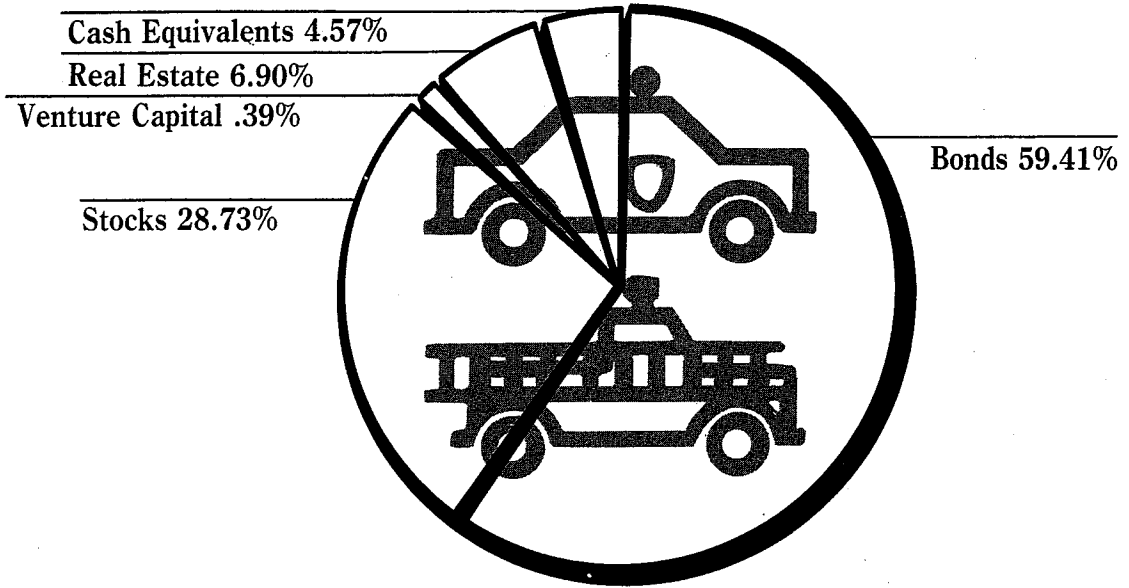
One of our major initiatives last year involved our equity advisor structure. In order to achieve a better balance among our active managers, \$75 million was withdrawn from our largest manager and distributed among our other active managers. An additional \$75 million was withdrawn from this same active advisor and was placed in our index funds, thus raising our passive component to roughly 33% of our equity commitment. We continued our efforts to diversify the portfolio by increasing our real estate exposure toward our target of 10% of assets. Within the real estate sector we added two new properties and began funding a commitment to an apartment fund in order to further diversify our holdings. In bonds we continued to apply our conservative, intermediate duration, value-added approach. Our focus on high quality helped us avoid the huge losses associated with the junk bond debacle that began last year.

Coming into 1990, most investors were worried that last year's slowing trend might finally bring the long awaited recession. However, what appears to be happening is the continuation of a very muddled, slow growth economy in which perceptions will swing back and forth between weakness and strength. Given the fact that the Federal Reserve Board seems to be maintaining a very patient and stable monetary policy, I would expect another year of subdued growth and the continued avoidance of the onset of recession. Bond market rates have already surged early this year due to renewed inflation fears and strong competition from higher rates overseas. I am hopeful that this inflation threat is transitory in nature and will recede as the lingering effects of December's cold weather on food and energy prices diminishes over time. As inflation concerns abate and the economy remains sluggish I would expect to see the bond market improve later this year. Even though the stock market has climbed to new highs early this year, it should be very difficult to even approach the very good returns of 1989. Stocks should suffer from higher rates, poor corporate earnings and sluggish economic growth. If and when interest rates do decline, we should see a positive reaction in stock market performance.

Over the remainder of 1990, we will continue to add to our real estate holdings through selective acquisitions of retail and industrial properties in underrepresented regions of the country. Our equity advisors will continue to search for undervalued securities while adjusting their stock exposure to their market outlook. In bonds, we will maintain our high quality, controlled duration disciplines which have served us well in recent years. We are also exploring the possibility of conducting an asset/liability study and are looking into alternative asset allocation possibilities to determine the best strategy to employ in order to meet our funding requirements. Finally, we will continue to strive to achieve at least an 8.25% return, which is our actuarial assumption rate.

# INVESTMENT PORTFOLIO SUMMARY

DECEMBER 31, 1989



Type	% of Book Value	Book Value	% of Market Value	Market Value
Bonds	59.41%	\$1,699,759,948	55.44%	\$1,746,148,310
Stocks	28.73	821,890,455	33.15	1,044,082,820
Cash Equivalents	4.57	130,761,649	4.15	130,761,649
Real Estate and Mtg. Notes Rec.	6.90	197,543,258	6.91	217,709,273
Venture Capital	.39	11,138,029	.35	11,138,029
<b>Total All Investments</b>	<b>100.00%</b>	<b>\$2,861,093,339</b>	<b>100.00%</b>	<b>3,149,840,081</b>



"The Board and other Fiduciaries shall discharge their duties with respect to these funds solely in the interest of the participants and beneficiaries." These duties shall be carried out "with care," skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims."

