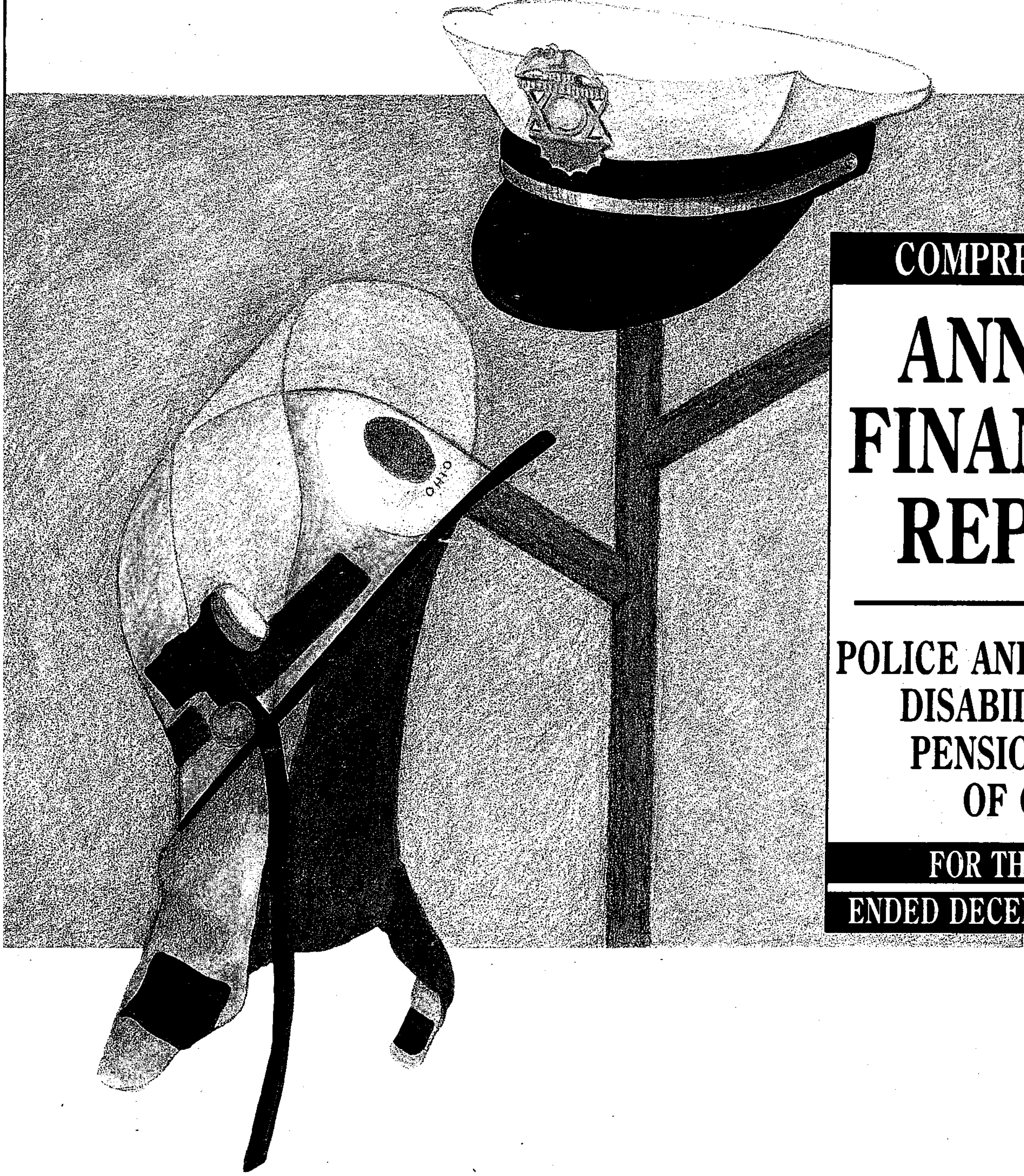


COMPREHENSIVE

ANNUAL FINANCIAL REPORT

POLICE AND FIREMEN'S DISABILITY AND PENSION FUND OF OHIO

FOR THE YEAR

ENDED DECEMBER 31, 1991

COMPREHENSIVE ANNUAL FINANCIAL REPORT

POLICE AND FIREMEN'S DISABILITY AND PENSION FUND OF OHIO

FOR THE YEAR
ENDED DECEMBER 31, 1991

PREPARED BY THE ACCOUNTING DEPARTMENT
THOMAS R. SEVERNS, ASSISTANT DIRECTOR, FINANCE
JOSEPH B. HAUSER, ACCOUNTING MANAGER

TABLE OF CONTENTS

BOARD OF TRUSTEES

ADMINISTRATION

Henry E. Helling, III
Executive Director

Thomas R. Severns
Assistant Director, Finance

David J. Nesbitt
Assistant Director, Benefits

Theodore G. Hall
Assistant Director, Investments

PROFESSIONAL CONSULTANTS

Actuary:
The Wyatt Company

Auditor:
Deloitte & Touche

Legal Counsel:
Attorney General Lee I. Fisher

Investment Managers:
Schroder Real Estate Associates
Sentinel Realty Advisors Corporation
Oppenheimer Capital Corporation
Loomis, Sayles, and Company
Atalanta/Sosnoff Capital Corporation
Bankers Trust Company
Value Line Asset Management
Gelfand Partners
Axe Core Investors
Duff and Phelps Asset Management
Cardinal Financial Management
Chemicals and Materials Enterprise Associates
Primus Venture Partners

ORGANIZATIONAL CHART

BOARD OF TRUSTEES

Elmer J. Khal, Cleveland Fire Department, Chairman
Anthony Coyne,Cleveland Police Department (Retired)
Virgil F. McDaniel, Jr., Dayton Police Department
Robert M. Shields, Columbus Fire Department
Joseph Walter, Toledo Fire Department
Patrick White, Cleveland Police Department
Hugh J. Dorrian, Columbus City Auditor
Thomas E. Ferguson, Auditor of State
Lee I. Fisher, Attorney General

ADMINISTRATIVE STAFF

EXECUTIVE DIRECTOR
Henry E. Helling, III

ASSISTANT DIRECTOR, BENEFITS
David J. Nesbitt

ASSISTANT DIRECTOR, INVESTMENTS
Theodore G. Hall

ASSISTANT DIRECTOR, FINANCE
Thomas R. Severns

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, 1990

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

President

Executive Director

PLAN SUMMARY

PURPOSE

The Police and Firemen's Disability and Pension Fund of Ohio (the Fund) 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 employed by Ohio municipalities. Full-time fire fighters employed by townships, municipalities, township joint fire districts or other political subdivisions must become members of the Fund if satisfactory completion of a fire fighter training course approved under Section 3303.07 or conducted under Section 3737.33 of the Ohio Revised Code is required for employment.

CONTRIBUTIONS

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

BENEFITS

A. Service Retirement

Upon attaining a qualifying age with sufficient service credit, a member of the Fund may retire and receive lifetime monthly cash pension.

Normal Pension

Eligibility: Age 48 and 25 years of service.

Benefit: An annual pension equal to a percentage of the average annual salary. 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 each year of 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.

2. Age Commuted

(a) Eligibility: Age 62 and 15 years of service.

(b) Benefit: The same formula applies as for the normal service pension.

3. Age/Service Commuted

(a) Eligibility: Age 48 and 15 years of service.

(b) 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.

B. Disability Retirement

Members who become unable to perform their official duties and whose earning capacity is impaired, may qualify for disability retirement benefits.

Disability retirement benefits are classified as either service-incurred (on-duty) or non-service-incurred (off-duty), and differ in eligibility requirements and benefit formulas.

1. 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.

(2) Partial Disability (On-Duty)

(a) Eligibility: No age or service requirement.

(b) Benefit: An annual pension fixed by the Board of Trustees to be a certain percent of the average annual salary up to 60%. If the member has 25 or more years of service the annual disability pension is equal to the accrued normal service pension.

(3) Ordinary Disability (Off-Duty)

(a) Eligibility: Any age and five years of service.

(b) Benefit: An annual pension fixed by the Board not to exceed the accrued normal service pension, or 60% of the average annual salary, whichever is less.

C. Rights upon separation from service

1. Deferred Pension

If a member meets the service credit requirement for any service retirement pension but leaves service before attaining the required age, a pension becomes payable upon attainment of the qualifying age.

2. Refund of Contributions

Upon separation from service, a member can receive the contributions made to the plan by himself or, on his behalf, by his employer.

D. Flat Survivor Benefits

1. Eligibility: Upon death of any member of the Fund, active or retired.

2. Benefit:

(a) Surviving Spouse's Benefit—An annual amount equal to $4,920. Terminates upon remarriage or death.

(b) Surviving Child—An annual amount equal to $1,416, payable until such child attains age 18 or marries, whichever occurs first. The payment can continue to an unmarried full-time student until age 22. A dependent disabled child is entitled to a benefit regardless of age at time of member's death until marriage, death, or recovery.

(c) Dependent Parents—If there be no surviving spouse or children, an annual amount of $1,896 is payable to one dependent parent or $948 each to two dependent parents for life or until dependency ceases or remarriage.

E. Lump Sum Death Benefit

On the death of a retired member of the Fund, a lump sum payment of one thousand dollars ($1,000.00) is paid to the member's surviving spouse, or the estate if there be no surviving spouse.

F. Annuities

Effective February 28, 1980 for those retiring on either service pensions or disability benefits, optional annuity plans could be chosen. Members could elect actuarially reduced benefits under life annuity certain and continuous or joint and survivor annuity plans.

Effective for one year beginning September 26, 1984, any member who retired before February 28, 1980 could cancel his single life annuity plan and elect a joint and survivor annuity plan continuing a portion of his reduced benefit to his surviving spouse as survivor annuitant.

Effective April 25, 1984, Pre-Retirement Survivor Annuity was added to the plan.

1. Pre-retirement Survivor 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 the equivalent of a 50% joint and survivor annuity calculated under the fiction that the decedent had retired effective the day following his death.

2. Single Life Annuity

For unmarried members, this is the normal annuity plan. Married members may elect this plan only if the spouse acknowledges the selection.

3. Joint and Survivor Annuity

For married members, this is the normal annuity plan at the 50% continuation level. Any percent between 1% and 100% of the member's reduced pension may be continued to the surviving nominated beneficiary. This plan automatically terminates upon death of the beneficiary or it may be cancelled upon divorce with the approval of the designated beneficiary.

4. Life Annuity Certain and Continuous

The minimum guarantee is 5 years and the maximum is 20 years.

G. 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)

H. Tiered Retirement Plan: COLA or Terminal Pay

Members retiring after July 24, 1986 who had 15 or more years of service as of January 1, 1989, are allowed to select between two different pension calculation plans. Under the terminal pay method, a pension is calculated using terminal payments such as accrued sick leave and vacation compensation to increase the average annual salary. Under the COLA method, no terminal payments are added, but the pension is subject to contingent annual 3% increases equal to the base pension after one year on the roll. The 3% COLA is paid only if the annual increase in the Consumer Price Index, plus unused prior net accumulations, equal or exceed 3%. The COLA method is the automatic calculation method for an active member with fewer than 15 years of service as of January 1, 1989.

I. Post-retirement Cost-of-Living Allowance (COLA)

Members who retired prior to July 24, 1986 or their surviving beneficiaries under optional plans, are entitled to contingent cost-of-living increases based on changes in the Consumer Price Index. The annual increase is paid on July 1st of each year whenever the index plus unused prior net accumulations equal or exceed 3% and the member's annual single life annuity equivalent is less than a certain amount. The qualifying amount was $19,500 per year in 1991. This "Cap" increases by $500 per year. The annual COLA increase is $360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

J. Re-employed Retirants' Defined Contribution Plan Benefit

Effective June 30, 1991, every person who is retired under an Ohio public pension plan and who is employed in a Fund-covered position must contribute to the Fund at the same rate as other police officers or fire fighters. The employer pays the normal rate as well. When the re-employed retirant terminates employment he or she has the option of receiving either a lump sum payment or a lifetime annuity paid monthly.

The lump sum payment is an amount equal to twice his/her contributions plus interest. The lifetime monthly cash payment is based on the value of the lump sum option. If the monthly annuity would be less than $25.00, then only the lump sum option is available.

LETTER OF TRANSMITTAL

The Police and Firemen's Disability and Pension Fund

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

September 16, 1992

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, 1991. This CAFR was prepared to aid interested parties in assessing the Fund's status at December 31, 1991, 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 and a plan summary of the Fund; a Financial Section which includes the Independent Auditors' Report and the financial statements; 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 are 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 65 provides more detail of the aforementioned participating employers.

Participating Employers

	Police	Fire
Municipalities	239	187
Townships	—	86
Villages	294	24
Total	533	297

Economic Conditions and Outlook

Although a brief move toward recovery resulted from the quick and decisive victory in the Gulf War and an easy monetary policy, the recovery faltered in the second half of 1991 as layoffs continued and rising consumer confidence levels began to wane. Strong performances in the securities markets, however, resulted in excellent returns from the Fund's investment portfolio, and the Fund's other main revenue sources—employee and employer contributions—are established by Ohio law and thus are relatively unaffected by economic conditions. For 1992 the economy has shown some early signs of modest improvement, although prospects for a real recovery this year appear dim.

Major Initiatives

One of the key issues facing the Fund's Board of Trustees in recent years has been the rapid rise in health care costs. The average yearly increase in medical care expense for the Fund since inception of its medical care plan in 1974 has been 17.9%.

Cost cutting measures implemented to date include individual case management, a mail order prescription drug program, and a hospitalization pre-certification program. In 1991 a separate Medical Benefits Department was established to more effectively administer Fund activities relating to health care.

The Fund is committed to providing quality health care and to aggressively explore new

new means of controlling health care costs. One area currently undergoing review is the creation, in conjunction with Ohio's four other statewide public employee retirement systems, of a preferred provider network.

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 $668,331,237 in 1991, as compared to $499,567,306 in 1990. A summary of revenues for 1991 and 1990 is as follows:

	1991		1990		
REVENUES BY SOURCE	**Amount**	**Percent**	**Amount**	**Percent**	**INCREASE (DECREASE)**
Contributions:					
Employers	$178,858,413	26%	$168,224,004	33%	$ 10,634,409
Employees	87,786,090	13	82,529,663	17	5,256,427
State of Ohio—Subsidies	5,429,000	1	5,674,000	1	(245,000)
State of Ohio—Death Benefit Fund	10,177,185	2	10,378,929	2	(201,744)
	282,250,688	42	266,806,596	53	15,444,092
Net Investment Income	368,882,582	55	215,178,390	44	153,704,192
Interest on Local Funds Receivable	17,148,388	3	16,391,934	3	756,454
Other Income	49,579	0	1,190,386	0	(1,140,807)
Total	**$668,331,237**	**100%**	**$499,567,306**	**100%**	**$168,763,931**

The increase in revenues is primarily due to greatly improved investment income. The Fund's overall return on its investment portfolio increased from 4.7% in 1990 to 22.1% in 1991. Additionally, 1990 results reflected a permanent writedown of real estate holdings of approximately $23.4 million, while there were no such writedowns in 1991.

The balance of the increase in revenues was largely due to the continued increase in the number of active members and average annual salaries of 1% and 5% respectively in 1991.

Expenses:

Benefit payments are the primary expense of the Fund. Total expenses for the Fund were $322,902,607 in 1991, as compared to $294,853,624 in 1990. A summary of expenses for 1991 and 1990 is as follows:

	1991		1990		
EXPENSES BY TYPE	**Amount**	**Percent**	**Amount**	**Percent**	**INCREASE (DECREASE)**
Benefits:					
Retirement	$150,003,030	47%	$137,176,452	46%	$12,826,578
Disability	62,137,040	19	55,855,530	19	6,281,510
Health Care	61,748,019	19	52,979,696	18	8,768,323
Survivor	27,324,754	8	26,736,682	9	588,072
Death Benefit Fund	10,177,185	3	10,378,929	4	(201,744)
	311,390,028	96	283,127,289	96	28,262,739
Administrative Expenses	8,200,798	3	7,602,060	3	598,738
Refund of Employee Contributions	2,540,360	1	3,768,579	1	(1,228,219)
Other Expenses	771,421	0	355,696	0	415,725
Total	**$322,902,607**	**100%**	**$294,853,624**	**100%**	**$28,048,983**

The increase in the number of benefit recipients, the average benefit paid, health care expenses and cost of living increases account for nearly all of the Fund's increased expenses. The increase in administrative expenses is a direct result of the Fund's continued growth in the number of plan participants and retirees.

