COMPREHENSIVE

ANNUAL FINANCIAL REPORT

POLICE AND FIREMEN'S DISABILITY AND PENSION FUND OF OHIO

FOR THE YEAR

ENDED DECEMBER 31, 1992

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

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

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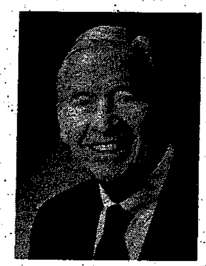
BOARD OF TRUSTEES

ELECTED MEMBERS:

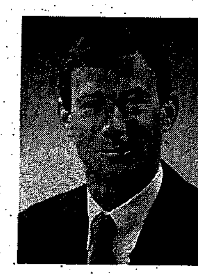
Joseph Walter
Acting Chairman
Toledo Fire Department
Term expires June 5, 1995

Thomas A. Bennett
Dayton Police Department
Term expires June 7, 1993



Anthony Coyne
Cleveland Police Department
(Retired)
Term expires June 5, 1995

Elmer J. Khal
Cleveland Fire Department
Term expires June 3, 1996



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

Patrick White
Cleveland Police Dept.
Term expires June 5, 1995

STATUTORY MEMBERS:

Richard T. Balaz
Director of Finance
City of Euclid

Thomas E. Ferguson
Auditor of State

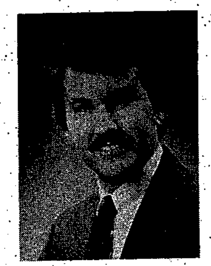
Lee I. Fisher
Attorney General

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

Auditors:
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
Duff and Phelps Asset Management
Cardinal Financial Management
Chemicals and Materials Enterprise Associates
Primus Venture Partners
W. R. Lazard and Company
Lakefront Capital Investment Inc.
Equitable Real Estate Investment Management, Inc.
The RREEF Funds
Blue Chip Capital Fund
Northwest Ohio Venture Fund

ORGANIZATIONAL CHART

BOARD OF TRUSTEES

Joseph Walter, Toledo Fire Department, Acting Chairman
Thomas A. Bennett, Dayton Police Department
Anthony Coyne, Cleveland Police Department (Retired)
Elmer J. Khal, Cleveland Fire Department
Robert M. Shields, Columbus Fire Department
Patrick White, Cleveland Police Department
Richard T. Balaz, Director of Finance, City of Euclid
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, 1991

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 a lifetime monthly cash pension.

1. Normal Pension

(a) Eligibility: Age 48 and 25 years of service.

(b) 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 $20,000 per year in 1992. 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.

The Police and Firemen's Disability and Pension Fund
230 East Town Street/Columbus, Ohio 43215-4650/(614) 228-3781

June 21, 1993

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, 1992. This CAFR was prepared to aid interested parties in assessing the Fund's status at December 31, 1992, 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 and 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 at December 31, 1992. The statistical section beginning on page 66 provides more detail of the aforementioned participating employers.

Participating Employers

	Police	Fire
Municipalities	242	185
Townships	—	89
Villages	299	25
Total	**541**	**299**

Economic Conditions and Outlook

Continuing low consumer confidence and lack of job growth plagued the economy throughout 1992. However, there was positive growth every quarter. Stock market returns, as measured by the S&P 500, fell back to a below average performance of 7.6%. The bond market, as represented by the Lehman Aggregate Index, slowed to a mediocre performance of 7.4%. While both the Fund's composite equity portfolio and internal bond portfolio outperformed these averages, writedowns of real estate holdings lowered the Fund's overall return on investment to 6.5%. The Fund's other main revenue sources—employer and employee contributions—are established by Ohio law and thus are relatively unaffected by economic conditions. For 1993 there are a few early signs of an improving economy, although job growth remains slow and consumer confidence has diminished further.

Major Initiatives

In 1992 the Fund's Board of Trustees took several steps to slow the rate of retiree and dependent health care cost increases.

Beginning July 1, 1992 most retirees have been required to contribute a portion of the premium cost of their health care coverage through a deduction from their monthly benefit payment. The amount of the monthly contribution varies depending on the type and amount of the retirant's pension.

The Fund also implemented a more effective utilization review program, and introduced a new retail pharmacy network.

In conjunction with three other statewide Ohio retirement systems, the Fund has developed a managed care program to be implemented in early 1993. This program includes two preferred provider networks covering most areas of Ohio.

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 $720,625,806 in 1992, as compared to $668,331,237 in 1991. A summary of revenues for 1992 and 1991 is as follows:

	1992		1991		
REVENUES BY SOURCE	**Amount**	**Percent**	**Amount**	**Percent**	**INCREASE (DECREASE)**
Contributions:					
Employers	$189,566,606	26%	$178,858,413	26%	$10,708,193
Employees	91,957,848	13%	87,786,090	13%	4,171,758
Medical Benefits	2,400,094	0%	0	0%	2,400,094
State of Ohio—Subsidies	4,927,194	1%	5,429,000	1%	(501,806)
State of Ohio—Death Benefit Fund	11,013,727	2%	10,177,185	2%	836,542
	299,865,469	42%	282,250,688	42%	17,614,781
Net Investment Income	403,209,178	56%	368,882,582	55%	34,326,596
Interest on Local Funds Receivable	17,411,423	2%	17,148,388	3%	263,035
Other Income	139,736	0%	49,579	0%	90,157
Total	**$720,625,806**	**100%**	**$668,331,237**	**100%**	**$52,294,569**

The increase in revenues is primarily due to investment income. 1992 investment income reflects a writedown of real estate holdings due to other than a temporary decline in market value of approximately $6.7 million. There were no such writedowns in 1991. The Fund's total rate of return on its investment portfolio decreased from 22.1% in 1991 to 6.5% in 1992.

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 1992.

Expenses:

Benefit payments are the primary expense of the Fund. Total expenses for the Fund were $352,482,862 in 1992, as compared to $322,902,607 in 1991. A summary of expenses for 1992 and 1991 is as follows:

	1992		1991		
EXPENSES BY TYPE	**Amount**	**Percent**	**Amount**	**Percent**	**INCREASE**
Benefits:					
Retirement	$163,441,985	47%	$150,003,030	47%	$13,438,955
Disability	69,277,993	20%	62,137,040	19%	7,140,953
Health Care	67,419,506	19%	61,748,019	19%	5,671,487
Survivor	28,042,134	8%	27,324,754	8%	717,380
Death Benefit Fund	11,013,727	3%	10,177,185	3%	836,542
	339,195,345	97	311,390,028	96	27,805,317
Administrative Expenses	8,475,243	2	8,200,798	3	274,445
Refund of Employee Contributions	3,723,998	1	2,540,360	1	1,183,638
Other Expenses	1,088,276	0	771,421	0	316,855
Total	**$352,482,862**	**100%**	**$322,902,607**	**100%**	**$29,580,255**

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, 1992, increased the fund balance by approximately $368.1 million. This increase is approximately $22.7 million greater than the total fund balance increase recognized in the prior year.

The actuarial valuation for funding purposes dated January 1, 1992, the most recent actuarial valuation, reported an unfunded actuarial accrued liability of $2,697 million. This balance represents the difference between the actuarial accrued liability for benefits to be paid members and retirees ($6,376 million) and total valuation assets ($3,679 million). The unfunded actuarial accrued liability is being amortized in an orderly fashion over future years. The January 1, 1992 pension benefit obligation was $4,764.7 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, 1992, the investment portfolio provided 56.0% of the Fund's total revenues while employee and employer contributions provided 12.8% and 26.3%, 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 1992 follows:

	December 31, 1991		Purchases	Sales, Re- demptions	December 31, 1992		% of Total
	Carrying Value	Market Value	and Accretions	and Accruals	Carrying Value	Market Value	Market Value
Canadian bonds and obligations	$ 22,759,552	$ 24,864,420	$ 46,895,484	$ 29,540,547	$ 40,114,489	$ 40,607,306	0.97%
Government bonds and obligations	1,184,503,226	1,312,523,986	376,097,326	429,952,181	1,130,648,371	1,226,810,179	29.22%
Corporate bonds and obligations	757,537,773	801,679,628	195,100,044	151,862,462	800,775,355	842,079,519	20.05%
Common stocks	988,872,560	1,349,674,964	958,320,343	773,888,283	1,173,304,620	1,466,038,276	34.91%
Preferred stocks	8,875,109	12,308,750	0	7,071,989	1,803,120	2,005,000	0.05%
Commercial paper	237,546,496	237,546,496	3,832,401,266	3,644,035,990	425,911,772	425,911,772	10.14%
Real estate, net of accumulated depreciation (note 6)	207,508,038	220,939,016	1,682,258	13,365,396	195,824,900	166,809,779	3.97%
Mortgage notes receivable (note 12)	11,980,000	11,980,000	3,220,000	0	15,200,000	15,200,000	0.36%
Venture capital	13,933,998	13,933,998	1,300,000	1,466,345	13,767,653	13,767,653	0.33%
	$3,433,516,752	$3,985,451,258	$5,415,016,721	$5,051,183,193	$3,797,350,280	$4,199,229,484	100.00%

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 76 through 80 of this comprehensive annual financial report.

Material Plan Amendments

There were no material plan amendments in 1992.

Independent Auditors

The financial statements of the Fund for the year ended December 31, 1992 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, 1991. 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

THOMAS R. SEVERNS
Assistant Director, Finance

FINANCIAL SECTION

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 sheets of the Police and Firemen's Disability and Pension Fund of Ohio (the Fund) as of December 31, 1992 and 1991, and the related statements of revenues, expenses, and changes in fund balance and of cash flows for the years then 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.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Fund at December 31, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as supplemental schedules in the foregoing table of contents, which is also the responsibility of the management of the Fund, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Fund. Such additional information has been subjected to the auditing procedures applied in our audits of the basic 1992 and 1991 financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic 1992 and 1991 financial statements taken as a whole. The schedules as of and for the years ended December 31, 1987, 1988, 1989 and 1990 were subjected to auditing procedures by other auditors whose report dated June 7, 1991 stated that such schedules were fairly stated in all material respects when considered in relation to the basic financial statements.