"The Board shall adopt in regular meeting, policies, objectives or criteria for the operation of the investment program" at least annually. "The Board shall give equal consideration to minority owned and controlled firms and firms owned and controlled by women and joint venture involving minority owned and controlled firms and firms owned and controlled by women which otherwise meet the criteria established by the Board."

The Statutory authority of the Board is set forth in Section 742.11 to 742.11.2 of the Ohio Revised Code and these policies are established and adopted as required under that authority.

## INVESTMENT GOALS

The Board shall seek to maximize total return on investments while preserving the principal, and to that end, will strive for a minimum rate of 8.25 percent, which is the actuarial interest rate of the fund (as of Dec. 31, 1989), to meet that protection requirement.

## INVESTMENT COMMITTEE

An Investment Committee shall be appointed by the Chairman of the Board, to work with the Investment Staff in conjunction with the Advisors, and make recommendations to the Board on investment matters.

## INVESTMENT GUIDELINES STATUTORY INVESTMENT STANDARDS

Section 742.11 of the Ohio Revised Code sets forth specific investment standards and these standards are incorporated in all policies and guidelines of the Board.

## FIXED INCOME INVESTMENTS

It shall be the responsibility of the Investment Staff to give careful consideration of the needs of the system in recommendations for bond investments, emphasizing quality and marketability.

In order to qualify for inclusion in the fixed income portfolio, securities shall be rated "A" or better by two standard rating services at the time of purchase.

No more than 10 percent of the fixed income portfolio may be invested in the securities of any one issuer, and no more than 5 percent in any one issue, with the exception of United States Government securities.

Five or more years of call protection shall be considered desirable.

Fixed income securities rated lower than "A" by a national rating service may be exchanged for securities of similar rating.

## SHORT-TERM INVESTMENTS

To provide effective cash management when investing cash balances, emphasis shall be placed on the protection of principal through the purchase of higher quality money market instruments, while at the same time attempting to achieve the highest available return.

Short-term investments may be made in commercial paper which shall, at the time of purchase, be rated within the two highest classifications established by two standard rating services. Treasury obligations, certificates of deposits, banker's acceptance, or repurchase agreements may be purchased with the responsibility resting with the investment staff regarding the selection of the specific type of investment at any given point in time.

Only certificates of deposit issued by the largest 25 U.S. Banks (or holding companies), the ten largest banks (or holding companies) in Ohio, and the ten largest savings and loans (or holding companies) in Ohio may be purchased.

Only Bankers Acceptance issued by the 25 largest U.S. Banks may be purchased.

Only Commercial Paper instruments which mature within 180 days may be purchased.

**REAL ESTATE**

The Board policy regarding investments in Real Estate will be made for the purpose of portfolio diversification and to act as an inflation hedge. These investments should provide results which, commensurate with risk, will be competitive with and in most cases be in excess of other investment vehicles.

The Board may hire real estate advisors to assist in the investment of the real estate portion of the portfolio.

Real Estate equity should provide more cash flow than common stocks, concentration on properties which will provide cash flow increases over time and also aim at capitalizing on income increases by realizing capital appreciation. The opportunity for increasing income will include cash-on-cash initial investments where it is felt adequate management of property can upgrade the potential through short leases, percent of sales; cost of living clauses and other management techniques.

**ELIGIBLE PROPERTIES**

- 1) Office Buildings
- 2) Industrial Properties
- 3) Shopping Centers
- 4) Hotels—to a limited extent

In all cases, liability shall be limited to the amount of the investment.

Real Estate shall be limited to 10 percent of the total portfolio. Emphasis shall be put on a broad diversification as to types of properties and location. When properties located within Ohio offer quality, return and safety comparable to properties outside Ohio, the Ohio investment will be given preference.

The Investment Committee of the Board shall make recommendations to the Board, and approval of real estate investments shall be made prior to funding.

**COMMON AND PREFERRED STOCKS AND CONVERTIBLES**

Section 742.11 (C) (5) limits the Fund's investment in common and preferred stocks to 35 percent of the value of all funds described in Section 742.38 of the Ohio Revised Code.

Trading recommendations shall be submitted by the various equity advisors to the Investment Manager and Staff who shall be responsible for all trading activity of the portfolio. The Manager shall execute no trading recommendations involving a total loss in excess of five hundred thousand dollars without prior agreement by the Trustees.

**OHIO DEBT AND EQUITY INVESTMENTS**

The fund may invest 5 percent of its funds in debt or equity interest in any corporation, proprietorship, partnership, or other entity not otherwise meeting the investment requirements of Section 742.38 of the Ohio Revised Code, as provided in Section 742.11 (E) (2).