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, 1991, increased the fund balance by approximately $345.4 million. This increase is approximately $140.7 million greater than the total fund balance increase recognized in the prior year.

The actuarial valuation for funding purposes dated January 1, 1991, the most recent actuarial valuation, reported an unfunded actuarial accrued liability of $2,773 million. This balance represents the difference between the actuarial accrued liability for benefits to be paid members and retirees ($5,943 million) and total valuation assets ($3,170 million). The unfunded actuarial accrued liability is being amortized in an orderly fashion over future years. The January 1, 1991 pension benefit obligation was $4,426.7 million.

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, 1991, the investment portfolio provided 55.3% of the Fund's total revenues while employee and employer contributions provided 13.1% and 26.7%, respectively. All other sources provided the remaining 4.9%.

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. A summary of investment activity for 1991 follows:

	December 31, 1990		Purchases	Sales, Re-	December 31, 1991		% of
	Carrying Value	Market Value	and Accretions	demptions and Accruals	Carrying Value	Market Value	Total Market Value
Canadian bonds and obligations	$0	$0	$55,314,703	$32,555,151	$22,759,552	$24,864,420	0.62%
Government bonds and obligations	1,335,733,342	1,384,034,776	813,560,548	964,790,664	1,184,503,226	1,312,523,986	32.93%
Corporate bonds and obligations	476,390,089	476,546,568	624,137,217	342,989,533	757,537,773	801,679,628	20.12%
Common stocks	846,405,004	977,966,041	792,753,381	650,285,825	988,872,560	1,349,674,964	33.87%
Preferred stocks	57,812	47,927	8,875,109	57,812	8,875,109	12,308,750	0.31%
Commercial paper	208,243,525	208,243,525	2,984,994,971	2,955,692,000	237,546,496	237,546,496	5.96%
Real estate, net of accumulated depreciation (note 6)	205,982,717	217,452,112	4,536,867	3,011,546	207,508,038	220,939,016	5.54%
Mortgage notes receivable	12,708,484	12,708,484	—	728,484	11,980,000	11,980,000	0.30%
Venture capital	11,713,986	11,713,986	3,000,000	779,988	13,933,998	13,933,998	0.35%
	$3,097,234,959	$3,288,713,419	$5,287,172,796	$4,950,891,003	$3,433,516,752	$3,985,451,258	100.00%

As noted above, the Fund made significant changes within the portfolio to increase corporate bonds and stock holdings and reduce the funds invested in government bonds in order to maximize earnings due to declining yields and expectations of economic recovery. 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 75 through 79 of this comprehensive annual financial report.

Material Plan Amendments

There were no material plan amendments in 1991.

Independent Auditors

The financial statements of the Fund for the year ended December 31, 1991 were audited by Deloitte & Touche, independent Certified Public Accountants, whose opinion thereon is included at the beginning of the Financial Section of this report.

Notes to the Financial Statements

The notes to the financial statements which follow the 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 year ended December 31, 1990. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

THOMAS R. SEVERNS
Assistant Director, Finance

FINANCIAL SECTION

Independent Auditors' Report

Balance Sheets

Statements of Revenues, Expenses and Changes in Fund Balances

Statements of Cash Flows

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
Investment Management Fees
Detailed Listing of Investment Portfolio

INDEPENDENT AUDITORS' REPORT

Deloitte & Touche

155 East Broad Street
Columbus, Ohio 43215-3650
Telephone: (614) 221-1000
Facsimile: (614) 229-4647

To the Board of Directors of the Police
and Firemen's Disability and Pension Fund of Ohio:

We have audited the accompanying balance sheet of the Police and Firemen's Disability and Pension Fund of Ohio (the Fund) as of December 31, 1991 and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year ended. 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. The financial statements of the Fund for the year ended December 31, 1990 were audited by other auditors whose report, dated June 7, 1991 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Fund at December 31, 1991, and the results of its operations and the changes in cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Fund's management. Such schedules as of and for the year ended December 31, 1991 have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The schedules as of and for the years ended December 31, 1987 through 1990 were reported upon by other auditors whose reports stated that the schedules were fairly stated when considered in relation to the basic financial statements. The schedules as of and for the years ended December 31, 1982 through 1986 were not audited, and, accordingly, we do not express an opinion on them.

Deloitte & Touche

August 28, 1992

Deloitte Touche Tohmatsu International

BALANCE SHEETS

DECEMBER 31, 1991 AND 1990

	1991	1990
Assets:		
Cash (note 5)	$ 10,945,099	$ 8,404,283
Receivables:		
Employers' contributions	53,299,077	50,227,291
Employees' contributions	6,527,667	6,703,902
Accrued investment income	42,772,228	34,250,157
Investment sale proceeds	36,440,886	233,812
Total receivables	139,039,858	91,415,162
Collateral held under security lending program (note 5)	765,745,468	746,306,878
Investments, at cost (market value $3,985,451,258 and $3,288,713,419 in 1991 and 1990, respectively) (notes 5, 6 and 8)	3,433,516,752	3,097,234,959
Local funds receivable (note 7)	403,445,487	407,027,867
Property and equipment, net of accumulated depreciation of $1,652,023 and $1,219,234 in 1991 and 1990, respectively	3,944,132	4,169,228
Other assets (note 9)	410,193	3,847,743
Total assets	4,757,046,989	4,358,406,120
Liabilities:		
Health care benefits payable	12,374,937	11,995,795
Investment commitments payable	49,125,047	13,722,544
Accounts payable and accrued expenses	2,326,513	2,796,287
Note payable (note 8)	2,195,542	2,200,000
Other liabilities (note 9)	806,457	2,340,221
Obligations under security lending program (note 5)	765,745,468	746,306,878
Total liabilities	832,573,964	779,361,725
Net assets available for benefits	**$ 3,924,473,025**	**$ 3,579,044,395**
Fund balance (note 3):		
Pension benefit obligation (at beginning of year):		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 2,161,000,000	$ 1,978,000,000
Current employees:		
Accumulated employee contributions	563,100,000	518,300,000
Employer financed portion	1,702,600,000	1,582,900,000
Total pension benefit obligation	4,426,700,000	4,079,200,000
Unfunded pension benefit obligation	(502,226,975)	(500,155,605)
Total fund balance	**$ 3,924,473,025**	**$ 3,579,044,395**

See accompanying notes to financial statements.

FINANCIAL SECTION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

YEARS ENDED DECEMBER 31, 1991 and 1990

	1991	1990
Operating revenues:		
Contributions:		
Employers (note 4)	$ 178,858,413	$ 168,224,004
Employees (note 4)	87,786,090	82,529,663
State of Ohio—subsidies (note 4)	5,429,000	5,674,000
State of Ohio—Death Benefit Fund	10,177,185	10,378,929
	282,250,688	266,806,596
Net investment income (note 5)	368,882,582	215,178,390
Interest on local funds' receivable	17,148,388	16,391,934
Other income	49,579	1,190,386
Total operating revenues	668,331,237	499,567,306
Operating expenses:		
Benefits (note 3):		
Retirement	150,003,030	137,176,452
Disability	62,137,040	55,855,530
Health care	61,748,019	52,979,696
Survivor	27,324,754	26,736,682
Death Benefit Fund	10,177,185	10,378,929
	311,390,028	283,127,289
Administrative expenses, including depreciation on operating properties	8,200,798	7,602,060
Refund of employee contributions (note 4)	2,540,360	3,768,579
Other expenses	771,421	355,696
Total operating expenses	322,902,607	294,853,624
Net operating income	345,428,630	204,713,682
Fund balance, beginning of year	3,579,044,395	3,374,330,713
Fund balance, end of year	**$ 3,924,473,025**	**$ 3,579,044,395**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1991 AND 1990

	1991	1990
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income:	$ 345,428,630	$ 204,713,682
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation on investment in real estate	3,011,546	3,541,413
Depreciation on property and equipment	435,363	337,054
Net gain due to accretion of discount and investment sales	(174,636,695)	(58,926,055)
Unrealized loss on investments	—	23,427,370
Local funds receivable principal payments	3,582,381	4,162,676
Change in assets and liabilities:		
(Increase) decrease in receivables	(47,624,696)	23,988,887
Decrease in other assets	3,437,550	1,046,204
Increase in health care benefits payable	379,142	658,231
Increase (decrease) in investment commitments payable	35,402,503	(1,556,357)
Increase (decrease) in accounts payable and accrued expenses	(469,774)	1,233,664
Increase (decrease) in other liabilities	(1,538,222)	589,502
Total adjustments	(178,020,902)	(1,497,411)
Net cash provided by operating activities	167,407,728	203,216,271
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(210,267)	(845,011)
Cash flows from investing activities:		
Purchase of investments	(5,272,133,419)	(4,404,900,711)
Proceeds from sale and maturities of investments	5,107,476,774	4,199,170,622
Increase in collateral held under securities lending program	(19,438,590)	(746,306,878)
Increase in obligations under securities lending program	19,438,590	746,306,878
Net cash used in investing activities	(164,656,645)	(205,730,089)
Net increase (decrease) in cash and cash equivalents	2,540,816	(3,358,829)
Cash and cash equivalents at beginning of year	8,404,283	11,763,112
Cash and cash equivalents at end of year	$ 10,945,099	$ 8,404,283

Noncash Transaction

In 1990, a building and related improvements with a net book value of $1,545,741 was transfered from investment in real estate to property and equipment.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1991 AND 1990

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 employee membership data as of January 1, 1991, date of the most recent actuarial valuation, follows:

Employee Members	Police	Fire	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	9,392	8,015	17,407
Current employees:			
Vested	5,053	3,648	8,701
Nonvested	8,220	6,153	14,373
	13,273	9,801	23,074

Employer Members	Police	Fire
Municipalities	239	187
Townships	—	86
Villages	294	24
Total	533	297

(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.

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 receive 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 dependent's attainment of age 18 (or 22 if attending school). These 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 vested 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 a municipal fiscal officer 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 Ohio Police & Firemen's (OP & F) 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 depreciation on investment in real estate 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 first in, first out (FIFO) cost of the shares managed by each adviser.

Investments in commercial paper are carried at amortized 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 Fund provides a postretirement health care program which 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. The liability at December 31, 1991 is not discounted. An actuary was not used in determination of this liability. A summary of changes in self-insurance claims for the year ended December 31, 1991 follows:

Claims liability at December 31, 1990	$11,995,795
Incurred claims	61,748,019
Claims paid	(61,368,877)
Claims liability at December 31, 1991	$12,374,937

(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) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Fund considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

(g) Reclassifications

Certain 1990 balances have been reclassified to conform with 1991 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, 1991 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. The pension benefit obligation of the Fund as a whole is presented separately for police and firemen due to different actuarial assumptions for each group. Significant actuarial assumptions used in the 1991 and 1990 valuations are as follows:

(a) 8.25% rate of return on investments, compounded annually.

(b) 5.75% 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 52 through 65 are based upon the experience during the period of 1982 to 1986. The rates of retirement for ages 48 through 51 are based upon 1989 experience. 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, 1991, the unfunded pension benefit obligation was computed to be approximately $847,656,000 as follows (in thousands):

	Police	Fire	Total
Pension benefit obligation:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 1,159,100	$1,001,900	$ 2,161,000
Current employees:			
Accumulated employee contributions	325,600	237,500	563,100
Employer-financed vested	713,000	522,500	1,235,500
Employer-financed nonvested	259,000	208,100	467,100
	1,297,600	968,100	2,265,700
Total pension benefit obligation	$ 2,456,700	$1,970,000	4,426,700
Net assets available for benefits, at cost (market value $3,770,522)			3,579,044
Unfunded pension benefit obligation at January 1, 1991			$ 847,656

The actuarial effect of 1991 membership changes on the pension benefit obligation has not been determined and is therefore not reflected in the December 31, 1991 balance sheet value for the unfunded pension benefit obligation.

At January 1, 1990, the unfunded pension benefit obligation was computed to be approximately $704,869,000 as follows (in thousands):

	Police	Fire	Total
Pension benefit obligation:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 1,042,400	$ 935,600	$ 1,978,000
Current employees:			
Accumulated employee contributions	301,000	217,300	518,300
Employer-financed vested	664,700	491,500	1,156,200
Employer-financed nonvested	235,000	191,700	426,700
	1,200,700	900,500	2,101,200
Total pension benefit obligation	$ 2,243,100	$1,836,100	4,079,200
Net assets available for benefits, at cost (market value $3,663,078)			3,374,331
Unfunded pension benefit obligation at January 1, 1990			$ 704,869

The actuarial effect of 1990 membership changes and plan amendments on the pension benefit obligation had not been determined and is therefore not reflected in the December 31, 1990 balance sheet value for the unfunded pension benefit obligation. These changes and amendments have been reflected in the 1991 valuation.

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:

	Police	Fire
	(% of active member payroll)	
Rates established by the ORC at December 31, 1991:		
Employer	19.50	24.00
Member	10.00	10.00
Total actual rate	29.50	34.00
Actuarially determined rate as of January 1, 1991	36.05	36.41

The Fund's actuary allocated 7.30% (6.26% in 1990) 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 assumptions, actuarial funding method or benefit provisions.

Contributions as a percentage of active member payroll required and made for 1991 represented 29.50% for Police and 34.00% for Fire Fighters. Employer and member contributions were approximately $93,322,000 and $50,648,000 respectively for Police and $85,537,000 and $37,138,000 respectively for Fire Fighters for the year ended December 31, 1991.

Contributions as a percentage of active member payroll required and made for 1990 represented 29.50% for Police and 34.00% for Fire Fighters. Employer and member contributions were approximately $89,056,000 and $47,738,000 respectively for Police and $79,168,000 and $34,792,000 respectively for Fire Fighters for the year ended December 31, 1990.

Member 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, 1991 was $5,429,000, exclusive of the death benefit contributions.

5. DEPOSITS AND INVESTMENTS

(a) Deposits

The Fund's deposits are categorized 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 agent 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.

The carrying amount of the Fund's cash deposits at December 31, 1991 was $10,945,099 and the depository balance was $10,384,657. Of this total, $751,111 was covered by federal depository insurance and $6,988,797 was covered by collateral held in the name of the Fund's legally-designated custodian, the Treasurer of the State of Ohio (Category 1). The remaining depository balance of $2,644,749, consisting of amounts held by the OP & F and Schroder Trusts, was uninsured and uncollateralized (Category 3). Deposits with the Ohio Public Employees Deferred Compensation Program are recorded as other assets and due to their nature are not required to be categorized.

(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, 1991 and 1990. 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 counterparty, or by its trust department or agent but not in the Fund's name.

All investments of the Fund met the criteria of Category 1 at December 31, 1991 and 1990, 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 for each year follows:

	1990		Year ended December 31, 1991		1991		% of
	Carrying Value	Market Value	Purchases and Accretions	Sales, Re-demptions and Accruals	Carrying Value	Market Value	Total Market Value
Canadian bonds and obligations	$0	$0	$55,314,703	$32,555,151	$22,759,552	$24,864,420	0.62%
Government bonds and obligations	1,335,733,342	1,384,034,776	813,560,548	964,790,664	1,184,503,226	1,312,523,986	32.93%
Corporate bonds and obligations	476,390,089	476,546,568	624,137,217	342,989,533	757,537,773	801,679,628	20.12%
Common stocks	846,405,004	977,966,041	792,753,381	650,285,825	988,872,560	1,349,674,964	33.87%
Preferred stocks	57,812	47,927	8,875,109	57,812	8,875,109	12,308,750	0.31%
Commercial paper	208,243,525	208,243,525	2,984,994,971	2,955,692,000	237,546,496	237,546,496	5.96%
Real estate, net of accumulated depreciation (note 6)	205,982,717	217,452,112	4,536,867	3,011,546	207,508,038	220,939,016	5.54%
Mortgage notes receivable	12,708,484	12,708,484	0	728,484	11,980,000	11,980,000	0.30%
Venture capital	11,713,986	11,713,986	3,000,000	779,988	13,933,998	13,933,998	0.35%
	$3,097,234,959	$3,288,713,419	$5,287,172,796	$4,950,891,003	$3,433,516,752	$3,985,451,258	100.00%

FINANCIAL SECTION

	Year ended December 31, 1990						
	1989			Sales, Re-	1990		% of
	Carrying Value	Market Value	Purchases and Accretions	demptions and Accruals	Carrying Value	Market Value	Total Market Value
Government bonds and obligations	$1,258,884,684	$1,302,011,147	$403,440,507	$326,591,849	$1,335,733,342	$1,384,034,776	42.08%
Corporate bonds and obligations	440,875,264	444,137,163	236,654,998	201,140,173	476,390,089	476,546,568	14.49%
Common stocks	817,153,494	1,039,181,655	446,360,365	417,108,855	846,405,004	977,966,041	29.74%
Preferred stocks	4,736,961	4,901,165	0	4,679,149	57,812	47,927	0.00%
Commercial paper	130,761,649	130,761,649	3,288,906,051	3,211,424,175	208,243,525	208,243,525	6.33%
Real estate, net of accumulated depreciation (note 6)	184,834,774	205,000,789	49,662,467	28,514,524	205,982,717	217,452,112	6.61%
Mortgage notes receivable	12,708,484	12,708,484	0	0	12,708,484	12,708,484	0.39%
Venture capital	11,138,029	11,138,029	750,000	174,043	11,713,986	11,713,986	0.36%
	$ 2,861,093,339	$ 3,149,840,081	$ 4,425,774,388	$ 4,189,632,768	$ 3,097,234,959	$ 3,288,713,419	100.00%

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 value of real estate reflects writedowns for unrealized losses of approximately $23,427,000, representing market declines determined to be other than temporary and are included in the determination of net investment income for 1990. There were no such writedowns in 1991.