Deloitte & Touche

June 18, 1993

Deloitte Touche Tohmatsu International

FINANCIAL SECTION

BALANCE SHEETS

DECEMBER 31, 1992 AND 1991

	1992	1991
Assets:		
Cash (note 5)	$ 11,853,793	$ 10,945,099
Receivables:		
Employers' contributions	56,807,088	53,299,077
Employees' contributions	5,929,940	6,527,667
Accrued investment income	44,659,093	42,772,228
Investment sale proceeds	6,563,214	36,440,886
Total receivables	113,959,335	139,039,858
Collateral held under security lending program (note 5)	698,603,154	765,745,468
Investments, at cost (market value $4,199,229,484 and $3,985,451,258 in 1992 and 1991, respectively) (notes 5, 6, 8 and 12)	3,797,350,280	3,433,516,752
Local funds receivable (note 7)	400,480,943	403,445,487
Property and equipment, net of accumulated depreciation of $2,077,922 and $1,652,023 in 1992 and 1991, respectively	3,657,163	3,944,132
Other assets (note 9)	315,640	410,193
Total assets	5,026,220,308	4,757,046,989
Liabilities:		
Health care benefits payable (note 2)	12,589,910	12,374,937
Investment commitments payable	17,090,700	49,125,047
Accounts payable and accrued expenses	1,770,994	2,326,513
Note payable (note 8)	2,180,701	2,195,542
Other liabilities (note 9)	1,368,880	806,457
Obligations under security lending program (note 5)	698,603,154	765,745,468
Total liabilities	733,604,339	832,573,964
Net assets available for benefits	**$ 4,292,615,969**	**$ 3,924,473,025**
Fund balance (note 3):		
Pension benefit obligation (at beginning of year):		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 2,376,500,000	$ 2,161,000,000
Current employees:		
Accumulated employee contributions	608,500,000	563,100,000
Employer financed portion	1,779,700,000	1,702,600,000
Total pension benefit obligation	4,764,700,000	4,426,700,000
Unfunded pension benefit obligation	(472,084,031)	(502,226,975)
Total fund balance	**$ 4,292,615,969**	**$ 3,924,473,025**

See accompanying notes to financial statements.

FINANCIAL SECTION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

YEARS ENDED DECEMBER 31, 1992 and 1991

	1992	1991
Operating revenues:		
Contributions:		
Employers (note 4)	$ 189,566,606	$ 178,858,413
Employees (note 4)	91,957,848	87,786,090
Medical Benefits (note 14)	2,400,094	—
State of Ohio—subsidies (note 4)	4,927,194	5,429,000
State of Ohio—Death Benefit Fund	11,013,727	10,177,185
	299,865,469	282,250,688
Net investment income (notes 5 and 6)	403,209,178	368,882,582
Interest on local funds' receivable	17,411,423	17,148,388
Other income	139,736	49,579
Total operating revenues	720,625,806	668,331,237
Operating expenses:		
Benefits:		
Retirement	163,441,985	150,003,030
Disability	69,277,993	62,137,040
Health care	67,419,506	61,748,019
Survivor	28,042,134	27,324,754
Death Benefit Fund	11,013,727	10,177,185
	339,195,345	311,390,028
Administrative expenses, including depreciation on operating properties	8,475,243	8,200,798
Refund of employee contributions (note 4)	3,723,998	2,540,360
Other expenses	1,088,276	771,421
Total operating expenses	352,482,862	322,902,607
Net operating income	368,142,944	345,428,630
Fund balance, beginning of year	3,924,473,025	3,579,044,395
Fund balance, end of year	**$ 4,292,615,969**	**$ 3,924,473,025**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1992 AND 1991

	1992	1991
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income:	$ 368,142,944	$ 345,428,630
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation on investment in real estate	3,024,049	3,011,546
Depreciation on property and equipment	449,625	435,363
Net gain due to accretion of discount and investment sales	(205,569,806)	(174,636,695)
Local funds receivable principal payments	2,964,544	3,582,381
Change in assets and liabilities:		
Increase in receivables	(4,797,149)	(11,417,622)
Decrease in other assets	94,553	3,437,550
Increase in health care benefits payable	214,973	379,142
Decrease in accounts payable and accrued expenses	(555,519)	(469,774)
Increase (decrease) in other liabilities	562,423	(1,538,222)
Total adjustments	(203,612,307)	(177,216,331)
Net cash provided by operating activities	164,530,637	168,212,299
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(162,656)	(210,267)
Cash flows from investing activities:		
Purchase of investments	(5,439,224,447)	(5,272,133,419)
Proceeds from sale and maturities of investments	5,271,194,341	5,107,476,774
Decrease (increase) in investment sale proceeds receivable	29,877,672	(36,207,074)
(Decrease) increase in investment commitments payable	(32,034,347)	35,402,503
Unrealized loss on investments	6,727,494	—
Net cash used in investing activities	(163,459,287)	(165,461,216)
Net increase in cash and cash equivalents	908,694	2,540,816
Cash and cash equivalents at beginning of year	10,945,099	8,404,283
Cash and cash equivalents at end of year	$ 11,853,793	$ 10,945,099
Noncash Transaction		
Change in collateral and related obligations related to securities lending program	$ 67,142,314	$ 19,438,590

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991

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, 1992, 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	9,808	8,219	18,027
Current employees:			
Vested	4,845	3,563	8,408
Nonvested	8,480	6,433	14,913
	13,325	9,996	23,321

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 of 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. Eight 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, 1992 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, 1992 follows:

Claims liability at December 31, 1991	$12,374,937
Incurred claims	67,419,506
Claims paid	(67,204,533)
Claims liability at December 31, 1992	$12,589,910

(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

The Fund considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents, excluding commercial paper which is classified as investments.

(g) Reclassifications

Certain 1991 balances have been reclassified to conform with 1992 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, 1992 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 1992 and 1991 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 (5.0%) and promotional raises (0.75%).

(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.

(g) For actuarial purposes, assets are valued utilizing a method which limits the book value used in valuation assets to a minimum of 85% of market value and to a maximum of 115% of market value. Adopted 1992.

At January 1, 1992, the unfunded pension benefit obligation was computed to be approximately $840,227 as follows (in thousands):

	Police	Fire	Total
Pension benefit obligation:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 1,292,500	$1,084,000	$ 2,376,500
Current employees:			
Accumulated employee contributions	349,700	258,800	608,500
Employer-financed vested	726,800	546,500	1,273,300
Employer-financed nonvested	276,300	230,100	506,400
	1,352,800	1,035,400	2,388,200
Total pension benefit obligation	**$ 2,645,300**	**$2,119,400**	4,764,700
Net assets available for benefits, at cost (market value $4,476,408)			3,924,473
Unfunded pension benefit obligation at January 1, 1992			$ 840,227

The actuarial effect of 1992 membership changes on the pension benefit obligation has not been determined and is therefore not reflected in the December 31, 1992 balance sheet value for the unfunded pension benefit obligation.

At January 1, 1991, the unfunded pension benefit obligation was computed to be approximately $847,656 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 and plan amendments on the pension benefit obligation had not been determined and is therefore not reflected in the December 31, 1991 balance sheet value for the unfunded pension benefit obligation. These changes and amendments have been reflected in the 1992 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, 1992:		
Employer	19.50	24.00
Member	10.00	10.00
Total actual rate	29.50	34.00
Actuarially determined rate as of January 1, 1992	33.78	34.18

The Fund's actuary allocated 7.51% (7.30% in 1991) 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 1992 represented 29.50% for Police and 34.00% for Fire Fighters. Employer and member contributions were approximately $98,486,000 and $52,707,000 respectively for Police and $91,080,000 and $39,251,000 respectively for Fire Fighters for the year ended December 31, 1992.

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.

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, 1992 was $4,927,194, 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, 1992 was $11,853,793 and the depository balance was $14,856,082. Of this total, $696,816 was covered by federal depository insurance and $12,018,577 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 $2,140,689, 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, 1992 and 1991. 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, 1992 and 1991, 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:

	1991		Year ended December 31, 1992		1992		
	Carrying Value	Market Value	Purchases and Accretions	Sales, Redemptions and Accruals	Carrying Value	Market Value	% of Total Market Value
Canadian bonds and obligations	$ 22,759,552	$ 24,864,420	$ 46,895,484	$ 29,540,547	$ 40,114,489	$ 40,607,306	0.97%
Government bonds and obligations	1,184,503,226	1,312,523,986	376,097,326	429,952,181	1,130,648,371	1,226,810,179	29.22%
Corporate bonds and obligations	757,537,773	801,679,628	195,100,044	151,862,462	800,775,355	842,079,519	20.05%
Common stocks	988,872,560	1,349,674,964	958,320,343	773,888,283	1,173,304,620	1,466,038,276	34.91%
Preferred stocks	8,875,109	12,308,750	0	7,071,989	1,803,120	2,005,000	0.05%
Commercial paper	237,546,496	237,546,496	3,832,401,266	3,644,035,990	425,911,772	425,911,772	10.14%
Real estate, net of accumulated depreciation (note 6)	207,508,038	220,939,016	1,682,258	13,365,396	195,824,900	166,809,779	3.97%
Mortgage notes receivable (note 12)	11,980,000	11,980,000	3,220,000	0	15,200,000	15,200,000	0.36%
Venture capital	13,933,998	13,933,998	1,300,000	1,466,345	13,767,653	13,767,653	0.33%
	$ 3,433,516,752	$ 3,985,451,258	$ 5,415,016,721	$ 5,051,183,193	$ 3,797,350,280	$ 4,199,229,484	100.00%

	Year ended December 31, 1991						
	1990			Sales, Re-	1991		% of
	Carrying Value	Market Value	Purchases 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	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%

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 $6,700,000, representing market declines determined to be other than temporary and are included in the determination of net investment income for 1992. 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, 1992 and 1991 totaled $698,603,154 and $765,745,468 respectively. Security lending income totaled $1,070,432 and $1,211,140 for the years ended December 31, 1992 and 1991 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:

	1992	1991
Land	$ 42,892,749	$ 43,606,134
Buildings	100,522,667	110,097,214
Capital improvements	13,657,391	13,028,548
	157,072,807	166,731,896
Accumulated depreciation	16,747,907	13,723,858
Net book value	140,324,900	153,008,038
Comingled funds limited partnerships	55,500,000	54,500,000
Total	$ 195,824,900	$ 207,508,038

Real estate rental income was approximately $8,425,000 and $8,925,000 in 1992 and 1991, respectively, net of depreciation of approximately $3,024,000 and $3,012,000. 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, 1992:

Year ending December 31,	
1993	$ 14,061,700
1994	11,473,600
1995	8,182,100
1996	6,059,200
1997	4,056,700
Later Years	18,213,800
Total minimum future rentals	**$ 62,047,100**

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, 1992 includes $1,508,276 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,	
1993	$ 20,945,191
1994	20,354,696
1995	20,349,097
1996	20,318,516
1997	20,283,555
Later years	754,417,180
Total projected payments	856,668,235
Less interest portion	456,187,292
Balance due at December 31, 1992	**$400,480,943**

8. MORTGAGE NOTE PAYABLE

The $2,180,701 mortgage note payable, secured by the Mill River office building, with a net book value of approximately $3,636,000, matured on October 1, 1992. The note was not repaid and as a result, the OP&F Schroder Trust is in default under the terms of the note. Management is currently negotiating with the mortgagee to restructure the note. The mortgage note bears interest at a variable rate equal to the 90 day Certificate of Deposit rate of the mortgagee, plus 3%.