The Fund participates in a security lending program, administered by the custodial agent bank, whereby certain securities are transferred to an independent broker/dealer (borrower) in exchange for collateral equal to no less than 102% of the market value of the loaned securities. The Fund has minimized its exposure to credit risk due to borrower default by having the custodial agent bank determine daily that required collateral meets 100% of the market value of securities on loan. The Fund has not experienced any losses due to credit or market risk on security lending activity since implementation of the program. Securities loaned to brokers/dealers at December 31, 1991 and 1990 totaled $765,745,468 and $746,306,878 respectively. Security lending income totaled $1,211,140 and $271,698 for the years ended December 31, 1991 and 1990 respectively. [Securities under loan are maintained on the Fund's financial records and are included with stocks, bonds and obligations.]

6. INVESTMENT IN REAL ESTATE

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

	1991	1990
Land	$ 43,606,134	$ 43,606,134
Buildings	110,097,214	110,097,214
Capital improvements	13,028,548	10,827,681
	166,731,896	164,531,029
Less accumulated depreciation	13,723,858	10,712,312
	153,008,038	153,818,717
Real estate limited partnerships	54,500,000	52,164,000
	$ 207,508,038	$ 205,982,717

Real estate rental income was approximately $8,925,000 and $7,877,000 in 1991 and 1990, respectively, net of depreciation of approximately $3,012,000 and $3,541,000. 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, 1991:

FINANCIAL SECTION

Year ending December 31,	
1992	$ 14,906,000
1993	12,003,000
1994	8,700,000
1995	6,346,000
1996	4,785,000
Later years	17,197,000
Total minimum future rentals	**$ 63,937,000**

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, 1991 includes $1,554,500 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,	
1992	$ 20,450,479
1993	20,360,366
1994	20,355,484
1995	20,349,865
1996	20,318,812
Later years	774,780,145
Total projected payments	876,615,151
Less interest portion	473,169,664
Balance due at December 31, 1991	**$403,445,487**

8. MORTGAGE NOTE PAYABLE

The $2,195,542 mortgage note payable, secured by a real estate office building held for investment with a net book value of approximately $3,740,000, bears interest at a variable rate equal to the 90 day Certificate of Deposit rate of the mortgagor, plus 3%. Such rate changes on a quarterly basis. For the quarter ended December 31, 1991, the rate was 8%. The mortgage also provides for monthly payments of principal. The outstanding principal and any accrued interest are due October 1, 1992.

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 $314,000 and $296,000 as of December 31, 1991 and 1990, 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, 1991 was approximately $1,611,000; the Fund's total payroll was approximately $1,747,000.

Employees are eligible for retirement benefits at age 60 with 5 or more years of service credit, at age 55 with 25 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 first 30 years of service credit and 2.5% for years of service in excess of 30 years. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. PERS also provides disability and survivor benefits.

The Fund and covered employees are required by State statute to contribute 13.55% (13.95% prior to July 1, 1991) 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, 1991 were approximately $222,000 and $137,000, respectively; these contributions represented 13.55% (13.95% prior to July 1, 1991) 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, 1991 for PERS as a whole, determined through an actuarial valuation performed as of January 1, 1991, date of the most recent actuarial valuation, was $18.0 billion. PERS' net assets available for benefits on that date, at market value were $16.4 billion. The Fund's 1991 actuarially determined contribution requirement represented .034% 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, 1991 comprehensive annual financial report for five years.

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in note 10, PERS provides postemployment health care benefits to all employees who retire with 10 or more years of qualifying Ohio service credit. The plan has 328,981 active contributing participants as of December 31, 1991.

The Fund and all employees are required to contribute to PERS as in note 10. A portion of each employer's contribution is set aside for advanced funding of postemployment health care. Of the 13.55% (13.95 prior to July 1, 1991) of employee payroll contributed by the Fund, 5.26% or approximately $84,752 was the portion used to fund health care. Statutory rates equal the actuarially determined contribution requirements.

The actuarial present value of accrued other postemployment benefits was determined based on the entry age normal method of funding. Significant actuarial assumptions used in the January 1, 1991 actuarial valuation (most recent valuation available) were (a) a 7.75% rate of return on investments, (b) investments valued at cost or amortized cost, adjusted to reflect 20% of unrealized appreciation or depreciation on investment assets, (c) no change in the number of active employees, (d) base pay rate increases of 5.5% and annual pay increases over and above the 5.5% base increase ranging from 0% to 4% and (e) health care cost increases of 5.5% annually.

The total Ohio PERS actuarial present value of accrued other postemployment benefits as of January 1, 1991 (most recent valuation available) was $6.07 billion; the net assets available for these benefits at that date were $4.41 billion.

12. 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 $4,048,000 at December 31, 1991. In event of default on the first mortgage, management of the Fund intends to guarantee payment. The appraised value of the security was approximately $16,200,000 at December 31, 1990, and the outstanding balance of the Fund's mortgage note receivable was $11,980,000 at December 31, 1991. 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, 1991.

The Fund is committed to make additional capital contributions of $3,250,000 to existing limited partnership investments.

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.

REQUIRED SUPPLEMENTAL SCHEDULES

ANALYSIS OF FUNDING PROGRESS (IN THOUSANDS)

As of January 1,	Net assets available for benefits (2)	Pension benefit obligation	Percentage funded (3)	Unfunded pension benefit obligation (3)	Covered payroll (1)(3)	Unfunded pension benefit obligation as a percentage of covered payroll (3)
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
1990	3,374,331	4,079,200	82.7	704,869	732,417	96.2
1991	3,579,044	4,426,700	80.9	847,656	778,097	108.9

Note: Historical trend information is not available for years prior to 1987. Analysis of funding progress is presented for 1987 through 1991 in the accompanying schedule.

See accompanying independent auditors' report.

(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.

REVENUES BY SOURCE

Year ended December 31,	Employer contributions (2)	Employee contributions (2)	State of Ohio subsidies	Net investment income (1)
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
1990	168,224,004	82,529,663	5,674,000	215,178,390
1991	178,858,413	87,786,090	5,429,000	368,882,582

Note: For years 1982 through 1986, revenues are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1991 revenues are shown on the accrual basis.

(1) For years 1982 through 1986 net realized gain on sale of investments is excluded.

See accompanying independent auditors' report.

EXPENSES BY TYPE

Year ended December 31,	Retirement, disability and survivor benefits	Health care benefits	Refund of employee contributions
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	200,702,890	47,818,789	3,906,362
1990	219,768,664	52,979,696	3,768,579
1991	239,464,824	61,748,019	2,540,360

Note: For years 1982 through 1986, expenses are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1991 expenses are shown on the accrual basis.

See accompanying independent auditors' report.

Interest on local funds receivable	Other income	State contribution to death benefit fund	Total	Employer contributions as a percentage of covered payroll
$ 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	21.4
16,391,934	1,190,386	10,378,929	499,567,306	21.4
17,148,388	49,579	10,177,185	668,331,237	21.2

(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.

Administrative expenses	Other expense	Death benefit fund benefits	Total
$ 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
7,602,060	355,696	10,378,929	294,853,624
8,200,798	771,421	10,177,185	322,902,607

ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 1991 AND 1990

	1991	1990
Personnel Services:		
Administrative salaries	$ 1,743,843	$ 1,430,702
Employee benefits	298,232	225,707
Employer contributions—PERS	228,301	206,026
	2,270,376	1,862,435
Professional services	4,229,666	4,395,703
Other services and charges:		
Equipment—rental and maintenance	120,264	112,094
Travel expenses	115,361	152,389
Postage	176,306	116,325
Printing	164,965	73,717
Insurance—administrative	72,677	71,915
Office supplies and maintenance	145,392	126,608
Utilities—telephone	133,368	61,745
Ohio Retirement Study Commission	35,742	23,706
Dues and subscriptions	22,705	32,111
Depreciation expenses	435,363	337,054
Miscellaneous expenses	278,613	236,258
	1,700,756	1,343,922
Total administrative expenses	**$ 8,200,798**	**$ 7,602,060**

See accompanying independent auditors' report.

REFUNDS OF EMPLOYEE CONTRIBUTIONS

Year Ended December 31,	(1) Police	(1) Fire	Total
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
1990	2,750,115	1,018,464	3,768,579
1991	1,904,000	636,360	2,540,360

Note: For years 1982 through 1986, refunds are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1991 refunds are shown on the accrual basis.

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

See accompanying independent auditors' report.

SUPPLEMENTAL SCHEDULES

FUND BALANCE ACCOUNTS

YEAR ENDED DECEMBER 31, 1991

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 Policemen's and Firemen's Contribution Funds accumulate the contributions deducted from the salaries of members. Upon retirement, a member's accumulated contributions 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		Employers' Contribution Fund	
	Policemen	Fire Fighters	Policemen	Fire Fighters
Fund balance at beginning of year	$ 328,279,460	$238,739,236	$661,767,581	$378,858,118
Changes for the year:				
Contributions:				
Employers	—	—	93,321,533	85,536,880
Employees	50,647,922	37,138,168	—	—
State of Ohio subsidies	—	—	—	—
Death benefit fund	—	—	—	—
Investment income	—	—	—	—
Interest on local funds' receivable	—	—	8,917,162	8,231,226
Other income	—	—	—	—
Benefits:	—	—	—	—
Retirement	—	—	—	—
Disability	—	—	—	—
Health care	—	—	—	—
Survivor	—	—	—	—
Death benefit fund	—	—	—	—
Administrative expenses	—	—	—	—
Refund of Employee contributions	(1,904,000)	(636,360)	—	—
Other expenses	—	—	—	—
Transfers	(29,170,077)	(18,611,995)	(38,215,425)	(30,026,404)
Net changes	19,573,845	17,889,813	64,023,270	63,741,702
Fund balance at end of year	$ 347,853,305	$256,629,049	$725,790,851	$442,599,820

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	
Policemen	Fire Fighters				1991	1990
$1,038,300,000	$ 933,100,000	—	—	—	$3,579,044,395	$3,374,330,713
—	—	—	—	—	178,858,413	168,224,004
—	—	—	—	—	87,786,090	82,529,663
—	—	5,429,000	—	—	5,429,000	5,674,000
—	—	—	—	10,177,185	10,177,185	10,378,929
—	—	368,882,582	—	—	368,882,582	215,178,390
—	—	—	—	—	17,148,388	16,391,934
—	—	49,579	—	—	49,579	1,190,386
—	—	—	—	—		
(79,501,606)	(70,501,424)	—	—	—	(150,003,030)	(137,176,452)
(32,932,631)	(29,204,409)	—	—	—	(62,137,040)	(55,855,530)
(31,497,342)	(30,250,677)	—	—	—	(61,748,019)	(52,979,696)
(14,482,120)	(12,842,634)	—	—	—	(27,324,754)	(26,736,682)
—	—	—	—	(10,177,185)	(10,177,185)	(10,378,929)
—	—	—	(8,200,798)	—	(8,200,798)	(7,602,060)
—	—	—	—	—	(2,540,360)	(3,768,579)
—	—	(771,421)	—	—	(771,421)	(355,696)
274,013,699	207,399,144	(373,589,740)	8,200,798	—	—	—
115,600,000	64,600,000	—	—	—	345,428,630	204,713,682
$1,153,900,000	$ 997,700,000	—	—	—	$3,924,473,025	$3,579,044,395

CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BALANCE

YEARS ENDED DECEMBER 31, 1991 AND 1990

SCHEDULE 2

	1991	1990
Cash receipts:		
Investment sales and maturities	$ 5,096,822,920	$ 4,218,804,646
Contributions:		
Employer	176,563,860	171,497,859
Employee	87,238,467	83,296,762
State of Ohio—subsidies	5,429,000	5,674,000
State of Ohio—Death Benefit Fund	13,379,948	11,731,554
	282,611,275	272,200,175
Net investment income	190,791,161	198,242,266
Local fund's receipts	20,596,257	20,554,610
Other income	372,656	1,253,855
Total cash receipts	5,591,194,269	4,711,055,552
Cash Disbursements:		
Investment purchases	5,265,353,339	4,420,802,765
Benefits:		
Retirement	150,089,433	136,812,262
Disability	62,087,697	55,820,361
Health care	61,367,996	52,313,624
Survivor	27,378,381	26,661,546
Death Benefit Fund	10,284,988	9,505,035
	311,208,495	281,112,828
Administrative expenses	7,682,743	6,864,754
Refund of employee contributions	3,391,199	3,941,390
Other expenses	1,017,677	1,692,644
Total cash disbursements	5,588,653,453	4,714,414,381
Excess (Deficiency) of cash receipts over cash disbursements	2,540,816	(3,358,829)
Cash balance, beginning of year	8,404,283	11,763,112
Cash balance, end of year	$ 10,945,099	$ 8,404,283

See accompanying independent auditors' report.

INVESTMENT MANAGEMENT FEES

YEAR ENDED DECEMBER 31, 1991

SCHEDULE 3

INVESTMENT MANAGER	MANAGEMENT FEES
Schroder Real Estate Associates	$ 680,500
Sentinel Realty Advisors Corporation	668,000
Oppenheimer Capital Corporation	526,696
Atalanta/Sosnoff Capital Corporation	511,632
Loomis, Sayles, and Company	501,337
Value Line Asset Management	386,421
Bankers Trust Company	288,986
Gelfand Partners	83,454
Axe Core Investors	47,598
Duff and Phelps Asset Management	34,386

See accompanying independent auditors' report.

DETAILED LISTING OF INVESTMENT PORTFOLIO

DECEMBER 31, 1991

SCHEDULE 4

GOVERNMENT BONDS AND OBLIGATIONS:

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
FHLMC Series F-3	12.25%	03/15/95	$ 3,653,008	$ 3,767,917	$ 3,689,538
U.S. Treasury	7.25	11/15/96	67,333,000	63,704,276	70,783,816
U.S. Treasury	8.625	08/15/97	118,125,000	120,888,841	131,339,644
U.S. Treasury	8.875	11/15/97	261,160,000	272,658,021	293,640,469
Mid-State TR II CL A-3	9.35	04/01/98	47,000,000	46,811,450	51,065,970
FHLMC #230013	7.25	08/01/98	2,416,266	2,292,972	2,467,612
U.S. Treasury	9.25	08/15/98	36,520,000	38,844,998	42,009,321
FHLMC #251021	12	08/01/99	340,476	393,553	380,481
U.S. Treasury	8.875	05/15/00	5,760,000	5,981,413	6,559,200
U.S. Treasury	8.75	08/15/00	4,660,000	5,066,200	5,277,450
FHLMC #212242	7.5	07/01/01	5,010,822	4,583,356	5,140,803
Community Prog. Ser. 87 A-3	4.5	04/01/02	13,700,000	9,829,101	12,227,250
FHLMC #300846	7	06/01/02	411,214	399,984	416,609
FHLMC #252548	7	09/01/02	511,987	481,155	519,667
FNMA 89-34 Y-3	9.85	11/25/02	6,300,000	6,452,078	6,748,875
Mid States TR #A-4	9.625	04/01/03	57,675,000	59,604,780	63,650,130
FHLMC #252397	7.25	07/01/03	769,150	734,768	785,732
FNMA Remic 89-8 CL 8D	9.5	07/25/03	4,500,000	4,443,364	4,927,500
Merrill Lynch Great Western	11.35	04/01/05	39,814	39,084	39,814
FNMA/GL #44048	7	12/01/05	14,070,379	12,602,122	14,096,831
FNMA Remic 91-146 Z2	8	07/25/06	24,740,000	24,340,246	26,100,700
FNMA Remic 89-11 C-Y2	0	06/25/07	20,402,000	13,056,793	18,514,815
FNMA/GL #57839	7.25	07/01/07	6,737,147	6,136,452	6,815,028
FNMA/GL #8300	7.5	07/01/07	18,794,241	17,159,339	19,058,488
FNMA/GL #2494	8	01/01/08	13,559,967	12,780,953	13,975,173
FNMA/GL #8245	8	02/01/08	5,907,163	5,633,133	6,110,252
FHLMC #181186	8	10/01/08	735,662	505,444	755,893
FHLMC #181734	7.5	05/01/09	1,224,049	747,216	1,250,831
FNMA #281	9.5	12/01/10	1,240,714	1,166,872	1,320,591
FHLMC #185839	12	08/01/13	237,286	224,456	265,168
FHLMC #185228	11.5	08/01/13	285,886	271,640	315,547
FHLMC #185711	12	09/01/13	140,066	133,888	156,524
FHLMC #186256	12	10/01/13	253,466	196,551	283,248
FHLMC #186808	13	10/01/13	18,934	17,872	21,395
FHLMC #187000	13	12/01/13	180,459	169,155	203,919
FNMA/GL #44046	7.5	02/01/14	8,715,231	7,957,869	8,889,535
Bear Stearns Investment Trust 89-1 CL-Y3	9.97	01/01/15	2,757,000	2,754,482	3,049,931
U.S. Treasury	9.25	02/15/16	248,970,000	275,209,564	298,141,575
FHLMC #170164	9	05/01/16	486,144	477,518	511,516
Bear Stearns Investment Trust 89-3 CL-Y4	0	01/01/17	28,777,000	11,411,870	16,204,904
FNMA Trust 27	0	02/01/17	44,329,236	24,401,623	31,196,700
FNMA Trust 28	0	02/01/17	35,922,947	19,183,079	25,280,774
GNMA #228868	8	04/15/17	1,543,227	1,319,349	1,593,382
FNMA Trust 35	0	09/01/17	5,442,206	3,048,404	4,074,852
MLT #12 Class F	8.45	09/01/17	15,000,000	14,228,295	15,262,500
FNMA Strip TR34 CL1	0	05/01/18	28,413,537	15,446,236	21,274,636
American Housing TR-1 CL-3	7.625	08/25/18	7,654,647	6,639,298	7,463,281

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
FNMA Gtd Remic 88-23C	9.75	09/25/18	5,000,000	4,858,302	5,537,500
Bear Stearns Investment Trust 88-7 CL-2	9.25	12/01/18	16,100,000	15,875,961	17,468,500
FNMA Remic 89-25	10	02/25/19	4,705,000	4,756,546	5,246,075
FNMA Remic 1990 G2-B	0	07/25/19	7,800,000	3,517,550	4,592,250
FNMA 91-65 Class ZB	8	08/25/21	24,566,000	20,860,060	22,969,210
Rural Housing TR 87-1 2-C	6.83	04/01/26	13,370,000	10,437,777	12,852,581
Total government bonds and obligations			**$ 1,243,965,331**	**$1,184,503,226**	**$1,312,523,986**

CORPORATE BONDS AND OBLIGATIONS:

McDonnell Douglas Finance	9.7%	01/15/92	$ 7,500,000	$ 7,495,251	$ 7,509,375
Chrysler Financial Corp.	10.3	06/15/92	835,000	833,432	834,082
Chrysler Financial Corp.	9.625	07/31/92	1,000,000	987,402	994,900
American Medical International	9.75	02/01/93	1,361,000	1,370,193	1,361,000
Merrill Lynch	9	07/15/93	2,660,000	2,660,000	2,796,139
Shearson Lehman Brothers	9.875	10/01/93	10,550,000	10,545,756	11,138,690
Household Finance Corp.	9.5	12/15/93	4,500,000	4,469,846	4,790,970
GMAC	9.6	01/25/94	1,500,000	1,497,331	1,594,050
GMAC	9.5	01/27/94	7,000,000	7,061,651	7,427,000
GMAC	9.5	02/03/94	2,500,000	2,525,618	2,648,250
International Lease Finance	8.17	02/10/94	3,500,000	3,511,175	3,655,050
Merrill Lynch	8.77	02/15/94	4,700,000	4,732,403	4,974,762
Ford Motor Credit	10	04/21/94	4,900,000	4,954,985	5,268,921
Salomon Inc.	8.55	06/21/94	2,800,000	2,800,919	2,809,072
Ford Motor Credit	8.5	07/15/94	2,500,000	2,519,536	2,614,750
GMAC	8.75	08/15/94	3,000,000	2,958,497	3,142,890
Beneficial Corp.	12.75	08/15/94	4,180,000	4,182,128	4,870,118
Associates Corp. N.A.	12.5	09/15/94	7,000,000	7,419,162	8,080,100
GMAC	8.15	09/15/94	7,400,000	7,434,736	7,677,500
Shearson Lehman American Express	12.5	10/15/94	18,915,000	19,763,376	21,733,335
GMAC	8.75	03/15/95	7,500,000	7,495,909	7,913,925
Household Finance Corp.	9.25	04/01/95	5,000,000	4,975,459	5,366,600
GMAC	9.45	05/15/95	2,250,000	2,291,197	2,400,210
GMAC	9.45	05/18/95	11,300,000	11,442,959	12,187,050
GMAC	9.25	06/08/95	5,000,000	4,943,342	5,365,000
Ford Motor Credit	9.15	06/08/95	4,000,000	3,944,844	4,262,240
Merrill Lynch	8.6	07/08/95	14,830,000	14,714,944	15,882,485
GMAC	9.05	07/20/95	12,400,000	12,239,401	13,124,160
International Lease Finance	9.8	07/28/95	2,500,000	2,526,898	2,734,750
International Lease Finance	9.8	07/31/95	1,000,000	1,036,072	1,101,540
Associates Corp. N.A.	8.875	08/01/95	1,000,000	1,003,627	1,071,300
Associates Corp. N.A.	12.4	10/01/95	1,000,000	1,132,871	1,185,800
International Lease Finance	9.3	10/02/95	1,000,000	1,007,075	1,083,170
Ford Motor Credit	9.4	10/09/95	4,000,000	3,971,736	4,286,920
Associates Corp. N.A.	10.75	11/01/95	4,000,000	4,159,114	4,538,000
Salomon Inc.	9.7	01/24/95	1,000,000	1,028,528	1,040,290
GMAC	9	02/08/96	10,000,000	10,000,000	10,609,000

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Associates Corp N.A.	8.8	03/01/96	4,000,000	3,986,662	4,299,200
GMAC	8.85	03/04/96	7,500,000	7,519,630	7,964,250
Philip Morris	8.45	03/07/96	13,000,000	12,963,617	13,994,760
Philip Morris	8.5	03/13/96	8,200,000	8,156,451	8,837,960
GMAC	8.9	03/13/96	40,600,000	40,775,856	42,975,100
GMAC	8.85	03/14/96	5,000,000	5,013,040	5,311,000
GMAC	8.8	03/18/96	4,000,000	4,003,280	4,220,080
GMAC	8.8	03/19/96	5,000,000	5,004,147	5,275,250
GMAC	8.8	03/20/96	3,500,000	3,502,902	3,693,200
Morgan Stanley	8.875	04/01/96	6,000,000	6,357,655	6,473,400
GMAC	8.75	04/09/96	5,000,000	4,995,753	5,297,500
Shearson Lehman Hutton	10.75	04/29/96	3,360,000	3,469,155	3,762,192
International Lease Finance	8.58	06/03/96	5,000,000	4,986,819	5,276,350
Salomon Inc.	9.19	06/18/96	8,000,000	8,000,000	8,200,480
Salomon Inc.	9.25	06/19/96	7,000,000	7,002,430	7,190,750
Salomon Inc.	9.19	06/25/96	3,000,000	3,000,000	3,075,420
Salomon Inc.	9.25	07/16/96	10,000,000	10,000,000	10,276,100
Salomon	9.2	07/18/96	4,000,000	3,999,444	4,103,160
Salomon Inc.	9.14	07/19/96	6,000,000	6,000,741	6,141,480
International Lease Finance	8.8	08/01/96	3,800,000	3,923,440	4,029,634
International Lease Finance	8.73	08/09/96	30,000,000	29,956,346	31,791,000
Philip Morris	8.1	09/03/96	5,000,000	4,999,056	5,270,500
International Lease Finance	7.9	10/01/96	5,000,000	4,983,774	5,121,800
D.C.S. Capital Corp.	12.375	10/15/96	5,000,000	4,990,273	5,850,300
Ford Motor Company	7.875	10/15/96	13,935,000	13,889,905	14,220,668
Sanwa Business Credit	7.47	11/21/96	10,000,000	10,049,683	10,314,500
Ford Motor Credit	9.3	02/18/97	5,900,000	5,867,489	6,323,974
Beneficial Corp. (MTN)	9.125	03/12/97	10,000,000	10,000,000	10,988,600
Hamilton Tennessee	7.875	04/01/97	16,745,000	15,868,494	17,354,685
Philip Morris	9.75	05/01/97	7,775,000	8,325,187	8,733,969
Philip Morris	9.25	12/01/97	1,750,000	1,905,766	1,941,975
Ford Motor Credit	9.15	05/07/97	2,000,000	1,939,084	2,138,000
Ford Motor Credit	9.35	06/10/97	5,160,000	5,024,141	5,512,428
Ford Motor Credit	10.15	09/18/97	3,000,000	3,032,764	3,328,230
Ford Motor Credit	10.55	10/09/97	3,000,000	3,085,037	3,382,950
Associates Corp. N.A.	8.375	01/15/98	7,000,000	6,956,916	7,231,700
ITT Financial Corp.	8.5	01/15/98	3,000,000	2,984,162	3,103,620
GTE Corp.	8.85	03/01/98	5,000,000	5,000,000	5,468,000
Carco Auto Loan Master TR	7.875	03/15/98	10,000,000	10,129,353	10,337,500
Bear Stearns Co.	7.94	04/15/98	2,500,000	2,646,476	2,688,000
Merrill Lynch	9	05/01/98	6,990,000	7,317,089	7,583,032
First Chicago Corp.	8.5	06/01/98	20,000,000	20,029,354	20,803,200
GCC Home Equity TR 90-1	10	01/15/99	18,007,424	17,937,945	19,177,907
Chrysler Building of N.Y.	9.125	05/01/99	18,000,000	17,860,368	19,413,900
GMAC	8.625	06/15/99	9,500,000	9,551,537	9,949,065
Columbia University	8.04	11/05/99	1,900,000	1,958,068	1,976,570
GTE Corp.	9.375	12/01/00	3,000,000	3,052,044	3,380,550
Associates Corp. N.A.	9.125	04/01/00	7,000,000	6,987,980	7,454,090
Mid-Penn Telephone Co.	9.5	05/01/00	580,000	580,000	580,000
Western Reserve Telephone	9.375	05/15/00	425,626	425,626	425,626
Union Pacific	9.11	03/05/01	10,000,000	9,932,415	11,066,700

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Beneficial Corp. (MTN)	9.45	03/07/01	10,000,000	10,017,454	11,219,400
Beneficial Corp. (MTN)	9.5	03/08/01	10,000,000	10,000,000	11,252,000
HCA Corp. Sub. Disc. 15.75%	0	07/01/03	800	463	515
Interco Sub. Disc. Deb.	0	12/15/03	400	144	208
Interco Sr. Sub. PIK Deb.	0	12/15/03	858	495	203
Loews Corp.	0	10/17/04	10,000,000	4,488,768	4,650,000
ITT Financial Corp.	8.35	11/01/04	15,000,000	14,778,273	15,805,050
ITT Financial	8.625	02/15/05	3,665,000	3,713,109	3,806,176
Shearson Lehman Brothers	11.625	05/15/05	6,400,000	7,311,849	7,859,200
Union Carbide Corp.	15	01/31/06	60,700	30,780	66,315
ITT Financial Corp.	8.75	03/01/06	11,000,000	11,312,004	11,710,490
Chrysler Financial Corp.	9.3	05/15/08	25,800,000	25,177,127	23,478,000
First Union Real Estate EQ	10.25	07/31/09	250,000	250,000	227,500
ITT Financial Corp.	8.875	06/01/10	3,000,000	3,000,000	3,217,890
National Coop Services	9.375	01/02/11	7,000,000	7,236,688	7,352,800
Telxon	7.5	06/01/12	100,000	100,000	106,000
Huffy Convertable Debs	7.25	08/15/14	575,000	758,773	760,438
Xerox Corp.	13.25	09/01/14	6,500,000	8,209,671	7,930,000
Drug Emporium	7.75	10/01/14	250,000	194,846	176,563
General Electric Credit	8.25	05/01/18	24,800,000	24,804,820	26,548,152
Merrill Lynch & Co.	8.4	11/01/19	14,150,000	13,613,038	15,002,821
Proctor & Gamble	9.36	01/01/21	18,550,000	19,013,283	20,858,548
GTE Corp.	8.75	11/01/21	6,000,000	5,961,461	6,267,660
Total corporate bonds and obligations			**$ 758,311,808**	**$ 757,537,773**	**$ 801,679,628**

CANADIAN BONDS AND OBLIGATIONS:

Quebec (Prov Of) MTN	8.76	02/14/01	$ 10,000,000	$ 10,000,000	$ 10,903,200
Quebec (Prov Of) MTN	8.69	02/22/01	8,000,000	7,944,474	8,686,720
Nova Scotia	8.25	11/15/19	5,000,000	4,815,078	5,274,500
Total Canadian bonds and obligations			**$ 23,000,000**	**$ 22,759,552**	**$ 24,864,420**
Total bonds and obligations			**$2,025,277,139**	**$ 1,964,800,551**	**$ 2,139,068,034**

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

COMMERCIAL PAPER

SECURITY NAME	MATURITY	BOOK VALUE	MARKET VALUE
Renaissance Energy Co.	01/02/92	$ 13,937,675	$ 13,937,675
Renaissance Energy Co.	01/02/92	3,627,398	3,627,398
Textron Finance Corp.	01/02/92	7,848,444	7,848,444
Bemis Co. Inc.	01/03/92	4,998,444	4,998,444
Unocal Credit Corp.	01/03/92	4,573,590	4,573,590
Washington Energy Corp.	01/06/92	8,613,367	8,613,367
Bear Stearns Companies Inc.	01/07/92	2,078,162	2,078,162
Conagra Inc.	01/07/92	4,995,439	4,995,439
Baxter International Inc.	01/07/92	5,221,233	5,221,233
Textron Finance Corp.	01/08/92	2,247,606	2,247,606
Textron Finance Corp.	01/08/92	9,799,972	9,799,972
Unocal Corp.	01/08/92	2,882,629	2,882,629
Unocal Corp.	01/09/92	6,801,881	6,801,881
Gatx Capital Corp.	01/09/92	2,996,266	2,996,266
Textron Finance Corp.	01/10/92	4,992,482	4,992,482
Textron Finance Corp.	01/10/92	4,472,212	4,472,212
Arkla Inc.	01/10/92	9,986,078	9,986,078
Arkla Inc.	01/13/92	8,983,731	8,983,731
Pennsylvania Power & Light Co.	01/13/92	6,988,565	6,988,565
Arkla Inc.	01/14/92	11,875,220	11,875,220
Baxter International Inc.	01/14/92	4,990,551	4,990,551
Conagra Inc.	01/14/92	9,980,793	9,980,793
Carpenter Technology Corp.	01/15/92	13,632,216	13,632,216
Arkla Inc.	01/16/92	2,294,474	2,294,474
Washington Energy Corp.	01/16/92	7,683,067	7,683,067
Gatx Capital Corp.	01/16/92	6,483,066	6,483,066
Carpenter Technology Corp.	01/17/92	2,474,239	2,474,239
Penn Fuel Corp.	01/17/92	1,017,613	1,017,613
Penn Fuel Corp.	01/17/92	5,985,820	5,985,820
Gatx Capital Corp.	01/17/92	4,986,097	4,986,097
Enron Oil & Gas	01/21/92	3,988,303	3,988,303
Baxter International Inc.	01/21/92	4,985,492	4,985,492
Penn Fuel Corp.	01/22/92	3,439,735	3,439,735
American Brands Inc.	01/22/92	8,135,621	8,135,621
Gatx Capital Corp.	01/23/92	8,965,591	8,965,591
American Brands Inc.	01/23/92	8,402,614	8,402,614
Conagra Inc.	01/24/92	4,215,892	4,215,892
Baxter International Inc.	01/31/92	7,964,918	7,964,918
Total commercial paper		**$ 237,546,496**	**$ 237,546,496**