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 $333,000 and $314,000 as of December 31, 1992 and 1991, 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, 1992 was approximately $2,015,000; the Fund's total payroll was approximately $2,217,000.

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% and 8.5%, respectively, of covered employee payroll to PERS. These rates are determined by law under the ORC. The Fund's and employees' contributions for the year ended December 31, 1992 were approximately $273,000 and $171,000, respectively; these contributions represented 13.55% 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, 1992 for PERS as a whole, determined through an actuarial valuation performed as of January 1, 1992, date of the most recent actuarial valuation, was $19.8 billion. PERS' net assets available for benefits on that date, at market value were $18.5 billion. The Fund's 1992 actuarially determined contribution requirement represented .029% of total contributions required of all participating entities.

Historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in PERS' December 31, 1992 comprehensive annual financial report for six 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 349,674 active contributing participants as of December 31, 1992.

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% of employee payroll contributed by the Fund, 5.11% or approximately $102,966 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, 1992 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 25% of unrealized appreciation or depreciation on investment assets, (c) no change in the number of active employees, (d) base pay rate increases of 5.25% and annual pay increases over and above the 5.25% base increase ranging from 0% to 5.1% and (e) health care cost increases of 5.25% annually.

The total Ohio PERS actuarial present value of accrued other postemployment benefits as of January 1, 1992 (most recent valuation available) was $6.44 billion; the net assets available for these benefits at that date were $4.99 billion.

12. COMMITMENTS AND CONTINGENCIES

The Fund holds a mortgage note receivable secured by a deed of trust on a shopping center located at 1700 McHenry Avenue, Modesto, California (the "Shopping Center"). The mortgage note receivable matures on July 16, 1995. The mortgage note receivable accrues interest at 9% per annum, payable monthly; however, a portion of such interest is deferred. Deferred interest equal to the difference between 9% and the payable rate of 8.5% is to be paid monthly from available cash flow, as defined, or at maturity. Deferred interest is $250,000 at December 31, 1992 and is included in the note balance.

Upon maturity of the mortgage note receivable or sale of the Shopping Center, in addition to outstanding principal and interest, the Fund is entitled to 50% of excess fair market value or net cash proceeds, as defined. The mortgage note receivable is personally guaranteed by the managing general partner of the borrowing entity.

The detail of the mortgage note receivable at December 31, 1992 is as follows:

Receivable from borrower	$15,000,000
Capitalized acquisition fee	126,000
Deferred interest	250,000
Unrealized loss	(176,000)
Total	**$15,200,000**

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, 1992.

The Fund is committed to make additional capital contributions of $8,950,000 to existing venture capital 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.

14. MEDICAL BENEFIT CONTRIBUTIONS

Beginning July 1, 1992 most retirees have been required to contribute a portion of the premium cost of their health care coverage through a deduction from their monthly benefit payments. The amount of the monthly contribution varies depending on the type and amount of the retirant's pension.

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
1992	3,924,473	4,764,700	82.4	840,227	822,958	102.1

Note: Historical trend information is not available for years prior to 1987. Analysis of funding progress is presented for 1987 through 1992 in the accompanying schedule.

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

(2) The local funds' receivable is included in this amount. This receivable is considered an asset for financial reporting purposes, but not considered available for actuarially determined funding status.

(3) Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation for active and inactive accounts, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation for active and inactive accounts provides one indication of the Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund is. Trends in unfunded pension benefit obligation and valuation payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of valuation payroll approximately adjusts for the effects of inflation and aids analysis of the Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund is. The actuarial assumptions for investment return, and post-retirement mortality are revised periodically based on the Fund's experience.

See accompanying independent auditors' report.

REVENUES BY SOURCE

Year ended December 31,	Employer contributions (1)	Employee contributions (1)	Medical Benefit contributions (2)	State of Ohio subsidies	Net investment income (3)
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
1992	189,566,606	91,957,848	2,400,094	4,927,194	403,209,178

Note: For years 1983 through 1986, revenues are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1992 revenues are shown on the accrual basis.

(1) 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.

See accompanying independent auditors' report.

EXPENSES BY TYPE

Year ended December 31,	Retirement, disability and survivor benefits	Health care benefits	Refund of employee contributions
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
1992	260,762,112	67,419,506	3,723,998

Note: For years 1983 through 1986, expenses are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1992 expenses are shown on the accrual basis.

See accompanying independent auditors' report.

FINANCIAL SECTION

Interest on local funds' receivable	Other income	State contribution to death benefit fund	Total	Employer contributions as a percentage of covered payroll
$ 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
17,411,423	139,736	11,013,727	720,625,806	21.4

(2) Member contributions for health care coverage commenced July 1, 1992.

(3) For years 1983 through 1986 net realized gain on sale of investments is excluded.

Administrative expenses	Other expense	Death benefit fund benefits	Total
$ 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
8,475,243	1,088,276	11,013,727	352,482,862

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8,475,243	1,088,276	11,013,727	352,482,862

ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 1992 AND 1991

	1992	1991
Personnel Services:		
Administrative salaries	$ 2,213,359	$ 1,743,843
Employee benefits	337,036	298,232
Employer contributions—PERS	273,028	228,301
	2,823,423	2,270,376
Professional services	4,256,720	4,229,666
Other services and charges:		
Equipment—rental and maintenance	150,280	120,264
Travel expenses	42,680	115,361
Postage	173,390	176,306
Printing	57,288	164,965
Insurance—administrative	73,448	72,677
Office supplies and maintenance	151,533	145,392
Utilities	119,855	133,368
Ohio Retirement Study Commission	31,384	35,742
Dues and subscriptions	24,627	22,705
Depreciation expenses	449,625	435,363
Miscellaneous expenses	120,990	278,613
	1,395,100	1,700,756
Total administrative expenses	$ 8,475,243	$ 8,200,798

See accompanying independent auditors' report.

REFUNDS OF EMPLOYEE CONTRIBUTIONS

Year Ended December 31,	(1) Police	(1) Fire	Total
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
1992	2,670,680	1,053,318	3,723,998

Note: For years 1983 through 1986, refunds are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1992 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, 1992

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 Funds		Employers' Contribution Funds	
	Policemen	Fire Fighters	Policemen	Fire Fighters
Fund balance at beginning of year	$ 347,853,305	$256,629,049	$725,790,851	$442,599,820
Changes for the year:				
Contributions:				
Employers	—	—	98,486,291	91,080,315
Employees	52,706,884	39,250,964	—	—
Medical Benefits	—	—	—	—
State of Ohio subsidies	—	—	—	—
Death benefit fund	—	—	—	—
Net investment income	—	—	—	—
Interest on local funds' receivable	—	—	9,058,414	8,353,009
Other income	—	—	—	—
Benefits:				
Retirement	—	—	—	—
Disability	—	—	—	—
Health care	—	—	—	—
Survivor	—	—	—	—
Death benefit fund	—	—	—	—
Administrative expenses	—	—	—	—
Refund of employee contributions	(2,670,680)	(1,053,318)	—	—
Other expenses	—	—	—	—
Transfers	(22,926,114)	(17,408,811)	(58,427,046)	(45,906,964)
Net changes	27,110,090	20,788,835	49,117,659	53,526,360
Fund balance at end of year	$ 374,963,395	$277,417,884	$774,908,510	$496,126,180

See accompanying independent auditors' report.

FINANCIAL SECTION

(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 Funds		Guarantee Fund	Expense Fund	Death Benefit Fund	Totals	
Policemen	Fire Fighters				1992	1991
$1,153,900,000	$ 997,700,000	—	—	—	$3,924,473,025	$3,579,044,395
—	—	—	—	—	189,566,606	178,858,413
—	—	—	—	—	91,957,848	87,786,090
—	—	$ 2,400,094	—	—	2,400,094	—
—	—	4,927,194	—	—	4,927,194	5,429,000
—	—	—	—	$ 11,013,727	11,013,727	10,177,185
—	—	403,209,178	—	—	403,209,178	368,882,582
—	—	—	—	—	17,411,423	17,148,388
—	—	139,736	—	—	139,736	49,579
(87,900,855)	(75,541,130)	—	—	—	(163,441,985)	(150,003,030)
(37,252,896)	(32,025,097)	—	—	—	(69,277,993)	(62,137,040)
(34,985,229)	(32,434,277)	—	—	—	(67,419,506)	(61,748,019)
(15,084,435)	(12,957,699)	—	—	—	(28,042,134)	(27,324,754)
—	—	—	—	(11,013,727)	(11,013,727)	(10,177,185)
—	—	—	$ (8,475,243)	—	(8,475,243)	(8,200,798)
—	—	—	—	—	(3,723,998)	(2,540,360)
—	—	(1,088,276)	—	—	(1,088,276)	(771,421)
308,523,415	237,258,203	(409,587,926)	8,475,243	—	—	—
133,300,000	84,300,000	—	—	—	368,142,944	345,428,630
[illegible]287,200,000	$1,082,000,000	—	—	—	$4,292,615,969	$3,924,473,025

FINANCIAL SECTION

CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BALANCE

YEARS ENDED DECEMBER 31, 1992 AND 1991

SCHEDULE 2

	1992	1991
Cash receipts:		
Investment sales and maturities	$ 5,308,724,280	$ 5,096,822,920
Contributions:		
Employer	186,058,596	176,563,860
Employee	92,555,575	87,238,467
Medical Benefits	2,400,094	—
State of Ohio—subsidies	4,927,194	5,429,000
State of Ohio—Death Benefit Fund	12,321,557	13,379,948
	298,263,016	282,611,275
Net investment income	207,348,151	190,791,161
Local fund's receipts	20,375,967	20,596,257
Other income	268,708	372,656
Total cash receipts	5,834,980,122	5,591,194,269
Cash Disbursements:		
Investment purchases	5,481,124,151	5,265,353,339
Benefits:		
Retirement	163,367,847	150,089,433
Disability	69,148,217	62,087,697
Health care	67,193,716	61,367,996
Survivor	28,060,606	27,378,381
Death Benefit Fund	11,498,395	10,284,988
	339,268,781	311,208,495
Administrative expenses	7,756,703	7,682,743
Refund of employee contributions	3,960,338	3,391,199
Other expenses	1,961,455	1,017,677
Total cash disbursements	5,834,071,428	5,588,653,453
Excess of cash receipts over cash disbursements	908,694	2,540,816
Cash balance, beginning of year	10,945,099	8,404,283
Cash balance, end of year	**$ 11,853,793**	**$ 10,945,099**

See accompanying independent auditors' report.