FINANCIAL SECTION

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

COMMON STOCKS

	SHARES	COST	MARKET VALUE
AMR Corp. Del.	120,800	$ 6,376,131	$ 8,516,400
Abbott Labs	241,400	9,042,412	16,626,425
Accel International Corp.	10,000	113,750	75,000
Acme Cleveland	84,400	818,557	611,900
Action Auto Rental, Inc.	85,800	1,608,750	50,965
Advanced Micro Devices, Inc.	317,500	5,502,013	5,556,250
Aetna Life & Casualty	168,200	6,998,199	7,400,800
Agency Rent A Car, Inc.	29,750	283,625	297,500
Ahmanson (H F) & Co.	28,600	521,659	496,925
Air Products & Chemical	9,800	472,167	723,975
Alaska Air Group, Inc.	329	7,254	7,156
Alberto Culver Class B	9,800	266,021	309,925
Albertson's, Inc.	21,700	569,361	851,725
Alco Standard Corp.	161,400	4,836,594	5,527,950
Alexander & Alexander	23,539	536,259	482,550
Allied-Signal, Inc.	24,149	842,211	1,059,537
Alltel Corp.	30,000	504,940	1,170,000
Aluminum Co. of America	19,100	1,056,233	1,229,563
Alza Corporation Class A	87,200	3,405,573	4,283,700
Amax, Inc.	25,400	429,119	508,000
Amcast Industrial	30,000	364,165	633,750
Amerada Hess Corp.	16,200	710,501	769,500
Amdahl Corp.	38,100	615,594	600,075
American Brands, Inc.	36,900	1,035,693	1,660,500
American Cyanamid Co.	17,700	817,200	1,146,075
American Electric Power	46,900	1,320,297	1,606,325
American Express	432,300	10,565,979	8,862,150
American Family Corp.	145,000	2,211,725	4,331,875
American General Corp.	17,900	642,348	796,550
American Greetings Corp.	46,000	1,373,708	1,903,250
American Home Products	187,200	9,995,433	15,841,800
American International	89,968	5,958,703	8,850,602
American President Co.	40,000	1,094,885	1,650,000
American Steel & Wire	30,000	123,125	41,250
American Stores Co.	17,100	497,116	579,263
American Tel & Tel Co.	253,115	7,578,043	9,903,124
Ameritrust Corp.	35,000	801,921	1,076,250
Ameritech Corp. New	31,200	1,526,519	1,981,200
AMP, Inc.	18,600	730,647	1,090,425
Amoco Corp.	57,500	2,566,031	2,824,688
Andrew Corporation	81,030	2,385,395	2,755,020
Anheuser Busch Cos.	178,556	5,429,034	10,981,194
Apple Computer Inc.	107,000	5,035,286	6,032,125
Archer Daniels Midland	41,509	544,295	1,374,986
Arkla, Inc.	35,971	628,225	449,638
Armco Inc.	81,800	409,324	439,675

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Armstrong World Industries	11,100	353,194	324,675
Asarco Inc.	23,300	601,737	498,038
Ashland Oil	166,300	5,587,415	4,968,213
Atek Metals Center Inc.	22,000	156,875	66,000
Atlantic Richfield Co.	99,200	9,093,499	10,589,600
Atlantic Southeast Airlines	37,500	896,250	1,068,750
Autodesk Inc.	10,800	375,282	372,600
Atomatic Data Process	161,400	3,793,629	7,343,700
Avery Dennison Corp.	23,000	592,286	583,625
Avon Products	114,600	4,598,955	5,271,600
Baker Hughes Inc.	42,000	873,324	808,500
Ball Corporation	7,757	279,254	294,766
Bally Mfg. Corp.	62,000	397,331	325,500
Baltimore Gas & Electric	20,300	550,095	695,275
Banc One Corp.	155,760	5,727,949	8,196,870
Bancorp Hawaii, Inc.	36,000	1,384,500	1,620,000
Bank of Boston	37,000	494,543	425,500
BankAmerica Corp.	361,900	9,290,352	12,983,163
Bard (C.R.), Inc.	13,800	334,433	422,625
Barnett Banks, Inc.	14,475	412,914	486,722
Barry (R.G.)	30,000	177,310	108,750
Bassett Furniture	8,000	272,147	292,000
Bausch & Lomb	14,000	332,251	812,000
Baxter International Inc.	154,918	4,489,475	6,196,720
Bearings Inc. New	29,750	524,037	580,125
Becton, Dickinson	69,800	4,349,255	4,781,300
Bell Atlantic Corp.	41,600	1,543,739	2,007,200
Bellsouth Corp.	59,150	1,903,005	3,061,013
Bemis Co.	7,100	283,064	291,100
Beneficial Corp.	4,795	299,307	311,675
Bethlehem Steel	29,800	480,853	417,200
Beverly Enterprises	41,100	308,213	364,763
Biomet Inc.	317,900	6,128,688	9,775,425
Black & Decker	29,300	537,759	498,100
Block (H & R)	199,000	5,880,712	7,462,500
Blockbuster Entertainment	36,718	442,817	440,616
Boatmens Bancshares Inc.	9,064	402,962	421,476
Bob Evans	16,000	232,500	416,000
Boeing Co.	44,712	1,302,049	2,134,998
Boise Cascade Corp.	20,166	553,388	448,694
Borden Inc.	44,000	1,019,940	1,435,500
Briggs & Stratton	6,900	273,505	304,463
Bristol Myers Squibb Co.	228,880	12,887,475	20,198,660
Brown & Sharp Mfg. Cl. A	39,200	342,393	357,700
Brown Forman	4,600	305,036	378,350
Brown Group, Inc.	10,300	270,478	261,363
Browning & Ferris Industries	32,100	613,679	698,175
Bruno's Inc.	21,168	280,003	291,060
Brunswick Corp.	32,610	401,816	452,464
Brush Wellman, Inc.	20,000	408,268	267,500
Burlington Northern	115,900	4,035,090	4,693,950
Burlington Res., Inc.	105,000	4,538,835	3,701,250

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
C & S Sovran Corp.	24,878	568,831	848,962
CBS Inc.	3,569	478,723	508,583
CIGNA Corp.	12,700	686,795	776,288
CMS Energy Corporation	100,000	2,569,000	1,837,500
CNA Financial Corp.	9,300	695,158	911,400
CPC International Inc.	13,100	701,325	1,185,550
CSX Corp.	14,500	447,917	839,188
Campbell Soup Co.	38,400	758,331	1,632,000
Capital Cities/ABC Inc.	12,600	5,712,640	5,462,100
Capital Holding Corp.	9,900	361,201	629,888
Cardinal Distribution	38,750	980,375	1,181,875
Carolina Power & Light	13,800	593,664	746,925
Caterpillar Inc.	18,000	751,571	789,750
Centerior Energy Co.	32,200	559,048	639,975
Centex Corp.	7,100	256,630	318,613
Central & Southwest Co.	13,700	491,354	739,800
Central Reserve Life Corp.	10,000	65,500	53,750
Champion International	25,600	670,791	614,400
Charter One Financial	25,000	303,500	737,500
Charming Shoppes Inc.	112,000	1,688,662	2,436,000
Chase Manhattan Corp.	31,000	715,933	534,750
Chemed Corp.	20,000	686,048	560,000
Chemical Banking Corp.	236,900	3,528,471	5,034,125
Chempower Inc.	30,000	237,875	116,250
Chevron Corp.	49,900	2,731,371	3,443,100
Chrysler Corp.	249,000	3,883,345	2,925,750
Chubb Corp.	12,000	453,252	924,000
Cincinnati Bell Inc. Holding	20,000	377,650	387,500
Cincinnati Financial	28,150	3,087,500	3,026,125
Cincinnati Microwave	35,090	167,645	57,021
Cincinnati Milacron	42,700	609,563	501,725
Circuit City Stores	16,085	319,624	371,966
Cintas Corp.	6,000	285,000	300,000
Citicorp	69,100	1,588,325	716,913
Clark Equipment Co.	16,900	381,251	403,488
Clevetrust Realty SBI	20,000	115,000	40,000
Clorox Co.	11,300	320,257	478,838
Coast Savings Financial Inc.	300,000	3,733,902	2,250,000
Coastal Corp.	149,550	4,209,095	3,682,669
Coca Cola Co.	166,900	6,664,473	13,393,725
Colgate Palmolive Co.	24,780	714,183	1,211,123
Columbia Gas Systems	21,800	612,808	376,050
Comair Holdings	10,000	109,250	235,000
Comcast Class A	17,300	251,383	289,775
Commercial Intertec Co.	17,000	250,307	289,000
Commonwealth Edison	157,174	5,498,586	6,267,313
Community Psych Center	26,400	487,087	372,900
Compaq Computer	19,100	916,607	503,763
Computer Assoc. Int'l.	555,404	5,158,745	6,317,721
Computer Sciences	5,800	335,179	469,075
Conagra Inc.	26,300	530,749	933,650
Consolidated Edison	38,400	799,606	1,099,200

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Consolidated Freightway	24,454	430,727	375,980
Consolidated Natural Gas	14,900	570,719	640,700
Consolidated Rail	8,400	478,266	709,800
Consolidated Stores	50,000	414,455	562,500
Continental Corp.	15,200	391,674	419,900
Control Data Corp.	41,300	631,673	449,138
Cooper Industries Inc.	87,100	2,907,175	4,986,475
Cooper Tire & Rubber	146,127	3,550,164	7,452,477
Coors (Adolph) Co. B	21,800	477,563	457,800
Corestates Financial Corp.	10,824	466,032	518,199
Corning Inc.	12,900	522,190	990,075
Countrywide Credit Ind., In	200,000	4,198,525	8,125,000
Crane Co.	12,250	281,643	289,406
Cray Research, Inc.	7,400	296,660	286,750
Crompton and Knowles Corp.	95,000	2,979,726	4,108,750
Crown Cork & Seal	62,600	5,144,065	5,618,350
Cummins Engine Co.	5,272	277,314	286,006
Cyprus Minerals	16,800	335,103	384,300
DSC Communication Corp.	66,190	268,367	256,486
Dana Corp.	22,700	676,025	629,925
Data General Corp.	17,900	256,552	295,350
Dayton Hudson	12,803	640,658	792,186
Deere & Co.	15,300	626,887	734,400
Delta Airlines	39,700	2,548,685	2,625,163
Deluxe Corp.	19,600	611,192	776,650
Detroit Edison Co.	21,300	540,702	740,175
Dial Corp.	10,600	393,756	484,950
Diebold Inc.	10,000	407,235	482,500
Digital Equipment Corp.	85,700	5,741,128	4,734,925
Dillard Dept. Stores A	86,000	6,910,850	10,621,000
Walt Disney Co.	41,200	3,079,820	4,717,400
Dole Food Co.	100,000	3,977,002	3,600,000
Dollar General Corp.	103,400	1,319,374	2,494,525
Dominion Resources Inc.	17,279	726,773	984,903
Donnelley R R & Sons	16,610	677,394	830,500
Dover Corp	12,800	383,172	534,400
Dow Chemical Co.	126,500	7,090,534	6,799,375
Dow Jones & Co.	25,614	665,310	662,762
Dresser Industries Inc.	245,900	4,496,225	4,948,738
E.I. Dupont De Nemours	74,945	1,677,436	3,494,311
Duke Power Co.	29,700	678,210	1,039,500
Dun & Bradstreet	27,665	1,292,140	1,590,738
E. G. & G. Inc.	8,900	361,877	442,775
Essef Corp.	40,000	360,625	415,000
E Systems	9,900	342,996	374,963
Eastern Enterprises	10,477	261,240	294,666
Eastman Kodak Co.	143,800	5,808,310	6,938,350
Eaton Corp.	12,850	661,536	830,431
Echlin Inc.	24,200	387,505	347,875
Ecolab, Inc.	9,200	262,959	273,700
A.G. Edwards, Inc.	100,000	2,502,289	3,787,500
Emerson Electric	30,683	910,572	1,687,565

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Englehard Corp.	20,150	505,176	654,875
Enron Corp.	25,200	588,531	882,000
Enserch Corp.	27,200	550,692	370,600
Entergy Corp. Com.	27,300	452,940	808,763
Ethyl Corp.	23,200	531,991	649,600
Exxon Corp.	214,775	8,032,621	13,074,428
FMC Corp.	8,500	355,699	406,938
FPL Group Inc.	22,000	653,698	814,000
Fabri Centers of America	20,000	153,287	917,500
Family Dollar Stores Inc.	68,000	1,533,604	2,337,500
Fedders USA, Inc.	38,784	269,181	315,120
Federal Express	14,100	545,314	546,375
Federal National Mortgage Assoc.	344,000	13,385,253	23,736,000
Federal Paper Board	11,100	267,316	316,350
Ferro Corp.	30,000	473,772	1,140,000
Fifth Third Bancorp Com.	55,000	2,843,242	3,740,000
First Chicago Corp.	119,300	2,277,424	2,937,763
First Fid. Bancorp New Com.	14,147	441,357	459,778
First Financial Management	100,000	3,343,315	4,112,500
First Interstate Bancorp	56,313	2,792,659	1,689,390
First Mississippi Corp.	31,281	285,967	304,990
First Union Corp.	19,000	403,836	570,000
First Union Real Estate	90,400	1,268,820	632,800
Fisher Price Inc.	1,420	23,683	47,925
Fleet Norstar Financial Group	22,000	469,261	547,250
Fleetwood Enterprises	10,500	281,610	364,875
Fleming Companies Inc.	12,500	445,743	429,688
Fluor Corp.	14,600	478,505	638,750
Ford Motor Co.	63,900	1,780,893	1,797,188
Foster Wheeler Corp.	18,197	445,946	482,221
Freeport McMoran	85,000	3,191,460	3,346,875
GTE Corp.	233,200	4,965,794	8,074,550
Gannett Co.	22,900	865,840	1,041,950
Gap (The) Inc.	198,800	2,750,545	10,635,800
Gencorp	43,074	680,200	484,583
General Cinema Corp.	21,000	392,022	399,000
General Dynamics	8,500	395,035	456,875
General Electric	159,579	6,817,448	12,207,794
General Mills Inc.	111,200	5,842,210	8,187,100
General Motors Corp.	76,796	2,883,750	2,217,485
General Motors Corp. Class E	110,000	4,688,091	6,930,000
General RE Corp.	84,200	4,753,323	8,577,875
General Signal Corp.	5,600	261,070	296,800
Genesco Inc.	54,600	302,498	320,775
Genuine Parts Co.	14,400	547,056	702,000
Georgia Pacific	181,700	8,933,498	9,743,663
Gerber Products	6,400	294,682	489,600
Giant Food Inc.	16,200	422,339	390,825
Gibson Greetings	20,000	356,675	547,500
Gillette Co.	168,088	6,132,038	9,433,939
Golden West Financial	55,200	1,812,870	2,408,100
Goodrich (B.F.)	72,400	2,809,056	3,040,800

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Goodyear Tire & Rubber	185,972	7,156,595	9,949,502
Gorman Rupp & Co.	5,000	116,363	141,250
W. R. Grace & Co.	16,500	356,111	651,750
Grainger (W.W.) Inc.	11,700	228,933	634,725
Great Atlantic & Pacific Tea Co.	17,100	689,426	485,213
Great Lakes Chemical	62,583	2,933,043	7,157,931
Great Western Financial	32,600	507,996	586,800
Green Tree Acceptance, Inc.	53,000	1,377,033	2,067,000
Gruman Corp.	17,600	289,020	308,000
Halliburton Co.	31,300	1,002,910	892,050
Handleman Co.	28,850	372,610	450,781
Hanna (M.A.) Co.	30,000	499,055	600,000
John H. Harland Co.	12,200	271,694	291,275
Harnischfeger Industries	21,000	377,364	448,875
Harris Corp.	17,000	420,213	456,875
Hartmarx Corp.	37,900	286,735	303,200
Hasbro Inc.	67,800	1,909,386	2,745,900
Health Care Reit	16,000	240,560	334,000
Heinz H. J.	37,294	699,473	1,449,804
Helmrich & Payne Inc.	18,949	423,992	367,137
Hercules Inc.	103,200	3,811,989	5,185,800
Hershey Foods Corp.	13,700	469,503	607,938
Hewlett Packard	32,368	1,871,095	1,844,976
Hilton Hotels Corp.	62,095	2,600,559	2,514,848
Home Depot Inc.	177,775	6,416,359	11,977,591
Homestake Mining Co.	31,600	444,651	505,600
Honeywell Inc.	91,300	4,877,896	5,945,913
Household International	11,800	560,298	604,750
Houston Industries	22,879	722,683	1,012,396
Huffy Corp.	10,000	78,168	222,500
Humana Inc.	26,300	707,630	706,813
Huntington Bancshares	15,750	239,000	307,125
ITT Corp.	19,500	1,019,199	1,126,125
Illinois Tool Works	12,244	445,811	780,555
Imcera Group	163,100	5,085,540	7,054,075
Ingersoll Rand	104,300	3,590,470	5,736,500
Inland Steel Industries	20,700	570,049	447,638
Intel Corp.	130,100	4,896,236	6,374,900
Intergraph Corp.	20,200	386,179	358,550
Interlake Corp.	56,300	356,500	337,800
International Business Machines	114,200	13,717,057	10,163,800
International Flavors & Fragrances	9,305	453,412	954,926
International Paper Co.	115,700	5,814,459	8,185,775
Invacare Corp.	40,000	148,065	1,115,000
JWP, Inc.	19,038	283,876	295,089
James River Corp. of V	27,150	561,418	543,000
Jefferson Pilot Corp.	8,450	314,638	477,425
Johnson & Johnson	102,101	5,754,099	11,690,565
Johnson Controls Inc.	8,500	287,182	306,000
Jostens Inc.	11,900	380,644	410,550
K Mart	30,050	899,245	1,434,888
Kaufman & Broad Home Inc.	27,376	385,229	492,768

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Keithley Instruments	36,050	435,966	576,800
Kellogg Co.	149,748	6,363,791	9,789,776
Kellwood Co.	40,000	1,011,280	1,005,000
Kerr McGee Corp.	14,400	493,275	556,200
Kimberly Clark Corp.	12,600	850,310	1,277,325
King World Productions, Inc.	12,705	286,346	314,449
Knight Ridder Inc.	10,191	458,771	538,849
Kroger Co.	21,755	248,968	429,661
LDI Corp.	44,752	609,750	648,904
Lamson & Sessions	20,000	189,725	82,500
Lancaster Colony Corp.	25,000	401,944	987,500
Lilly, Eli & Co.	35,400	1,918,179	2,955,900
Limited Inc.	259,239	6,636,812	7,453,121
Lincoln National Corp.	8,999	438,924	492,695
Litton Industries Inc.	9,227	726,014	810,823
Liz Claiborne	15,700	481,523	663,325
Lockheed Corp.	13,100	644,949	589,500
Loctite Corp.	70,000	2,573,642	3,465,000
Loews Corp.	40,000	4,011,360	4,380,000
Longs Drug Stores Corp.	7,900	278,507	309,088
Loral Corp.	8,018	294,895	315,709
Lotus Development Corp.	17,800	451,237	467,250
Louisiana Land & Exploration	13,200	500,193	415,800
Louisiana Pacific Corp.	9,900	367,947	439,313
Lowe's Co.	10,141	278,335	173,031
Lubrizol Corp.	12,000	350,263	678,000
Luby's Cafeterias	17,700	244,443	254,438
M/A Com. Inc.	44,700	458,316	290,550
MCI Communications	410,500	11,044,942	12,417,625
Manor Care, Inc.	12,800	293,116	331,200
Manufacturers Hanover	22,300	573,349	546,350
Mapco Inc.	60,000	2,975,582	3,660,000
Marriott Corp.	27,058	758,754	449,839
Marsh & McLennan	72,200	4,102,603	5,875,275
Martin Marietta Corp.	10,350	412,740	615,825
Masco Corp.	27,300	594,827	641,550
Mattel Inc.	20,000	416,549	662,500
Maxus Energy Corp.	40,158	309,443	291,146
May Department Stores	128,500	5,156,462	6,746,250
Maytag Co.	31,000	620,140	476,625
McCormick Co. Inc. Non Vtg.	69,000	1,776,648	3,639,750
McDonald & Co. Investments	50,000	525,000	606,250
McDonalds Corp.	48,803	862,053	1,854,514
McDonnell Douglas Corp.	7,900	441,348	578,675
McGraw Hill & Co.	9,400	516,470	539,325
McKesson Corp.	8,000	276,315	292,000
Mead Corp.	37,400	1,041,681	1,290,300
Medco Containment SVC.	70,000	4,456,700	5,530,000
Medex Inc.	15,000	131,875	528,750
Medtronic Inc.	161,200	6,181,584	15,152,800
Mellon Bank Corp. COM	15,100	515,113	526,613
Melville Corp.	167,600	5,553,224	7,458,200

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Mercantile Stores	10,850	398,419	416,369
Merck & Co.	155,742	6,881,836	25,931,043
Meredith Corp.	10,800	282,217	292,950
Merrill Lynch & Co.	272,800	10,914,871	16,129,300
Millipore Corporation	13,900	486,387	514,300
Minnesota Mining & Manufacturing	87,400	5,976,879	8,324,850
Mr. Coffee	15,000	113,125	84,375
Mobil Corp.	128,800	6,442,628	8,742,300
Monarch Machine Tool	32,300	320,212	331,075
Monsanto Co.	20,500	640,724	1,391,438
Morgan (J.P.) & Co.	26,800	965,176	1,839,150
Morrison Inc.	15,000	300,000	390,000
Morrison Knudsen Corp.	6,100	274,274	302,713
Morton International Inc. Ind.	9,500	384,912	552,188
Motorola Inc.	20,500	888,842	1,337,625
Multicolor Corp.	25,000	193,250	156,250
NCNB Corp.	120,000	4,544,231	4,875,000
NBD Bancorp, Inc.	13,019	388,438	580,973
NL Industries Inc. New	37,503	432,820	375,030
NACCO Industries, Inc.	6,600	261,490	313,500
NALCO Chemical Co.	13,800	444,683	574,425
National City Corp.	40,500	1,188,625	1,508,625
National Ed. Corp.	38,553	345,507	356,615
National Health Labs	80,000	2,283,887	2,340,000
National Intergroup Inc.	19,738	273,794	281,267
National Medical Enterprises	234,100	4,203,580	3,950,438
National Semiconductor Corp.	56,600	326,351	367,900
National Services Industries Inc.	17,100	412,428	395,438
Navistar Int'l.	102,900	281,846	270,113
Neutrogena Corp.	50,000	1,205,000	1,200,000
New York Times (A)	19,400	427,271	458,325
Newell Co.	87,600	3,122,985	4,007,700
Newmont Mining Co.	19,600	801,024	791,350
Niagra Mohawk Power Co.	159,200	2,052,898	2,845,700
Nicor Inc.	6,158	274,269	280,189
Nike, Inc.	10,700	438,657	774,413
Nordson Corp.	20,000	393,750	920,000
Nordstrom Inc.	17,100	461,092	615,600
Norfolk Southern Corp.	21,770	698,117	1,292,594
Northern States Power	10,926	403,144	469,818
Northrop Corp.	16,400	514,803	430,500
Norwest Corp.	18,300	392,925	667,950
Novell, Inc.	105,000	5,411,689	6,300,000
Nucor Corp.	5,800	217,564	518,375
Nynex Corp.	26,500	1,680,447	2,139,875
Occidental Petroleum Corp.	43,334	1,072,527	774,595
Ogden Corp.	15,400	370,454	311,850
Oglebay Norton	8,000	215,750	232,000
Ohio Edison Co.	66,400	1,347,831	1,361,200
Omnicare Inc.	55,000	468,945	1,093,125
Oneok Inc.	17,900	278,927	302,063
Oracle Systems	37,800	615,760	548,100

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Oryx Energy Co.	19,935	506,001	510,834
Oshkosh B Gosh	8,980	274,632	273,890
Outboard Marine	17,200	426,868	303,150
Owens Corning Fiberglass	205,300	4,949,648	4,593,588
PHM Corp.	21,500	396,846	505,250
PNC Financial Corp.	15,326	506,622	722,238
PPG Industries	16,800	595,965	848,400
PSI Resources	16,600	284,900	290,500
Paccar Inc.	11,240	352,041	545,140
Pacific Enterprises	17,000	605,069	446,250
Pacific Gas & Electric	50,873	1,108,716	1,653,373
Pacific Telesis	45,200	1,069,933	2,017,050
Pacificorp	35,659	692,608	895,932
Pall Corp.	137,400	3,047,194	3,726,975
Panhandle Eastern	35,003	637,670	538,171
Paramount Communications Inc.	19,400	727,939	751,750
Parker Hannifin	42,800	1,181,099	1,310,750
Penney (J.C.)	19,200	774,526	1,056,000
Pennzoil Inc.	9,200	521,529	518,650
Peoples Energy Corp.	10,700	287,545	284,888
Pep Boys Manny Moe & Jack	16,200	260,258	291,600
Pepsico, Inc.	190,407	3,925,373	6,450,037
Perkin Elmer Corp.	17,237	450,665	523,574
Pet Inc. New Com	21,500	334,639	507,938
Petrie Stores Corp.	60,000	1,848,006	1,350,000
Pfizer Inc.	134,266	5,639,022	11,278,344
Phelps Dodge Corp.	9,600	628,129	643,200
Philadelphia Electric	31,597	547,890	817,572
Philip Morris Cos. Inc.	460,700	11,418,028	36,971,175
Phillips Petroleum Co.	37,700	930,878	904,800
Pioneer Standard Electric	55,000	403,125	618,750
Pitney Bowes	13,300	465,842	839,563
Pittston Co.	16,800	272,121	283,500
Polaroid Corp.	18,773	572,095	499,831
Potlatch Corp.	7,598	273,798	290,624
Premark International	13,771	484,760	559,447
Premier Industries Corp. No Par	30,000	440,782	877,500
Price Co.	11,500	490,871	577,875
Primerica Corp. Del	205,500	6,324,017	8,091,563
Proctor & Gamble	95,000	5,181,761	8,918,125
Progressive Corp, Ohio	80,000	2,413,764	4,320,000
Promus Companies, Inc.	15,142	271,017	353,944
Public Service Enterprise	30,600	727,428	898,875
Quaker Oats Co.	10,900	372,008	816,138
Quantum Chemical Corp.	33,399	490,547	413,313
RMI Titanium	30,000	221,140	78,750
RPM Inc.	52,500	543,250	1,214,063
Ralston Purina	89,000	4,454,828	5,017,375
Raychem Corp.	15,670	492,189	573,914
Raytheon Co.	10,300	568,024	856,188
Reebok International Ltd.	82,500	2,439,959	2,732,813
Reynolds & Reynolds Class A	30,000	783,495	1,113,750

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Reynolds Metals Co.	17,100	919,075	940,500
Rite Aid Corp.	23,271	411,309	500,327
Roadway Services	18,800	718,746	1,160,900
Robbins & Myers Inc.	10,000	107,830	350,000
Rockwell International	35,000	609,600	958,125
Rohm & Haas	13,100	395,813	569,850
Rollins Environmental Ser.	31,600	275,050	316,000
Rowan Companies Inc.	79,126	651,330	454,975
Rubbermaid Inc.	55,700	794,287	2,130,525
Russell Corp.	9,000	305,475	320,625
Ryan's Family Steak House	31,100	280,849	291,563
Ryder Systems	23,079	570,787	467,350
SCE Corp.	31,400	894,347	1,467,950
SPX Corp.	24,800	301,106	325,500
Safeco Corp.	12,800	385,809	624,000
Safety Kleen Corp.	13,703	372,209	352,852
St. Jude Medical	129,800	5,512,071	7,203,900
St. Paul Companies	8,500	410,197	619,438
Salomon Inc.	225,313	6,474,173	6,900,211
Santa Fe Energy Resources Inc.	35,239	366,325	317,151
Santa Fe Southern Pacific	38,643	379,415	541,002
Sara Lee Corp.	254,200	7,360,078	14,711,825
Schering Plough Corp.	176,700	8,482,474	11,618,025
Charles Schwab	120,000	2,525,600	3,645,000
Scientific Atlanta, Inc.	18,422	276,264	301,660
Scott Paper Co.	18,800	677,044	655,650
E.W. Scripps Co.	5,000	80,000	120,625
Sears Roebuck & Co.	45,500	1,704,506	1,723,313
Security Pacific Corp.	216,700	7,149,912	6,473,913
Service Corp. International	11,700	241,652	315,900
Shared Medical Systems Corp.	12,944	259,907	276,678
Shawmut National Corp.	32,995	454,217	305,204
Sherwin Williams	50,600	654,726	1,353,550
Shoney's Inc.	12,417	260,926	301,112
Skyline Corporation	18,000	272,836	281,250
Smithkline Beecham PLC	29,000	1,283,604	2,309,125
J. M. Smucker Co. CL A	20,000	313,686	750,000
J. M. Smucker Cl B Non VTG	20,000	329,264	672,500
Snap On Tools	11,700	293,316	378,788
Society Corp.	10,000	287,750	495,000
Sonat Inc.	18,200	804,520	600,600
Southern Co.	45,569	985,439	1,566,434
Southwestern Bell Corp.	103,800	5,402,494	6,708,075
Spring Industries, Inc.	9,400	285,124	296,100
Standard Products	15,000	431,575	358,125
Stanley Works	10,400	319,424	425,100
State Auto Fin. Corp.	12,000	162,000	180,000
Stone Container Corp.	124,900	1,377,471	3,231,788
Stride Rite	257,600	2,637,901	7,502,600
Student Loan Marketing Assoc.	59,000	3,510,505	4,366,000
Sun Inc.	24,900	892,353	759,450
Sun Television & Appliances	14,000	141,000	213,500

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Sundstrand Corp.	100,000	3,281,960	3,700,000
Sun Trust Banks Inc.	19,600	454,899	781,550
Super Value Stores Inc.	16,600	416,507	452,350
Sysco Corp.	116,221	2,719,995	5,418,804
TJX Companies Inc. New	272,985	4,280,978	4,606,622
TRW Inc.	30,100	1,267,875	1,264,200
Tandem Computers	39,600	472,951	445,500
Tandy Corp.	145,300	5,433,086	4,195,538
Tektronix Inc.	23,800	535,988	470,050
Tele Communications A	49,128	660,422	835,176
Teledyne Inc.	13,600	266,322	266,900
Telxon Corp.	17,000	205,458	433,500
Temple Inland Inc.	112,200	4,378,630	5,778,300
Tenneco Inc.	120,900	5,261,613	3,793,238
Texaco Inc.	49,100	2,209,513	3,007,375
Texas Instruments	18,400	532,998	565,800
Texas Utilities Co.	29,900	877,178	1,248,325
Textron Inc.	19,600	524,259	776,650
Thomas & Betts Corp.	6,100	332,943	350,750
Thor Industries	20,000	321,345	445,000
Tiffany & Co. New	39,000	1,835,730	1,764,750
Time Warner Inc.	13,740	1,440,061	1,202,250
Times Mirror Co.	21,987	630,346	681,597
Timken Co.	19,880	499,840	472,150
Torchmark Corp.	9,700	471,983	561,388
Toys R Us	138,100	3,316,519	4,522,775
Transamerica Corp.	124,349	4,223,963	4,958,416
Transco Energy Co.	14,246	273,863	270,674
Travelers Corp.	25,100	630,792	542,788
Tribune Co. New	13,176	473,431	540,216
Trinova Corp.	42,000	962,252	829,500
Tyco Laboratories	14,000	444,496	481,250
UAL Corp.	4,400	507,652	641,300
USX Marathon Group Com New	217,733	5,794,475	5,334,459
UST Inc.	132,927	4,227,839	8,706,719
USF & G	53,836	482,942	390,311
USG Corp. Par $0.10	253,700	376,519	412,263
USX US Steel Group	15,906	377,949	435,427
Unifi, Inc.	81,000	2,658,667	3,402,000
Union Camp Corp.	80,550	3,140,018	4,007,363
Union Electric	13,357	481,387	512,575
Union Carbide Corp.	224,938	4,187,750	4,554,995
Union Pacific Corp.	25,460	792,935	1,317,555
Unisys Corp.	81,162	859,859	334,793
United Healthcare Corp.	55,000	2,653,099	4,097,500
U.S. Bancorp	20,950	406,010	468,756
U.S. Air Group	32,510	670,877	394,184
U.S. Shoe	25,000	407,760	318,750
U.S. Surgical	96,000	6,602,753	10,656,000
U.S. West Inc.	52,600	1,561,100	1,992,225
United Technologies	158,600	7,770,767	8,604,050
United Telecommunications Inc.	238,500	6,086,424	5,664,375