INVESTMENT MANAGEMENT FEES

YEAR ENDED DECEMBER 31, 1992

SCHEDULE 3

INVESTMENT MANAGER	MANAGEMENT FEES
Schroder Real Estate Associates	$ 680,500
Atlanta/Sosnoff Capital Corporation	589,978
Oppenheimer Capital Corporation	570,436
Loomis, Sayles, and Company	553,610
Sentinel Realty Advisors Corporation	513,146
Value Line Asset Management	411,457
The RREEF Funds	370,000
Equitable Real Estate Investment Management Inc.	303,566
Bankers Trust Company	229,169
Gelfand Partners	115,562
Duff and Phelps Asset Management	107,561
W.R. Lazard & Co.	56,981
Lakefront Capital Investment Inc.	6,466

See accompanying independent auditors' report.

DETAILED LISTING OF INVESTMENT PORTFOLIO

DECEMBER 31, 1992

SCHEDULE 4

GOVERNMENT BONDS AND OBLIGATIONS:

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
U.S. Treasury	7.250%	11/15/96	$ 5,400,000	$ 5,170,812	$ 5,690,250
U.S. Treasury	8.625	08/15/97	108,045,000	110,542,711	119,322,197
U.S. Treasury	8.750	10/15/97	12,500,000	13,437,386	13,882,813
U.S. Treasury	8.875	11/15/97	300,270,000	314,138,970	335,364,056
U.S. Treasury	7.875	01/15/98	5,000,000	5,205,793	5,376,565
Mid-State TR II CL A-3	9.350	04/01/98	47,000,000	46,833,997	50,113,750
FHLMC #230013	7.250	08/01/98	1,865,199	1,781,300	1,904,835
U.S. Treasury	9.250	08/15/98	33,160,000	37,292,829	37,781,675
FHLMC #251021	12.000	08/01/99	233,726	266,714	261,919
U.S. Treasury	8.750	08/15/00	4,805,000	5,236,909	5,417,638
FHLMC #212242	7.500	07/01/01	3,396,883	3,127,295	3,490,297
Community Prog. Ser. 87 A-3	4.500	04/01/02	23,700,000	19,015,632	21,989,168
FHLMC #300846	7.000	06/01/02	159,232	155,170	162,118
FHLMC #252548	7.000	09/01/02	310,730	293,176	316,362
FNMA Remic 89-8 CL 8D	9.500	03/25/03	4,500,000	4,446,164	4,792,500
Mid States TR II A-4	9.625	04/01/03	57,675,000	59,503,963	61,783,190
FHLMC #252397	7.250	07/01/03	458,441	439,082	467,323
FNMA/GL #44048	7.000	12/01/05	12,178,577	10,958,394	12,144,331
U.S. Treasury	9.375	02/15/06	98,730,000	119,589,437	118,136,665
FNMA Remic 91-146 Z2	8.000	10/25/06	24,740,000	24,355,115	25,203,875
FNMA 92-93 Class Z 3	8.000	06/25/07	8,729,000	7,879,458	8,824,478
FNMA/GL #57839	7.250	07/01/07	5,999,677	5,482,267	6,001,554
FNMA/GL #8300	7.500	07/01/07	16,470,056	15,083,811	16,660,499
FNMA/GL #2494	8.000	04/01/08	11,899,012	11,235,530	12,218,798
FHLMC #181186	8.000	10/01/08	590,531	409,205	604,925
FNMA/GL #8245	8.000	12/01/08	4,963,111	4,739,837	5,102,698
FHLMC #181734	7.500	05/01/09	711,006	438,432	729,226
FNMA 89-34 Y3	9.850	10/25/10	6,300,000	6,443,645	6,559,875
FNMA #281	9.500	12/01/10	888,235	836,332	949,024
FNMA Remic 89-11 C-Y2	0.000	12/25/11	18,777,840	12,368,001	17,932,837
FHLMC #185228	11.500	08/01/13	218,152	207,391	241,672
FHLMC #185839	12.000	08/01/13	163,601	154,838	183,336
FHLMC #185711	12.000	09/01/13	96,116	91,916	107,710
FHLMC #186256	12.000	10/01/13	156,901	121,877	175,827
FHLMC #187000	12.000	12/01/13	179,002	167,872	201,377
FNMA/GL #44046	13.000	02/01/14	7,560,796	6,914,498	7,655,306
Bear Stearns Inv. Trust 89-1 CL-Y3	7.500	01/01/15	2,757,000	2,754,509	2,949,990
U.S. Treasury	9.970	02/15/16	96,970,000	107,254,889	116,030,714
FHLMC #170164	9.250	05/01/16	271,352	266,593	284,666
GNMA #228868	9.000	04/15/17	1,431,318	1,225,736	1,470,233
MLT #12 Class F	8.000	09/01/17	15,000,000	14,236,351	15,393,750
FNMA Trust 27	8.450	11/01/17	34,748,915	19,578,426	26,322,303
FNMA Trust 28	0.000	01/01/18	28,212,419	15,445,721	21,441,438
FNMA Strip TR34 CL1	0.000	05/01/18	18,765,280	10,439,064	14,883,213
FNMA 1992 - 191 D	0.000	05/25/18	10,435,997	9,865,713	9,496,757
FNMA Trust 35	0.000	07/01/18	3,475,918	1,991,332	2,756,838
American Housing TR-1 CL-3	7.625	08/25/18	6,777,946	5,887,514	6,422,104

FINANCIAL SECTION

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
FNMA Gtd Remic 88-23C	9.750%	09/25/18	5,000,000	4,859,393	5,351,565
FNMA Remic 89-25	10.000	11/25/18	4,705,000	4,756,150	5,051,994
Bear Stearns Inv. Trust 88-7 CL-2	9.250	12/01/18	16,100,000	15,877,726	17,166,625
Bear Stearns Inv. Trust 89-3 CL-Y4	0.000	03/01/19	28,777,000	11,840,762	17,410,085
FNMA 92-145 ZA	8.000	09/25/19	32,334,000	29,619,580	31,646,903
FNMA Remic 1990 G2-B	0.000	02/25/20	7,800,000	3,620,466	5,479,500
FNMA 92-114 T1 C1-C	0.000	06/25/22	7,888,622	6,311,224	6,705,328
Rural Housing TR 87-1 2-C	6.830	04/01/26	13,370,000	10,451,463	12,795,504
Total government bonds and obligations			$ 1,162,651,591	$1,130,648,371	$1,226,810,179

CORPORATE BONDS AND OBLIGATIONS:

American Medical International	9.750%	02/01/93	$ 1,361,000	$ 1,362,447	$ 1,361,000
Merrill Lynch	9.000	07/15/93	2,660,000	2,660,000	2,730,490
Shearson Lehman Brothers	9.875	10/01/93	10,550,000	10,548,096	10,890,871
Household Finance Corp.	9.500	12/15/93	4,500,000	4,484,296	4,706,370
GMAC (MTN)	9.600	01/25/94	1,500,000	1,498,599	1,560,000
GMAC (MTN)	9.500	02/03/94	2,500,000	2,514,016	2,598,750
International Lease Finance (MTN)	8.170	02/10/94	3,500,000	3,506,077	3,620,120
Merrill Lynch (MTN)	8.770	02/15/94	4,700,000	4,718,036	4,911,500
Ford Motor Credit (MTN)	10.000	04/21/94	4,900,000	4,932,093	5,202,820
GMAC (MTN)	6.400	05/02/94	6,050,000	6,170,133	6,080,250
Salomon Inc. (MTN)	8.550	06/21/94	2,800,000	2,800,570	2,913,680
Beneficial Corp.	12.750	08/15/94	4,180,000	4,181,404	4,665,465
GMAC (MTN)	8.750	08/15/94	3,000,000	2,973,413	3,111,600
Associates Corp. N.A.	12.500	09/15/94	7,000,000	7,277,506	7,814,800
GMAC (MTN)	8.150	09/15/94	7,400,000	7,422,731	7,629,400
Shearson Lehman American Express	12.500	10/15/94	18,915,000	19,487,107	20,883,862
GMAC (MTN)	8.750	03/15/95	7,500,000	7,497,067	7,809,450
Household Finance Corp.	9.250	04/01/95	5,000,000	4,982,247	5,310,000
GMAC (MTN)	9.450	05/15/95	2,250,000	2,280,175	2,377,688
GMAC (MTN)	9.450	05/18/95	11,300,000	11,404,714	11,937,885
Ford Motor Credit (MTN)	9.150	06/08/95	1,480,000	1,464,814	1,588,780
GMAC (MTN)	9.250	06/08/95	5,000,000	4,958,062	5,262,500
Salomon Inc.	9.000	07/01/95	2,500,000	2,687,206	2,646,500
GMAC (MTN)	9.050	07/20/95	12,400,000	12,279,448	12,995,200
International Lease Finance (MTN)	9.800	07/31/95	1,000,000	1,026,925	1,091,250
Ford Motor Credit (MTN)	9.400	09/29/95	2,400,000	2,660,689	2,600,400
Associates Corp. N.A.	12.400	10/01/95	1,900,000	2,156,367	2,206,470
International Lease Finance (MTN)	9.300	10/02/95	1,000,000	1,005,423	1,078,840
Ford Motor Credit (MTN)	9.400	10/09/95	4,000,000	3,978,218	4,328,440
Associates Corp. N.A.	10.750	11/01/95	4,000,000	4,123,661	4,510,000
Salomon Inc. (MTN)	9.700	01/24/96	1,000,000	1,022,396	1,076,200
GMAC (MTN)	9.000	02/08/96	10,000,000	10,000,000	10,462,500
Associates Corp. N.A.	8.800	03/01/96	4,000,000	3,989,393	4,296,240

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
GMAC (MTN)	8.850%	03/04/96	7,500,000	7,515,611	7,790,850
Philip Morris (MTN)	8.450	03/07/96	13,000,000	12,971,187	13,893,750
GMAC (MTN)	8.900	03/13/96	40,600,000	40,739,859	42,309,260
Philip Morris (MTN)	8.500	03/13/96	8,200,000	8,165,457	8,753,500
GMAC (MTN)	8.850	03/14/96	5,000,000	5,010,369	5,218,750
GMAC (MTN)	8.800	03/18/96	4,000,000	4,002,608	4,160,360
GMAC(MTN)	8.800	03/19/96	5,000,000	5,003,299	5,200,600
GMAC (MTN)	8.800	03/20/96	3,500,000	3,502,306	3,638,250
Morgan Stanley	8.875	04/01/96	6,000,000	6,284,557	6,446,400
GMAC (MTN)	8.750	04/09/96	5,000,000	4,996,601	5,184,850
Salomon Inc. (MTN)	9.800	04/19/96	4,000,000	4,258,498	4,351,600
Shearson Lehman Hutton	10.750	04/29/96	3,360,000	3,447,627	3,724,493
International Lease Finance (MTN)	8.580	06/03/96	5,000,000	4,989,325	5,307,300
Salomon Inc. (MTN)	9.190	06/18/96	8,000,000	8,000,000	8,567,200
Salomon Inc. (MTN)	9.250	06/19/96	7,000,000	7,001,969	7,499,100
Salomon Inc. (MTN)	9.190	06/25/96	3,000,000	3,000,000	3,206,100
Salomon Inc. (MTN)	9.200	07/03/96	5,000,000	5,321,296	5,352,500
Salomon Inc. (MTN)	9.250	07/16/96	10,000,000	10,000,000	10,719,000
Salomon Inc. (MTN)	9.200	07/18/96	4,000,000	3,999,549	4,279,600
Salomon Inc. (MTN)	9.140	07/19/96	6,000,000	6,000,601	6,412,680
International Lease Finance (MTN)	8.800	08/01/96	3,800,000	3,900,455	4,062,580
International Lease Finance (MTN)	8.730	08/09/96	30,000,000	29,964,438	32,015,400
Philip Morris (MTN)	8.100	09/03/96	5,000,000	4,999,226	5,283,000
International Lease Finance	7.900	10/01/96	5,000,000	4,986,697	5,195,400
D.C.S. Capital Corp.	12.375	10/15/96	5,000,000	4,991,849	5,678,500
Ford Motor Company	7.875	10/15/96	13,935,000	13,897,922	14,516,090
Morgan Stanley	8.000	10/15/96	4,590,000	4,619,202	4,808,025
Sanwa Business Credit (MTN)	7.470	11/21/96	10,000,000	10,040,942	10,220,000
Morgan Stanley	7.320	01/15/97	1,000,000	1,000,000	1,022,500
Ford Motor Credit (MTN)	9.300	02/18/97	5,900,000	5,872,499	6,412,120
Beneficial Corp. (MTN)	9.125	03/12/97	10,000,000	10,000,000	10,947,600
Philip Morris	7.500	03/15/97	7,945,000	7,910,428	8,217,514
MCA (MTN)	7.550	03/28/97	10,000,000	10,126,137	10,337,700
Hamilton Tennessee	7.875	04/01/97	32,255,000	31,940,445	33,069,761
Ford Motor Credit (MTN)	9.150	05/07/97	2,000,000	1,948,102	2,162,500
Heller Financial	7.750	05/15/97	5,000,000	4,990,768	5,066,950
Ford Motor Credit (MTN)	9.350	06/10/97	5,160,000	5,044,014	5,613,048
Ford Motor Credit (MTN)	10.150	09/18/97	3,000,000	3,028,259	3,369,000
Ford Motor Credit (MTN)	10.550	10/09/97	3,000,000	3,073,561	3,407,340
Philip Morris	9.250	12/01/97	1,750,000	1,884,260	1,930,425
Associates Corp. N.A.	8.375	01/15/98	7,000,000	6,962,589	7,448,000
ITT Financial Corp.	8.500	01/15/98	3,000,000	2,986,246	3,162,240
GTE Corp.	8.850	03/01/98	5,000,000	5,000,000	5,406,250
Carco Auto Loan Master TR	7.875	03/15/98	10,000,000	10,112,429	10,450,000
Heller Financial	9.375	03/15/98	8,000,000	8,359,771	8,614,640
Bear Stearns Co.	9.125	04/15/98	2,500,000	2,627,795	2,698,000
Merrill Lynch	9.000	05/01/98	6,990,000	7,276,296	7,602,464
First Chicago Corp.	8.500	06/01/98	20,000,000	20,025,808	20,919,800
Heller Financial (MTN)	9.625	09/01/98	5,000,000	5,259,368	5,500,050
Heller Financial	8.000	12/15/98	4,965,000	4,884,885	5,022,594
Chrysler Building of N.Y.	9.125	05/01/99	18,000,000	17,873,960	19,080,000

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

ISSUER	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Merrill Lynch	7.260%	05/04/99	20,760,000	20,848,648	21,262,600
GMAC	8.625	06/15/99	9,500,000	9,546,395	9,792,885
B.A.T. Capital Corp-Rule 144A	7.250	07/15/99	5,000,000	4,987,840	4,914,600
Columbia University (MTN)	8.040	11/05/99	1,900,000	1,952,488	1,966,880
Associates Corp. N.A.	9.125	04/01/00	7,000,000	6,988,999	7,684,530
Mid-Penn Telephone Co.	9.500	05/01/00	560,000	560,000	560,000
Western Reserve Telephone	9.375	05/15/00	425,628	425,628	425,628
GTE Corp	9.375	12/01/00	3,000,000	3,048,086	3,348,750
Beneficial Corp. (MTN)	9.450	03/05/01	3,000,000	3,420,626	3,336,780
Union Pacific (MTN)	9.110	03/05/01	10,000,000	9,937,332	11,031,000
Beneficial Corp. (MTN)	9.450	03/07/01	10,000,000	10,016,197	11,123,200
Beneficial Corp. (MTN)	9.500	03/08/01	10,000,000	10,000,000	11,153,500
Merrill Lynch	8.180	05/06/02	15,000,000	14,977,905	15,555,300
Cooker Rest. Cor. Con. Sub. Deb.	6.750	10/01/02	100,000	100,000	110,000
Loews Corp.	0.000	10/17/04	14,735,000	7,077,849	7,312,244
ITT Financial Corp.	8.350	11/01/04	15,000,000	14,788,207	15,592,050
ITT Financial Corp.	8.625	12/15/05	3,665,000	3,711,018	3,889,884
Soo Line Corp.	7.945	02/20/05	12,968,836	12,683,511	12,896,081
Shearson Lehman Brothers	11.625	05/15/05	6,400,000	7,276,784	7,721,472
GCC Home Equity TR 90-1	10.000	07/15/05	13,649,120	13,601,863	14,587,497
USX Corp.	0.000	08/09/05	25,000,000	9,354,041	9,500,000
Union Carbide Corp.	15.000	01/31/06	60,700	30,946	69,957
ITT Financial Corp.	8.750	03/01/06	11,000,000	11,300,127	11,674,300
First Union Real Estate EQ	10.250	07/31/09	250,000	250,000	271,563
ITT Financial Corp.	8.875	06/01/10	3,000,000	3,000,000	3,245,730
Huffy Convertable Debs.	7.250	08/15/14	325,000	426,303	368,875
Xerox Corp.	13.250	09/01/14	6,500,000	8,189,663	7,662,850
General Electric Credit	8.250	05/01/18	24,800,000	24,804,767	26,600,232
Merrill Lynch	8.400	11/01/19	14,150,000	13,617,733	14,906,176
Total corporate bonds and obligations			**$817,945,284**	**$800,775,355**	**$842,079,519**

CANADIAN BONDS AND OBLIGATIONS:

Ontario (Prov of)	5.700%	10/01/97	$ 10,000,000	$ 9,948,557	$ 9,604,700
Quebec (Prov of) MTN	8.760	02/14/01	10,000,000	10,894,475	10,767,200
Quebec (Prov of) MTN	8.690	02/22/01	6,945,000	7,301,150	7,449,554
Quebec (Prov of)	7.500	07/15/02	1,145,000	1,142,394	1,146,477
Nova Scotia	8.250	11/15/19	5,000,000	4,816,750	5,245,750
Hydro Quebec	9.400	02/01/21	5,690,000	6,011,163	6,393,625
Total Canadian bonds and obligations			**$ 38,780,000**	**$ 40,114,489**	**$ 40,607,306**
Total bonds and obligations			**$ 2,019,376,875**	**$ 1,971,538,053**	**$ 2,109,497,004**

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

COMMERCIAL PAPER

SECURITY NAME	YIELD	MATURITY	BOOK VALUE	MARKET VALUE
Baker Hughes Inc	4.000%	01/04/93	$ 5,013,275	$ 5,013,275
Baxter International Inc	4.300	01/04/93	5,261,075	5,261,075
Caterpillar Inc	4.000	01/04/93	4,998,248	4,998,248
Conagra Inc	3.950	01/04/93	3,108,943	3,108,943
International Paper Co	4.050	01/04/93	3,998,593	3,998,593
MCI Communications Inc	3.800	01/04/93	4,798,398	4,798,398
Washington Energy Corp	3.825	01/04/93	3,998,653	3,998,653
Baxter International Inc	4.050	01/05/93	4,997,676	4,997,676
Baxter International Inc	4.350	01/05/93	4,997,541	4,997,541
GTE Corp	4.070	01/05/93	4,997,723	4,997,723
Shearson Lehman Bros Inc	3.850	01/05/93	4,298,114	4,298,114
Niantic Bay Fuel Trust	3.910	01/06/93	4,997,194	4,997,194
Niantic Bay Fuel Trust	4.050	01/06/93	6,696,128	6,696,128
Occidental Petroleum Corp	4.600	01/06/93	4,017,389	4,017,389
Renaissance Energy Co	4.250	01/06/93	4,997,011	4,997,011
Textron Finance Corp	4.300	01/06/93	1,998,794	1,998,794
Anadarko Petroleum Corp	4.050	01/07/93	9,993,103	9,993,103
GTE Corp	3.950	01/07/93	2,068,628	2,068,628
Kerr McGee Credit Corp	4.000	01/07/93	3,957,354	3,957,354
Shearson Lehman Bros Holding	3.900	01/07/93	4,776,846	4,776,846
Caterpillar Inc	4.180	01/08/93	4,995,848	4,995,848
Cooper Industries Inc	3.550	01/08/93	6,605,411	6,605,411
CSX Corp	4.000	01/08/93	4,996,046	4,996,046
Shearson Lehman Bros Inc	3.900	01/08/93	5,915,478	5,915,478
PHH Corp	3.550	01/11/93	8,881,208	8,881,208
Washington Energy Corp	4.150	01/11/93	6,492,414	6,492,414
Washington Energy Corp	4.400	01/11/93	2,556,839	2,556,839
Conagra Inc	3.900	01/12/93	4,994,015	4,994,015
GTE Corp	3.850	01/12/93	1,628,079	1,628,079
Niantic Bay Fuel Trust	4.350	01/12/93	3,445,372	3,445,372
Renaissance Energy Co	4.275	01/12/93	4,993,415	4,993,415
Gatx Capital Corp	4.250	01/13/93	8,228,232	8,228,232
Georgia Power Co	4.050	01/13/93	3,994,562	3,994,562
Textron Finance Corp	4.370	01/13/93	3,994,170	3,994,170
Washington Energy Corp	4.300	01/13/93	1,937,198	1,937,198
Caterpillar Finance Serv Corp	4.200	01/14/93	4,992,372	4,992,372
CSX Corp	4.020	01/14/93	7,558,973	7,558,973
Kerr McGee Credit Corp	4.000	01/14/93	1,697,544	1,697,544
Merrill Lynch & Co Inc	3.600	01/14/93	7,290,465	7,290,465
Baxter International Inc	4.150	01/15/93	6,948,705	6,948,705
C S First Boston	3.550	01/15/93	2,995,853	2,995,853
CSX Corp	3.750	01/15/93	4,992,708	4,992,708
Gatx Capital Corp	4.000	01/15/93	6,749,454	6,749,454
Renaissance Energy Co	4.250	01/15/93	2,495,854	2,495,854
Textron Finance Corp	4.020	01/15/93	2,855,510	2,855,510
C S First Boston	3.500	01/19/93	4,991,232	4,991,232
Conagra Inc	4.000	01/19/93	6,876,158	6,876,158
International Paper Co	4.000	01/19/93	3,630,697	3,630,697