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	COST	MARKET VALUE
Unitrin Inc.	75,000	2,556,658	2,681,250
Unocal Corp.	35,000	980,531	818,125
Upjohn Co.	125,400	3,678,872	5,141,400
U.S. Life Corp.	6,719	294,956	321,672
V F Corp.	63,098	2,231,882	2,500,258
Van Dorn Co.	80,000	1,200,058	1,010,000
Wal-Mart Systems	288,800	5,887,119	17,003,100
Walgreen Co.	19,400	521,023	737,200
Wang Laboratories Class B	154,700	749,722	444,763
Warner Lambert Co.	71,100	4,621,332	5,519,138
Waste Management Inc.	57,600	1,199,830	2,426,400
Wells Fargo Corp.	11,900	712,239	690,200
Wendy's International	50,500	544,008	498,688
Westinghouse Electric	50,900	886,961	916,200
Westmoreland Coal	10,510	191,134	212,828
Westvaco Corp.	12,743	376,660	503,349
Wetterau, Inc.	10,244	248,933	248,417
Weyerhaeuser Co.	32,109	932,275	882,998
Whirlpool Corp.	15,700	492,290	610,338
Whitman Corp. Com.	30,800	302,534	411,950
Williams Cos. Inc.	11,500	388,834	441,313
Winn Dixie Stores Inc.	14,723	425,728	552,113
Woolworth Corp. Com.	28,100	758,947	744,650
Worthington Industries	73,900	984,281	1,727,413
Wrigley (Wm.) Jr.	9,800	252,060	791,350
Xerox Corp.	15,725	840,777	1,077,163
Xidex Corp. Warr	14,482	56,188	197,317
Yellow Freight Systems Inc. Of Del.	12,400	381,303	330,150
Zenith Electronics Corp.	38,500	293,627	283,938
Zurn Industries	8,800	274,476	316,800
Total common stocks	**33,192,523**	**$988,872,560**	**$1,349,674,964**

PREFERRED STOCKS

	SHARES	COST	MARKET VALUE
Fed. Home Loan Mtg. Ptc. Pfd.	55,000	$ 4,571,989	$ 7,562,500
Ford Con. PFD. 8.4%	50,000	2,500,000	2,931,250
Time Warner Inc. Ser C Cv Pf	40,000	1,803,120	1,815,000
Total preferred stocks	**145,000**	**$ 8,875,109**	**$ 12,308,750**
Total common & preferred stocks	**33,337,523**	**$997,747,669**	**$1,361,983,714**

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

VENTURE CAPITAL

NAME	COST	MARKET VALUE
Cardinal Development Capital Fund I	$ 2,321,163	$ 2,321,163
Chemicals and Materials Enterprise Associates	750,000	750,000
Primus Capital Fund I	862,835	862,835
Primus Capital Fund II	10,000,000	10,000,000
Total venture capital	**$ 13,933,998**	**$ 13,933,998**

REAL ESTATE

PROPERTY	BOOK VALUE	MARKET VALUE
Advent Realty Limited Partnership	$ 10,000,000	$ 9,434,361
Cablevision Building	9,498,915	10,401,026
Cedarbrook Business Park	7,501,357	8,635,000
Century Commerce Center	3,930,882	5,331,000
Copley Institutional Investment Fund III	7,500,000	8,620,891
Crossings at Rosewell	5,512,334	5,558,000
Executive Center	4,025,974	4,105,000
Fullerton Industrial	8,870,953	12,033,000
Laurel Square	3,660,124	3,744,000
Maricopa Business Center	5,373,578	5,625,000
MIG Residential Group Trust	25,000,000	26,197,753
Mill River	3,739,100	3,810,920
Northwest Square Shopping Center	9,634,810	11,061,000
Park Place	3,018,038	3,035,000
Periwinkle Place	7,789,924	9,015,000
Schroder Real Estate Fund A	12,000,000	12,985,870
Skyview Plaza	22,253,976	22,613,070
Sunrise Plaza	15,872,099	16,242,697
Torrance Business Park	18,012,065	18,261,428
Tri-View/Tri-County	10,719,934	10,363,000
Westmont	13,593,975	13,866,000
Total real estate	**$207,508,038**	**$220,939,016**

MORTGAGE NOTES RECEIVABLE

	BOOK VALUE	MARKET VALUE
Village Square Shopping Center	$ 11,980,000	$ 11,980,000

See accompanying independent auditors' report.

FINANCIAL SECTION

ACTUARIAL SECTION

Actuary's Certification Letter

Summary of Actuarial Assumptions and Methods

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

July 6, 1992

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. These rates are to 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, 1991.

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 suspected 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 1991 valuation, however, uses adjusted 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 1991 valuation is based on an 8.25% interest rate and a 5.75% salary scale, the same assumptions used in the 1990 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.

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 pension, disability, and death 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 actuarial contribution rate determination, review, and, if necessary, legislative change in the statutory rates should assure that the financial condition of the Fund remains sound.

Respectfully submitted,

THE WYATT COMPANY

Wayne E. Dydo

Wayne E. Dydo
Fellow—Society of Actuaries

WED:dld

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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:

	Rate of Mortality	
Age	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:

	Rate of Termination	
Age	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:

	Rate of Disability	
Age	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, and (for ages 48-51) 1989. These rates are applicable after the member has satisfied the conditions for retirement. The rates are as follows:

Age(s)	Police	Firemen
48-51	.25	.25
52-59	.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:

Age	Probability of Mortality
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:

Age	Probability of Mortality
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:

Age	Probability of Mortality
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:

Age	Probability of Mortality
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:

Age	Probability of Mortality
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:

Age	Probability of Remarriage
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 valuation 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 ⅓ 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 ¾ 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 ten times since their adoption in 1966. The changes were as follows.

(1) 1970 valuation:

- The interest rate was increased from 4¼% to 4⅝%

(2) 1972 valuation:

- The interest rate was increased from 4⅝% to 4¾%.
- 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 1½% formula, and vesting of service pension after 25 years of service under the 2% formula.

(3) 1974 valuation:

- 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 valuation:

- 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 valuation:

- The interest rate was further increased from 6% to 6⅜%.

(6) 1983 valuation:

- The interest rate was increased from 6⅜% 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 valuation:

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

(8) 1987 valuation:

- 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 valuation:

- 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 valuation:

- 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.

(11) 1990 valuation:

- There were no material assumptions changes in 1989.

(12) 1991 valuation:

- There were no material assumption changes in 1990.

ACTIVE MEMBER VALUATION DATA
1982 TO 1991

Actuarial Valuation as of Jan. 1	Number of Active Members		Average Annual Salary		Percentage of Average Annual Salary Increases		Annual Payroll (millions)
	Police	Fire	Police	Fire	Police	Fire	
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
1990	13,088	9,698	32,351	31,863	3.5	2.6	732.4
1991	13,273	9,801	33,910	33,467	4.8	5.0	778.1

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)

	Valuation Year	Actuarial Accrued Liabilities (AAL)	(A) Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	(B) Active Member Payroll	UAAL as a % of Active Member Payroll
Police							
	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
	1990	3,038,600	1,648,500	1,390,100	54	423.4	328
	1991	3,264,700	1,769,000	1,495,700	54	450.1	332
Fire							
	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
	1990	2,535,000	1,313,000	1,222,000	52	309.0	395
	1991	2,678,600	1,401,200	1,277,400	52	328.0	389

(A) Valuation assets are based upon the following:

For 1988 through 1991—net assets available for benefits as provided in the December 31, 1987, 1988, 1989 and 1990, respectively, audited financial statements, less the local funds receivable and contributions which had yet to be refunded to employees who terminated with less than 15 years of service.

For 1982 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) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
Police								
	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
	1990	301,000	1,042,400	1,699,300	1,648,500	100	100	18
	1991	325,600	1,159,100	1,785,200	1,769,000	100	100	16
Fire								
	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
	1990	217,300	935,600	1,384,600	1,313,000	100	100	12
	1991	237,500	1,001,900	1,443,400	1,401,200	100	100	11

Note: For the years 1982 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 1991, 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 (% of active member payroll) Recommended	Police Actual	Fire (% of active member payroll) Recommended	Fire Actual
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
1990	34.28	29.50	35.60	34.00
1991	36.05	29.50	36.41	34.00

RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Year at Jan. 1	Police Additions	Police Deletions	Fire Additions	Fire Deletions
1986	697	360	574	313
1987	589	351	426	277
1988	612	499	476	417
1989	587	360	507	292
1990	579	304	413	240
1991	675	373	466	289

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

ACTUARIAL SECTION

STATISTICAL SECTION

Schedules:

- Benefit Expenses by Type
- Retired Members by Type of Benefits
- Mean Monthly Payments
- Participating Employers

STATISTICAL SCHEDULES

BENEFIT EXPENSES BY TYPE

1982 TO 1991

SCHEDULE 1

Year ended December 31,	(1) Retirement	(1) Disability	(1) Survivor	Subtotal	Health Care	Death Benefit Fund Benefits	Total Benefits
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	125,271,895	49,481,413	25,949,582	200,702,890	47,818,789	9,368,095	257,889,774
1990	137,176,452	55,855,530	26,736,682	219,768,664	52,979,696	10,378,929	283,127,289
1991	150,003,030	62,137,040	27,324,754	239,464,824	61,748,019	10,177,185	311,390,028

Note: For years 1982 through 1986, expenses are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1991 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

1982 TO 1991

SCHEDULE 2

Year	Service		Disability		Survivors		Combined Total Beneficiaries
	Police	Firemen	Police	Firemen	Police	Firemen	
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
1990	4,219	4,103	2,024	1,490	2,547	2,038	16,421
1991	4,469	4,265	2,188	1,587	2,698	2,159	17,366

Note: For years 1982 through 1988, survivors who received payments under two different benefit types (e.g. Statutory plus Joint and Survivor) were counted twice.

AVERAGE MONTHLY BENEFIT PAYMENTS

FOR POLICE OFFICERS AND FIRE FIGHTERS PLACED ON RETIREMENT ROLLS, 1985-1991

SCHEDULE 3

	1985	1986	1987	1988	1989	1990	1991
Service							
Normal	$ 1,771	$ 1,864	$ 1,928	$ 2,022	$ 1,988	$ 2,062	$ 2,145
Age Commuted	1,420	1,394	1,514	1,585	392	0	0
Service Commuted	221	300	337	394	412	705	389
Age/Service	723	1,035	920	886	1,258	1,322	1,211
Pre-1947	1,739	0	35	947	0	35	35
Subtotals	1,716	1,801	1,840	1,960	1,946	2,036	2,102
Disability							
Permanent & Total (P&T)	1,768	1,806	1,855	1,963	2,106	2,073	2,201
P&T Presumptive	1,737	1,778	1,823	2,038	2,065	2,072	2,339
Partial	1,247	1,265	1,273	1,337	1,450	1,579	1,741
Partial Presumptive	1,462	1,413	1,376	1,398	1,546	1,741	1,753
Off-duty	897	586	437	1,354	713	593	1,162
Pre-1947	0	0	0	0	0	0	0
Subtotals	1,460	1,483	1,538	1,617	1,679	1,782	1,884
Service and Disability							
Totals	$ 1,624	$ 1,682	$ 1,719	$ 1,817	$ 1,853	$ 1,945	$ 2,025

PARTICIPATING EMPLOYERS

AS OF DECEMBER 31, 1991

SCHEDULE 4

Villages	Cities	Townships (County)
Aberdeen	Akron	Anderson (Hamilton)
Ada	Alliance	Ashtabula (Ashtabula)
Addyston	Amherst	Austintown (Mahoning)
Adelphi	Ashland	Batavia (Clermont)
Adena	Ashtabula	Bath (Summit)
Alger	Athens	Bazetta (Trumbull)
Amberly	Aurora	Bazetta Cortland Joint EMS (Trumbull)
Amelia	Avon	Beavercreek (Greene)
Andover	Avon Lake	Bloom (Fairfield)
Ansonia	Barberton	Boardman (Mahoning)
Antwerp	Bay Village	Brookfield (Trumbull)
Arcanum	Beachwood	Butler (Montgomery)
Archbold	Beavercreek	Canton (Stark)
Arlington Heights	Bedford	Carlisle (Lorain)
Ashley	Bedford Heights	Champion (Trumbull)
Ashville	Bellaire	Clearcreek (Warren)
Baltimore	Bellbrook	Clinton (Franklin)
Barnesville	Bellefontaine	Colerain (Hamilton)
Batavia	Bellevue	Concord (Delaware)
Beach City	Belpre	Concord (Lake)
Beaver	Berea	Copley (Summit)
Bellville	Bexley	Cortland East Bazetta Fire (Trumbull)
Bentleyville	Blue Ash	Coventry (Summit)
Berlin Heights	Bowling Green	Crosby (Hamilton)
Bethel	Brecksville	Cumberland Trail Fire District (Belmont)
Bethesda	Broadview Heights	Delhi (Hamilton)
Beverly	Brook Park	Franklin (Franklin)
Blanchester	Brooklyn	Franklin (Summit)
Bloomville	Brookville	Green (Hamilton)
Bluffton	Brunswick	Green (Summit)
Boston Heights	Bryan	Hamilton (Hamilton)
Botkins	Bucyrus	Harrison (Pickaway)
Bradford	Cambridge	Howland (Trumbull)
Bradner	Campbell	Jackson (Franklin)
Bratenahl	Canfield	Jackson (Stark)
Brewster	Canton	Jefferson (Franklin)
Bridgeport	Celina	Jefferson (Madison)
Brooklyn Heights	Centerville	Leroy (Lake)
Buckeye Lake	Cheviot	Liberty (Trumbull)
Burton	Chillicothe	Liberty (Delaware)
Byesville	Cincinnati	Mad River (Montgomery)
Cadiz	Circleville	Maderia-Indian Hill Joint District (Hamilton)
Caldwell	Cleveland	Madison Fire (Lake)
Canal Fulton	Cleveland Heights	Madison (Franklin)
Carey	Clyde	Madison (Montgomery)
Carlisle	Columbus	Madison (Richland)
Carrollton	Conneaut	Mantua-Shalersville (Portage)
Castalia	Cortland	Margaretta (Erie)
Cedarville	Coshocton	Marion (Marion)
Chagrin Falls	Cuyahoga Falls	Miami (Greene)

PARTICIPATING EMPLOYERS (continued)

Villages

Chardon
Chauncey
Chesapeake
Cleves
Coal Grove
Coalton
Coldwater
Columbiana
Columbus Grove
Corning
Covington
Crestline
Creston
Cridersville
Crooksville
Cuyahoga Heights
Dalton
Danville
Delta
Dennison
Deshler
Dillonvale
Doylestown
East Canton
Edgerton
Edon
Elmore
Elmwood Place
Evendale
Fairfax
Fairport Harbor
Farmersville
Fayette
Felicity
Flushing Village
Forest
Fort Loramie
Fort Recovery
Fort Shawnee
Frankfort
Fredericktown
Galena
Garrettsville
Gates Mills
Genoa
Georgetown
Gibsonburg
Glendale
Glouster
Golf Manor
Grafton
Grand Rapids
Grand River
Granville
Green Springs

Cities

Dayton
Deer Park
Defiance
Delaware
Delphos
Dover
Dublin
East Cleveland
East Liverpool
East Palestine
Eastlake
Eaton
Elyria
Englewood
Euclid
Fairborn
Fairfield
Fairlawn
Fairview Park
Findlay
Forest Park
Fostoria
Franklin
Fremont
Gahanna
Galion
Gallipolis
Garfield Heights
Geneva
Germantown
Girard
Grandview Heights
Greenfield
Greenville
Grove City
Hamilton
Harrison
Heath
Highland Heights
Hilliard
Hillsboro
Hubbard
Huber Heights
Huron
Independence
Indian Hill
Ironton
Jackson
Kent
Kenton
Kettering
Kirtland
Lakewood
Lancaster
Lebanon