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

SECURITY NAME	YIELD	MATURITY	BOOK VALUE	MARKET VALUE
Bemis Co Inc	3.550%	01/20/93	7,984,959	7,984,959
Ford Motor Credit Corp	3.400	01/20/93	6,837,695	6,837,695
Georgia Power Co	4.100	01/20/93	2,943,577	2,943,577
GMAC	4.350	01/20/93	1,197,232	1,197,232
Bemis Companies Inc	3.500	01/21/93	4,990,267	4,990,267
CSX Corp	4.030	01/21/93	2,993,256	2,993,256
GTE Corp	3.850	01/21/93	6,516,030	6,516,030
International Paper Co	3.850	01/21/93	4,989,304	4,989,304
Merrill Lynch & Co Inc	3.570	01/21/93	7,684,673	7,684,673
Ford Motor Credit Corp	3.570	01/22/93	9,232,664	9,232,664
PHH Corp	3.520	01/22/93	13,581,998	13,581,998
Caterpillar Inc	4.000	01/25/93	4,228,692	4,228,692
International Paper Co	4.000	01/25/93	7,342,313	7,342,313
Textron Finance Corp	4.000	01/25/93	5,126,272	5,126,272
Gatx Capital Corp	4.100	01/26/93	2,492,874	2,492,874
Household Finance	3.875	01/26/93	7,479,767	7,479,767
Renaissance Energy Co	3.800	01/26/93	4,986,787	4,986,787
Household Finance	3.875	01/27/93	7,478,959	7,478,959
Penn Fuel Corp	3.900	01/27/93	7,020,150	7,020,150
Bemis Companies Inc	3.700	01/28/93	6,631,503	6,631,503
MCI Communications Inc	3.850	01/28/93	3,454,982	3,454,982
Penn Fuel Corp	4.000	01/28/93	2,841,437	2,841,437
GTE Corp	3.470	01/29/93	2,991,903	2,991,903
GTE Corp	3.750	01/29/93	6,979,564	6,979,564
MCI Communications Inc	3.950	01/29/93	3,479,255	3,479,255
Textron Inc	4.000	01/29/93	4,984,408	4,984,408
C S First Boston	3.480	02/01/93	6,988,958	6,988,958
Caterpillar Inc	4.050	02/01/93	3,986,043	3,986,043
GMAC	4.250	02/01/93	7,462,575	7,462,575
GMAC	4.300	02/01/93	7,083,632	7,083,632
Penn Fuel Corp	3.900	02/02/93	4,434,566	4,434,566
Penn Fuel Corp	3.800	02/02/93	5,003,038	5,003,038
Ford Motor Credit Corp	3.300	02/03/93	8,593,922	8,593,922
GMAC	4.150	02/03/93	4,184,019	4,184,019
Total commercial paper			**$425,911,772**	**$425,911,772**

COMMON STOCKS:

	SHARES	BOOK VALUE	MARKET VALUE
Abbott Laboratories	268,608	$ 5,423,478	$ 8,158,968
Acme-Cleveland	55,000	614,270	453,750
Action Auto Rental, Inc.	85,800	1,608,750	10,725
ACX Technologies	12,126	252,372	236,457
Advanced Micro Devices	33,593	428,584	608,873
Aetna Life & Casualty	98,376	4,169,148	4,574,484
AFLAC Inc.	200,000	4,360,375	6,900,000

[illegible] OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
[illegible]	[illegible]	[illegible]	310,000
[illegible]	[illegible]	[illegible]	[illegible]
Amdahl Corp.	58,911	771,046	[illegible]
Amerada Hess	17,701	785,116	814,246
American Brands	37,689	1,081,541	1,526,405
American Cyanamid	18,410	870,879	1,060,876
American Electric Power	49,004	1,414,712	1,623,258
American Express	499,754	12,146,481	12,431,381
American General	17,811	653,535	1,015,227
American Greetings	47,869	1,503,302	2,387,466
American Home Products	40,476	1,782,931	2,732,130
American International	104,836	8,826,513	12,160,976
American Steel & Wire	40,000	143,125	65,000
American Stores	124,803	5,514,265	5,460,131
American Tel & Tel	282,043	9,232,718	14,384,193
Ameritech Corp.	35,505	1,881,393	2,529,731
Amgen	17,262	1,208,274	1,219,129
Amoco Corp.	58,320	2,606,925	2,843,100
AMP Inc.	19,225	795,095	1,115,050
AMR Corp.	81,671	4,576,384	5,512,793
Andrew Corporation	10,492	325,502	511,485
Anheuser-Busch Cos.	187,812	6,926,958	10,987,002
Apple Computer	152,059	7,061,928	9,085,525
Archer-Daniels-Midland	45,979	663,597	1,218,444
Arkla Inc.	53,540	682,114	455,090
Armco Inc.	67,653	358,317	448,201
Armstrong World Industries	13,826	407,447	440,704
ASARCO Inc.	22,848	567,118	571,200
Ashland Oil	19,198	572,557	506,347
Atek Metals Center	22,000	156,875	49,500
Atlantic Richfield	109,228	10,203,597	12,533,913
Autodesk, Inc.	10,900	307,079	504,125
Automatic Data Process	30,672	988,832	1,629,450
Avery Dennison Corp.	22,985	590,870	660,819
Avon Products	128,350	5,405,803	7,107,381
Baker Hughes Inc.	48,435	998,876	950,537
Ball Corporation	10,113	353,552	357,747
Bally Mfg.	63,037	414,204	496,416
Baltimore Gas & Electric	32,566	621,648	761,230
Banc One Corp.	188,664	6,581,733	10,022,775

FINANCIAL SECTION

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Bank of Boston	26,218	323,461	668,559
BankAmerica Corp.	413,653	13,797,182	19,234,865
Bard (C.R.)	13,753	337,529	455,568
Barnett Banks Inc.	15,360	495,468	633,600
Barry (R.G.)	30,000	177,310	221,250
Bassett Furniture	9,509	226,388	418,396
Bausch & Lomb	14,825	410,716	807,963
Baxter International	210,143	6,085,897	6,803,380
Bearings, Inc.	31,750	568,677	718,344
Becton, Dickinson	138,135	9,945,776	10,860,864
Bell Atlantic Corp.	47,905	1,829,732	2,455,131
BellSouth Corp.	60,217	1,981,656	3,093,648
Bemis Co.	15,336	322,757	385,317
Beneficial Corp.	5,558	340,057	366,828
Bethlehem Steel	29,943	384,022	479,088
Beverly Enterprises	37,109	286,174	482,417
Biomet, Inc.	33,549	628,248	545,171
Black & Decker Corp.	274,906	6,193,666	4,982,671
Block (H & R)	199,597	5,924,879	7,933,981
Blockbuster Entertainment	333,946	4,821,359	6,261,488
Boatmen's Bancshares	10,369	470,264	580,664
Bob Evans Farms	33,334	465,250	737,515
Boeing Co.	47,734	1,420,399	1,915,327
Boise Cascade	23,065	556,247	487,248
Borden, Inc.	46,951	1,118,684	1,343,972
Briggs & Stratton	7,246	307,985	336,939
Bristol-Myers Squibb	131,712	6,682,859	8,890,560
Broad, Inc.	100,000	2,387,220	2,625,000
Brown Group	11,960	306,718	337,870
Browning-Ferris Industries	28,854	589,641	753,811
Brown-Forman	5,507	387,101	454,328
Bruno's, Inc.	26,369	349,753	365,870
Brunswick Corp.	29,745	362,761	483,356
Brush Wellman	28,000	529,786	430,500
Burlington Northern	16,884	424,161	734,454
Campbell Soup	88,349	2,945,444	3,721,702
Capital Cities/ABC	9,474	4,017,187	4,810,424
Capital Holding	9,688	412,559	699,958
Capitol American Financial	5,000	120,000	152,500
Caremark International	9,199	68,095	136,835
Carolina Power & Light	14,705	641,744	816,128
Caterpillar Inc.	16,317	661,435	874,999
CBS Inc.	32,104	5,924,684	6,035,552
Centerior Energy	32,200	559,048	639,975
Centex Corp.	15,056	338,404	481,792
Central Reserve Life	15,000	93,000	142,500
Central & Southwest	28,677	545,399	835,218
Century Telephone Enterprises	80,000	3,062,553	3,430,000
Ceridian Corp.	23,818	196,132	363,225
Champion International	25,841	675,743	742,929
Charming Shoppes	235,548	3,486,866	4,269,308
Charter One Financial	37,500	303,500	1,125,000