Townships (County)

Miami (Montgomery)
Mifflin (Franklin)
Mifflin (Richland)
Norwich (Franklin)
Olmsted (Cuyahoga)
Orange (Delaware)
Painesville (Lake)
Perkins (Erie)
Perry (Franklin)
Perry (Lake)
Perry (Stark)
Pierce (Clermont)
Plain (Franklin)
Plain (Stark)
Pleasant (Franklin)
Prairie (Franklin)
Randolph (Portage)
Saybrook (Ashtabula)
Scioto (Pickaway)
Sharon (Franklin)
Shawnee (Allen)
Springfield (Richland)
Springfield (Summit)
Sugarcreek (Greene)
Sylvania (Lucas)
Tri-Township Fire (Delaware)
Truro (Franklin)
Union (Butler)
Union (Clermont)
Violet (Fairfield)
Washington (Franklin)
Washington (Montgomery)
West Licking Joint Fire (Licking)
Whitewater (Hamilton)
Wooster (Wayne)
Xenia (Greene)

PARTICIPATING EMPLOYERS (continued)

Villages	Cities	Townships (County)
Greenhills	Lima	
Greenwich	Lincoln Heights	
Groveport	Logan	
Hamden	London	
Hamersville	Lorain	
Hanging Rock	Louisville	
Hartville	Loveland	
Hebron	Lyndhurst	
Hicksville	Macedonia	
Higginsport	Madeira	
Highland Hills	Mansfield	
Hiram	Maple Heights	
Holgate	Marietta	
Holland	Marion	
Hudson	Martins Ferry	
Hunting Valley	Marysville	
Jackson Center	Mason	
Jamestown	Massillon	
Jefferson	Maumee	
Johnstown	Mayfield Heights	
Kingston	Medina	
Kirtland Hills	Mentor	
Lagrange	Mentor-on-the-Lake	
Lakemore	Miamisburg	
Lakeview	Middleburg Heights	
Laurelville	Middletown	
Leetonia	Milford	
Leipsic	Mingo Junction	
Lewisburg	Montgomery	
Lexington	Moraine	
Linndale	Mount Healthy	
Lisbon	Mount Vernon	
Lockland	Napoleon	
Lodi	Nelsonville	
Lordstown	New Lexington	
Loudonville	New Philadelphia	
Lowellville	Newark	
Madison	Newton Falls	
Manchester	Niles	
Mantua	North Canton	
Mariemont	North College Hill	
Mayfield	North Olmsted	
McArthur	North Ridgville	
McClure	North Royalton	
McComb	Northwood	
McConnellsville	Norton	
McDonald	Norwalk	
Mechanicsburg	Norwood	
Mendon	Oakwood	
Middlefield	Oberlin	
Midvale	Olmsted Falls	
Milan	Oregon	
Millersburg	Orrville	
Millersport	Oxford	

PARTICIPATING EMPLOYERS (continued)

Villages	Cities	Townships (County)
Minerva	Painesville	
Minerva Park	Parma	
Minster	Parma Heights	
Mogadore	Pepper Pike	
Monroeville	Perrysburg	
Montpelier	Piqua	
Moreland Hills	Port Clinton	
Morrow	Portsmouth	
Moscow	Ravenna	
Mount Eaton	Reading	
Mount Gilead	Reynoldsburg	
Mount Orab	Richmond Heights	
Mount Sterling	Rittman	
Munroe Falls	Rocky River	
Navarre	Rossford	
New Albany	Salem	
New Boston	Sandusky	
New Bremen	Sebring	
New Concord	Seven Hills	
New Lebanon	Shaker Heights	
New London	Sharonville	
New Madison	Sheffield Lake	
New Miami	Shelby	
New Richmond	Sidney	
New Vienna	Silverton	
New Washington	Solon	
Newburgh Heights	South Euclid	
Newcomerstown	Springdale	
Newtown	Springfield	
North Baltimore	St. Bernard	
North Bend	St. Clairsville	
North Kingsville	St. Marys	
North Randall	Steubenville	
Northfield	Stow	
Oak Harbor	Streetsboro	
Oak Hill	Strongsville	
Oakwood	Struthers	
Oakwood	Sylvania	
Obetz	Tallmadge	
Ontario	Tiffin	
Orange	Tipp City	
Orwell	Toledo	
Ottawa	Toronto	
Ottawa Hills	Trenton	
Ottoville	Trotwood	
Owensville	Troy	
Pandora	Twinsburg	
Pataskala	Uhrichsville	
Paulding	Union	
Payne	University Heights	
Pemberville	Upper Arlington	
Peninsula	Upper Sandusky	
Pickerington	Urbana	
Piketon	Vandalia	

PARTICIPATING EMPLOYERS (continued)

Villages	Cities	Townships (County)
Pioneer	Vanwert	
Plain City	Vermilion	
Pleasant Hill	Wadsworth	
Plymouth	Wapakoneta	
Poland	Warren	
Pomeroy	Warrensville Heights	
Powell	Washington Court House	
Powhattan Point	Wauseon	
Proctorville	Waverly	
Reminderville	Wellston	
Richfield	Wellsville	
Richwood	West Carrollton	
Rio Grande	Westerville	
Ripley	Westlake	
Riverside	Whitehall	
Rockford	Wickliffe	
Roseville	Willard	
Russellville	Willoughby	
Sabina	Willoughby Hills	
Sardinia	Willowick	
Seaman	Wilmington	
Seville	Wooster	
Shadyside	Worthington	
Shawnee	Wyoming	
Shawnee Hills	Xenia	
Sherwood	Youngstown	
Shreve	Zanesville	
Silver Lake		
Smithville		
Somerset		
South Bloomfield		
South Charleston		
South Lebanon Village		
South Point		
South Russell		
South Zanesville		
Spencer		
Spencerville		
Springboro		
Strasburg		
Stryker		
St. Henry		
St. Paris		
Sugarcreek		
Sunbury		
Swanton		
Sycamore		
Terrace Park		
Union City		
Utica		
Valley View		
Versailles		
Waite Hill		
Walbridge		

PARTICIPATING EMPLOYERS (continued)

Villages	Cities	Townships (County)
Walton Hills		
Waterville		
Wayne		
Waynesfield		
Waynesville		
Wellington		
West Alexandria		
West Jefferson		
West Lafayette		
West Liberty		
West Millgrove		
West Milton		
West Salem		
West Union		
West Unity		
Weston		
Whitehouse		
Wilkesville		
Williamsburg		
Winchester		
Windham		
Wintersville		
Woodlawn		
Woodmere		
Woodsfield		
Woodville		
Yellow Springs		
Yorkville		

STATISTICAL SECTION

INVESTMENT SECTION

INVESTMENT REPORT

The economy entered 1991 in a weakened state. The growing ranks of the unemployed and the imminent threat of war helped to further depress already low consumer confidence. Early on, the quick and decisive victory in the Gulf helped boost spirits. This, combined with a continued easy monetary policy, seemingly lifted economic output as well. However, the nascent recovery began to falter in the second half of the year as layoffs continued and growing confidence levels began to wane. Worth noting is the unusually harsh impact this decline had on the service sector and white collar workers. Also causing concern was the dramatic breakup of the Soviet Union and the uncertainty over what would emerge from this turmoil. For the year as a whole, GDP fell by 0.7% and the unemployment rate rose to 7.1% by year-end. Throughout the year, the Federal Reserve Board attempted to spark the economy to life by repeatedly cutting both the federal funds rate and the discount rate. One bright note was the fairly steady decline in the rate of inflation, as measured by the CPI, to a modest 3.1% increase for 1991.

The capital markets registered impressive returns in 1991. Stocks rebounded dramatically from their 1990 decline. The S&P 500 returned 30.5% while smaller company stocks, as measured by the NASDAQ index, jumped 56.8%. Equities surged in the first quarter thanks mostly to a quick victory in the Persian Gulf and the accompanying euphoria that gripped the nation. However, the stock market spent most of the rest of the year moving sideways as investors questioned the strength and durability of the emerging recovery. During this period, the Federal Reserve Board reduced both fed funds and the discount rate several times to aid the fragile economy. Finally on December 20th, the Fed took its boldest action yet by cutting the discount rate a full one percent to 3.5%. This move sent stocks soaring as most major indexes hit record highs at year-end. The bond market also had a very good year as demonstrated by the strong 16.0% return of the Salomon Brothers Broad Investment-Grade Index. Short-term interest rates declined steadily all year long as the Fed continued its efforts to aid the economy with rate reductions. Intermediate and long-term rates were stable to higher in the first half of 1991 as conflicting reports caused confusion over the strength of the economy and the potential for renewed inflation. However, as the year progressed clearer evidence of an at best weak recovery allowed longer rates to decline to their lowest levels of the year in December. Still, by year end the Treasury yield curve had steepened to almost 350 basis points. The real estate market continued to be troubled by the lack of new capital commitments and additional writedowns as shown by the NCREIF return of −5.4% for the year.

The securities markets were of great help to the growth of the Fund's investment assets in 1991. The book value of our assets grew from nearly $3.10 billion in 1990 to over $3.43 billion in 1991, a 10.9% increase. At the same time the market value of the investment portfolio jumped 21.2% to almost $3.99 billion from $3.29 billion a year earlier. The 1991 total return for the overall investment portfolio of 22.1% was very good on an absolute basis. It also stacked up relatively well considering our legal constraint of a 35% maximum equity allocation. The combined positions of our equity advisors yielded a strong 37.8% return last year and our internal bond holdings produced another excellent result with an 18.0% return. The overall real estate portfolio return for 1991 was 1.2% which exceeded the NCREIF index return. However, it is important to note that approximately 75% of the real estate portfolio reflects year-end 1990 values which is in accordance with our policy requiring biennial appraisals.

Significant changes in investments revolved around our equity performance and shifts among our stable of managers. The increase in our stock position relates to our equity advisors being more fully invested and the relative outperformance of stocks versus other asset classes. We also benefitted from an overweighting in the growth equity style which surpassed other large capitalization investment styles. The Fund also made two changes in the management of its stock holdings last year. We shifted one of our Ohio portfolios to a new firm in order to follow a successful, long-time portfolio manager. Also, in an effort to eliminate duplication and to increase exposure to medium to smaller capitalization companies we moved an S&P 500 capitalization-weighted portfolio to a new manager and reconfigured it as an S&P 500 equal-weighted portfolio. We also closed out an unsuccessful option overwriting program early in the year. In real estate the Fund was forced to transfer the management of a separate account portfolio away from a firm which appeared to be deteriorating toward collapse. More positively, 1991 was the first full year of a new securities lending program which generated income of more than twice our projections. Finally, the Fund completed an asset/liability study which helped quantify the long term nature of our liabilities and thus the need for a larger allocation to longer-term assets such as equities. Of course, this would require legislative action.

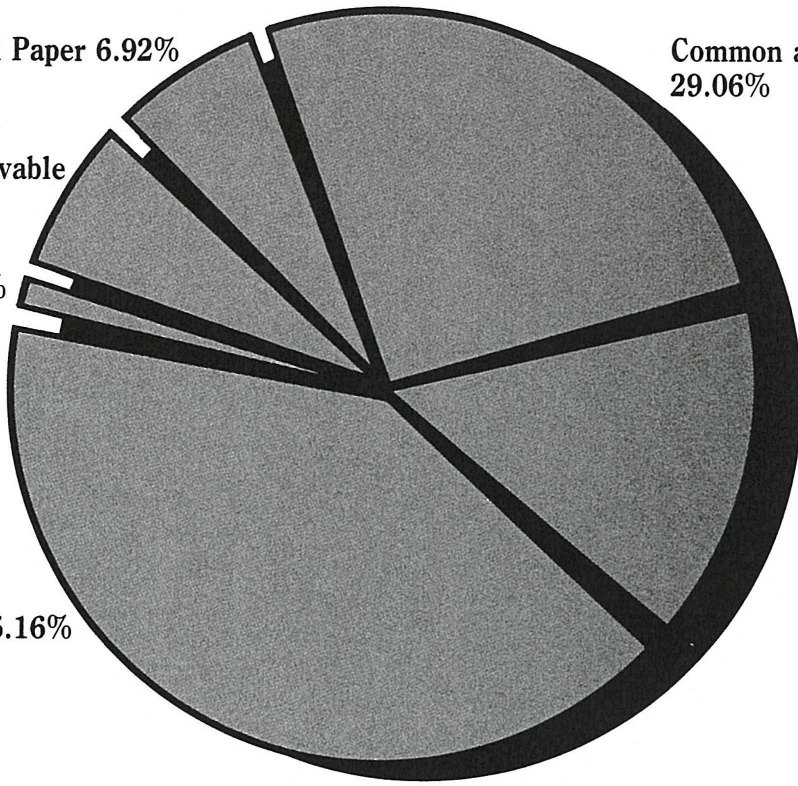
Early in 1992, the economy showed signs of renewed strength. Retail sales picked up, the housing sector surged in response to lower interest rates, and industrial production also improved. Unfortunately, demand has not been strong enough to create much job growth. In fact, the unemployment rate has risen steadily so far this year and may continue somewhat higher in the months ahead. The lack of new job creation is probably responsible for stalling a recent uptrend in consumer confidence. The Federal Reserve Board has continued its policy of easing short-term rates when confronted with evidence of weakness in either the economy or monetary growth. In fact, some short rates are at their lowest level in three decades. This level of rates should be enough to prevent the economy from declining again but other factors will not allow much more than a slow recovery to take hold. Budget problems at all levels of government and continued debt reduction by individuals and corporations will combine to create a drag on economic growth.

As for the markets in 1992, only the Dow Jones Industrial Average, among major stock indexes, has shown a positive return so far. The equity market is struggling with very high historical valuation levels, but is also supported by massive liquidity as money continues to flow into stocks and away from declining short-term yields. It is questionable if the corporate earnings required to support the stock market will be forthcoming if economic growth remains lackluster. Meanwhile, the Treasury yield curve has steepened to well over 400 basis points thanks to the Fed. It seems reasonable that intermediate to longer-term interest rates have room to decline as long as inflation remains subdued. Another sign that rates have bottomed will be when the economy proves it has entered a sustained period of growth. One wild card for the markets is the uncertainty of this presidential election year as a seemingly viable independent party candidate has emerged and economic weakness has hurt the incumbent.

During the rest of 1992, we will be reviewing the management structure of our real estate portfolio with the intent of improving our ability to stabilize and enhance the value of our holdings. We may also allocate money to commercial mortgages for the first time given their relatively attractive return potential. The Fund is also in the process of reviewing its equity advisor structure from the standpoint of style weightings and potential shifts given our current stance. In bonds, the internally managed portfolio will continue to maintain its high quality, controlled duration disciplines which have served the Fund so well for the past several years. Additionally, we hope to make progress toward the legislative changes required to allow the higher equity exposure called for by the asset/liability study. Finally, we will continue to seek to achieve at least an 8.25% return, which is our actuarial assumption rate.

INVESTMENT PORTFOLIO SUMMARY

DECEMBER 31, 1991



Type	% of Book Value	Book Value	% of Market Value	Market Value
Canadian bonds and obligations	0.66%	$ 22,759,552	0.62%	$ 24,864,420
Government bonds and obligations	34.50	1,184,503,226	32.93	1,312,523,986
Corporate bonds and obligations	22.06	757,537,773	20.12	801,679,628
Common Stocks	28.80	988,872,560	33.87	1,349,674,964
Preferred Stocks	0.26	8,875,109	0.31	12,308,750
Commercial Paper	6.92	237,546,496	5.96	237,546,496
Real Estate and Mortgage Notes Receivable	6.39	219,488,038	5.84	232,919,016
Venture Capital	0.41	13,933,998	0.35	13,933,998
Total All Investments	**100.00%**	**$3,433,516,752**	**100.00%**	**$3,985,451,258**

INVESTMENT SECTION

INVESTMENT POLICY AND GUIDELINES

"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 ventures 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 Sections 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, 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 acceptances, 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 acceptances 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 (D) (2) 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 notification of 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 742.11 of the Ohio Revised Code, as provided in Section 742.11 (E) (2).

(This page intentionally left blank)

Printed on Recycled Paper