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Chase Manhattan	28,428	660,746	810,198
Chemed Corp.	20,000	686,048	545,000
Chemical Banking Corp.	142,708	2,631,747	5,512,097
Chempower Inc.	30,000	237,875	101,250
Chevron Corp.	50,357	2,757,674	3,499,812
Chrysler Corp.	189,370	3,899,889	6,059,840
Chubb Corp.	11,702	479,486	1,040,015
CIGNA Corp.	13,387	719,634	784,813
Cincinnati Bell	20,000	377,650	342,500
Cincinnati Financial	79,450	4,235,500	4,866,313
Cincinnati Microwave	35,090	167,645	100,884
Cincinnati Milacron	126,920	2,121,598	2,094,180
Cintas Corp.	12,000	285,000	324,000
Circuit City Stores	126,851	4,142,991	6,564,539
Citicorp	58,344	1,318,688	1,298,154
Clark Equipment	22,639	494,543	441,461
Clorox Co.	11,468	385,571	533,262
CML Group	175,000	4,532,750	5,993,750
CNA Financial	15,016	1,236,904	1,471,568
Coast Savings Financial	410,000	4,789,402	4,510,000
Coastal Corp.	192,880	5,198,180	4,605,010
Coca-Cola Co.	162,810	2,213,236	6,817,669
Colgate-Palmolive	104,747	5,106,479	5,839,645
Columbia Gas System	21,420	510,134	409,658
Comair Holdings	15,000	109,250	360,000
Comcast Class A	19,037	278,513	368,842
Commercial Intertech	20,000	301,517	390,000
Commonwealth Edison	43,070	1,373,298	1,001,378
Community Psych Centers	37,721	607,103	386,640
COMPAQ Computer	49,359	1,895,586	2,406,251
Computer Assoc. Int'l.	564,518	7,054,908	11,431,490
Computer Sciences	6,110	356,926	478,108
ConAgra Inc.	31,793	762,578	1,053,143
Consolidated Edison	38,812	833,354	1,266,242
Consolidated Freightways	21,840	374,799	384,930
Consolidated Natural Gas	15,334	621,362	697,697
Consolidated Rail	16,522	474,439	784,795
Consolidated Stores	50,000	414,455	900,000
Continental Bank	200,000	4,140,216	4,325,000
Continental Corp.	16,170	425,787	434,569
Cooper Industries	213,522	8,863,234	10,115,605
Cooper Tire & Rubber	224,973	5,426,755	7,649,082
Coors (Adolph) Class B	40,554	599,340	669,141
CoreStates Financial	10,975	474,010	626,947
Corning Inc.	27,766	614,522	1,041,225
CPC International	27,427	803,957	1,388,492
Cracker Brl. Old Ctry.	14,900	555,025	638,838
Crane Co.	14,634	336,805	345,728
Cray Research	135,711	4,397,543	3,104,389
Crown Cork & Seal	101,452	3,423,635	4,045,399
CSX Corp.	13,982	450,678	961,263
Cummins Engine	5,212	291,941	406,536

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Cyprus Minerals	16,336	342,484	514,584
Dana Corp.	22,794	699,046	1,071,318
Data General	38,077	424,212	442,645
Dayton Hudson	87,921	6,399,397	6,660,016
Deere & Co.	17,722	722,609	775,338
Delta Air Lines	41,935	2,672,170	2,133,443
Deluxe Corp.	21,019	683,617	982,638
Detroit Edison	23,221	619,214	760,488
Dial Corp.	12,359	378,406	519,078
Dibrell Bros.	130,000	4,162,816	5,655,000
Diebold, Inc.	13,750	600,154	831,875
Digital Equipment	91,988	5,948,533	3,104,595
Dillard Dept. Stores A	17,781	503,937	884,605
Disney (Walt) Co.	123,794	3,288,931	5,323,142
Dole Food Co.	150,000	5,625,502	4,818,750
Dollar General	89,250	911,882	2,521,313
Dominion Resources	27,168	789,969	1,073,136
Donnelley (R R) & Sons	29,684	609,827	972,151
Dover Corp.	12,354	373,599	566,740
Dow Chemical	55,184	3,018,500	3,159,284
Dow Jones & Co.	49,655	1,390,918	1,340,685
Dresser Industries	48,970	563,233	881,460
Dreyfus Corp.	130,000	4,766,370	5,265,000
DSC Communications	24,768	234,861	544,896
Duke Power	30,651	733,124	1,107,267
Dun & Bradstreet	27,061	1,288,565	1,562,773
duPont (EI) deNemours	75,485	1,747,268	3,557,231
Eastern Enterprises	11,890	302,820	325,489
Eastman Kodak	141,618	5,769,893	5,735,529
Eaton Corp.	12,691	676,755	1,035,903
Echlin Inc.	237,306	4,879,175	5,547,028
Ecolab Inc.	9,353	276,437	343,723
Emerson Electric	32,454	1,071,908	1,784,970
Engelhard Corp.	172,226	5,075,600	5,920,269
Enron Corp.	29,874	920,410	1,385,407
ENSERCH Corp.	30,720	541,882	433,920
Entergy Corp.	27,890	499,043	920,370
ESSEF Corp.	40,000	360,625	560,000
Ethyl Corp.	23,677	553,699	677,754
Exxon Corp.	157,757	5,543,008	9,642,897
E-Systems	10,194	352,331	419,228
E. G. & G., Inc.	23,867	487,166	468,390
Fabri-Centers of America	25,000	386,902	359,375
Family Dollar Stores	220,000	3,093,148	5,170,000
Fedders USA, Inc.	60,045	348,647	337,753
Federal Express	162,201	7,901,828	8,839,955
Federal Home Loan	42,357	1,778,403	2,049,020
Federal National Mortgage	169,892	8,325,471	12,975,502
Federal Paper Board	12,630	324,939	311,014
Ferro Corp.	37,500	416,880	1,017,188
Fifth Third Bancorp	60,000	2,382,140	3,240,000
Figgie Int'l. Class A	18,000	330,375	301,500

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
First Chicago	20,380	534,945	748,965
First Fidelity Bancorp	12,774	378,596	562,056
First Financial Management	125,000	4,244,700	5,125,000
First Interstate Bancorp.	180,275	7,662,187	8,427,856
First Mississippi	39,649	371,902	366,753
First Union Corp.	18,247	402,588	796,025
First Union Real Estate	95,000	1,303,642	866,875
Fleet Financial Group	19,654	410,363	643,669
Fleetwood Enterprises	9,726	312,231	471,711
Fleming Companies	15,017	514,830	473,036
Fluor Corp.	18,000	674,899	753,750
FMC Corp.	9,500	403,839	470,250
Ford Motor	61,584	1,629,798	2,640,414
Foster Wheeler	17,922	450,279	517,498
FPL Group	23,587	719,641	855,029
FreeportMcMoRan	250,000	4,741,173	4,343,750
F&C International	10,000	97,500	52,500
Gannett Co.	22,394	858,681	1,136,496
Gap, Inc.	26,619	673,902	878,427
GenCorp	43,074	680,200	484,583
General Cinema	166,473	4,726,535	6,076,265
General Dynamics	5,564	289,330	576,570
General Electric	169,115	7,712,595	14,459,333
General Mills	21,921	501,051	1,501,589
General Motors	155,259	5,430,560	5,007,103
General Motors Class E	184,900	5,229,443	6,078,588
General Re Corp.	42,099	3,189,820	4,872,959
General Signal	5,923	291,685	361,303
Genesco Inc.	37,199	211,960	348,741
Geniune Parts	22,349	573,578	759,866
Georgia Gulf Corp.	222,000	3,841,996	4,967,250
Georgia-Pacific	93,343	4,799,402	5,822,270
Gerber Products	17,879	483,275	554,249
Giant Food	20,575	489,397	460,366
Gibson Greetings	30,000	606,925	562,500
Giddings & Lewis	18,889	440,978	481,670
Gillette Co.	121,925	5,187,579	6,934,484
Golden West Financial	12,943	363,593	561,403
Goodrich (B.F.)	19,163	736,293	936,592
Goodyear Tire & Rubber	135,219	6,875,787	9,245,599
Gorman-Rupp	12,000	245,945	349,500
Grace (W.R.)	18,093	422,882	728,243
Grainger (W.W.)	11,602	321,077	696,120
Great Atlantic & Pacific Tea	21,000	709,659	501,375
Great Lakes Chemical	26,832	1,722,520	1,858,116
Great Western Financial	373,858	6,427,670	6,542,5[illegible]
Grumman Corp.	13,967	237,569	342,1[illegible]
GTE Corp.	172,218	4,283,943	5,96[illegible]
Halliburton Co.	33,860	1,060,198	[illegible]
Handleman Co.	31,163	399,562	[illegible]
Hanna (M. A.) Co.	40,000	781,005	[illegible]
Harland (John H.)	12,867	287,648	[illegible]

FINANCIAL SECTION

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Harnischfeger Industries	24,237	433,226	481,710
Harris Corp.	14,746	362,906	493,991
Hartmarx Corp.	60,295	424,677	384,381
Hasbro Inc.	162,039	4,000,203	5,286,522
Health Care REIT	16,000	240,560	342,000
Heinz (H. J.)	39,191	832,619	1,729,303
Helmerich & Payne	19,651	436,038	483,906
Hercules, Inc.	102,401	3,802,242	6,502,464
Hershey Foods	13,841	511,707	650,527
Hewlett-Packard	31,324	1,814,731	2,188,765
Hilton Hotels	12,108	485,177	525,185
Home Depot	179,262	8,558,135	12,100,185
Homestake Mining	42,981	568,947	472,791
Honeywell, Inc.	188,340	5,169,914	6,262,305
Hook-SupeRx Inc.	10,000	130,000	127,500
Household International	11,473	550,034	679,775
Houston Industries	21,544	700,353	988,331
Huffy Corp.	28,000	335,748	455,000
Humana Inc.	31,680	829,420	649,440
Huntington Bancshares	19,687	238,993	447,879
Illinois Tool Works	12,564	487,670	819,801
IMCERA Group	14,944	497,407	504,360
Ingersoll-Rand	24,634	519,667	717,465
Inland Steel Industries	20,895	489,359	472,749
Intel Corp.	77,858	3,929,629	6,773,646
INTERCO Inc. New	3	25	28
Intergraph Corp.	34,824	583,403	461,418
Interlake Corp.	89,700	485,628	336,375
International Business Machines	64,604	7,713,092	3,254,427
International Flavors & Fragrances	54,202	5,408,373	5,894,468
International Paper	96,715	4,808,724	6,443,637
Interpublic Group Cos.	163,700	5,408,111	5,709,038
Invacare Corp.	45,000	240,565	1,091,250
ITT Corp.	19,150	1,037,728	1,378,800
James River Corp.	29,420	582,685	544,270
Jefferson-Pilot	123,094	5,013,768	5,923,899
Johnson Controls	10,003	355,378	448,885
Johnson & Johnson	192,817	7,129,169	9,737,259
Jostens Inc.	16,169	492,353	434,542
JWP Inc.	90,151	664,783	349,335
K mart	159,882	3,563,937	3,917,109
Kaufman & Broad Home	25,636	370,555	416,585
Keithley Instruments	39,050	467,301	439,313
Kellogg Co.	113,594	6,838,351	7,610,798
Kennametal, Inc.	150,000	4,745,025	4,275,000
Kerr-McGee	14,817	511,151	666,765
KeyCorp	100,000	3,191,500	3,862,500
Kimberly-Clark	87,902	4,355,080	5,186,218
King World Productions	10,716	243,295	360,326
Knight-Ridder Inc.	9,856	456,852	571,648
Kroger Co.	30,843	425,984	451,079
Lamson & Sessions	25,000	218,200	140,625

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Lancaster Colony	33,000	353,711	1,303,500
LDI Corporation	50,002	671,438	362,515
Lilly (Eli)	112,358	7,228,839	6,825,749
Limited Inc.	319,995	7,956,050	8,639,865
Lincoln National Corp.	8,144	410,595	602,656
Litton Industries	19,665	779,866	882,467
Liz Claiborne	17,047	544,585	709,581
Lockheed Corp.	12,673	605,968	716,025
Loews Corp.	46,300	4,788,276	5,561,788
Longs Drug Stores	9,423	331,801	336,872
Loral Corp.	107,566	4,908,704	4,948,036
Lotus Development	23,539	535,115	461,953
Louisiana Land & Exploration	13,558	511,737	464,362
Louisiana Pacific	80,306	3,265,512	4,798,284
Lowe's Cos.	14,895	249,772	359,342
Lubrizol Corp.	23,200	387,418	632,200
Luby's Cafeterias	16,692	235,936	371,397
Manor Care	14,809	233,493	346,160
MAPCO, Inc.	147,700	8,023,449	7,975,800
Marriott Corp.	23,963	607,072	497,232
Marsh & McLennan	12,207	647,298	1,115,415
Martin Marietta	10,259	424,047	713,001
Masco Corp.	25,593	590,656	758,193
Mattel, Inc.	27,294	401,440	692,585
Maxus Energy	49,620	326,262	328,733
May Department Stores	79,263	3,441,136	5,597,949
Maytag Corp.	32,341	601,191	481,072
MBIA Inc.	30,000	1,586,190	1,905,000
MBNA Corp.	10,190	423,065	505,679
McCormick & Co.	138,000	1,776,648	4,174,500
McDonald & Co. Investments	63,000	699,455	889,875
McDonald's Corp.	49,527	1,008,755	2,414,441
McDonnell Douglas	11,246	553,332	542,620
McGraw-Hill	11,395	640,489	699,368
MCI Communications	343,077	8,667,942	13,594,426
McKesson Corp.	7,770	266,068	330,225
Mead Corp.	111,531	3,737,014	4,266,061
Medex Inc.	15,000	131,875	262,500
Medtronic, Inc.	70,810	6,209,275	6,744,653
Mellon Bank Corp.	114,593	4,833,408	6,073,429
Melville Corp.	107,008	5,462,722	5,684,800
Mercantile Stores	12,789	453,806	463,601
Merck & Co.	147,695	2,966,166	6,406,271
Meredith Corp.	12,414	324,492	335,178
Merrill Lynch & Co.	248,178	12,277,071	14,766,591
Millipore Corporation	15,521	530,569	549,055
Minnestoa Mining & Manufacturing	57,841	4,209,922	5,820,251
Mobil Corp.	142,900	7,353,925	9,020,563
Monsanto Co.	107,008	5,562,917	6,166,336
Montana Power	3,700	95,534	97,588
Morgan Stanley Group	78,400	4,368,508	4,370,800
Morgan (J.P.)	27,209	1,026,290	1,788,992

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Morrison Knudsen	15,251	337,476	329,803
Morton International	9,520	404,041	579,530
Motorola, Inc.	23,422	1,314,216	2,447,599
Mr. Coffee	20,000	141,875	167,500
Multi-Color Corp.	25,000	193,250	193,750
Mylan Labs.	170,000	4,495,338	5,355,000
M/A-Com, Inc.	79,839	631,781	389,215
NACCO Industries Inc.	7,432	315,613	384,606
Nalco Chemical	15,440	495,224	534,610
National City Corp.	42,600	1,281,273	2,114,025
National Education	66,574	516,217	449,375
National Intergroup	23,938	330,168	305,210
National Medical Enterprises	240,916	4,257,639	2,981,336
National Semiconductor	196,288	1,826,851	2,085,560
National Services Industries	15,735	375,596	407,143
NationsBank Corp.	113,107	4,700,734	5,810,872
Navistar International	173,296	449,402	389,916
NBD Bancorp	22,285	514,284	729,834
New York Times Class A	18,855	442,407	497,301
Newell Co.	13,611	359,892	554,648
Newmont Mining	21,224	861,748	872,837
Niagara Mohawk Power	41,033	663,141	784,756
NICOR Inc.	6,994	311,994	347,952
NIKE, Inc.	94,302	6,670,245	7,827,066
NL Industries	77,515	697,958	358,507
Nordson Corp.	20,000	393,750	950,000
Nordstrom, Inc.	17,593	493,959	681,729
Norfolk Southern	22,098	751,522	1,353,503
Northern States Power	12,147	453,928	525,358
Northrop Corp.	14,655	363,050	500,102
Norwest Corp.	151,475	5,519,854	6,532,359
Novell Inc.	200,775	5,742,414	5,722,088
Nucor Corp.	10,561	283,855	827,718
NYNEX Corp.	26,906	1,734,156	2,256,741
Occidental Petroleum	123,412	2,474,702	2,098,004
Ogden Corp.	16,039	367,151	364,887
Oglebay Norton	8,000	215,750	184,000
Ohio Edison	56,793	1,166,533	1,313,338
Omnicare, Inc.	40,000	340,867	1,235,000
ONEOK Inc.	18,539	289,151	340,654
Oracle Systems	31,891	460,338	904,907
Oryx Energy Co.	25,972	613,930	509,701
Oshkosh B'Gosh	14,864	424,962	323,292
Outboard Marine	14,851	260,506	323,009
Owens-Corning	176,686	5,834,749	6,360,696
PACCAR Inc.	11,115	368,967	636,334
Pacific Enterprises	23,125	643,314	427,813
Pacific Gas & Electric	177,100	5,158,111	5,866,438
Pacific Telesis Group	53,063	1,391,280	2,354,671
PacifiCorp	40,049	796,565	790,968
Pall Corp.	33,682	375,117	677,850
Panhandle Eastern	36,433	613,005	610,253

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Paramount Communications	19,953	774,350	897,885
Parker-Hannifin	44,476	1,223,697	1,317,602
Penney (J.C.)	18,242	820,996	1,418,316
Pennzoil Co.	10,970	604,948	548,500
Peoples Energy	10,734	289,962	323,362
Pep Boys-Manny Moe & Jack	194,726	4,894,268	4,503,039
PepsiCo, Inc.	320,969	9,524,751	13,320,214
Perkin-Elmer	17,128	452,221	588,775
Pet Inc.	26,880	442,653	456,960
Pfizer, Inc.	53,784	2,326,982	3,899,340
Phelps Dodge	38,290	1,594,332	1,857,065
Philadelphia Electric	38,250	726,409	999,281
Philip Morris Cos.	218,818	11,212,256	16,876,338
Phillips Petroleum	214,898	5,265,022	5,399,312
PHM Corp.	17,381	324,763	523,603
Pioneer Standard Electric	60,000	464,375	1,365,000
Pitney Bowes	151,063	4,788,687	6,023,637
Pittston Co.	24,578	376,220	365,598
PNC Bank Corp.	30,424	509,549	867,084
Polaroid Corp.	17,395	532,106	541,419
Potlatch Corp.	7,159	269,329	329,314
PPG Industries	16,263	601,435	1,071,325
Praxair Inc.	280,567	3,264,143	4,699,497
Premark International	30,210	1,059,359	1,227,281
Premier Industries	30,000	440,782	1,170,000
Price Co.	15,237	609,461	552,341
Primerica Corp.	379,333	14,386,660	18,350,234
Procter & Gamble	170,612	4,715,525	9,149,069
Progressive Corp., Ohio	300,000	4,827,920	8,737,500
Promus Companies	7,314	147,036	402,270
Provident Bancorp	10,000	289,000	362,500
PSI Resources	17,686	302,158	353,720
Public Service Enterprise	31,473	760,529	971,729
Quaker Oats	14,550	647,056	945,750
Quantum Chemical	27,899	374,614	397,561
Ralston Purina	106,269	4,940,360	5,061,061
Raychem Corp.	14,065	449,708	581,939
Raytheon Co.	120,760	4,763,608	6,188,950
Reebok International	267,060	7,146,851	9,080,040
Reliance Electric	20,000	376,698	405,000
Reynolds Metals	87,615	5,066,485	4,654,547
Reynolds & Reynolds Class A	40,000	498,414	975,000
Rite Aid	163,753	3,439,971	3,500,220
RMI Titanium	30,000	221,140	52,500
Roadway Services	17,400	739,334	1,183,200
Robbins & Myers	20,000	107,830	355,000
Rockwell International	36,226	645,974	1,050,554
Rohm & Haas	11,911	396,633	637,239
Rollins Environmental Ser.	26,092	248,118	329,412
Rowan Companies	86,237	642,149	679,116
Royal Appliance Mfg.	15,000	132,300	211,875
RPM, Inc.	78,750	543,250	1,407,656

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Rubbermaid, Inc.	57,301	861,234	1,819,307
Russell Corp.	10,810	362,545	339,164
Ryan's Family Steak House	45,013	450,199	517,650
Ryder System	20,684	506,646	568,810
SAFECO Corp.	12,334	402,491	706,122
Safety-Kleen	14,657	400,463	348,104
Salomon Inc.	221,726	6,618,123	8,453,304
Santa Fe Energy Resources	46,362	415,798	399,872
Santa Fe Southern Pacific	38,588	386,794	496,821
Sara Lee Corp.	228,338	4,633,250	6,850,140
SCEcorp.	33,128	994,435	1,457,632
Schering-Plough	31,157	1,131,848	1,982,364
Scientific-Atlantic	14,504	143,788	368,039
Scott Paper	18,944	702,636	677,248
Scotts Company Class A	7,000	128,250	124,250
Sears,Roebuck	45,197	1,704,975	2,056,464
Service Corp. International	18,166	257,902	331,530
Shared Medical Systems	155,929	3,401,752	3,488,911
Shawmut National	34,123	525,793	627,010
Sherwin-Williams	152,858	3,701,190	4,681,276
Shoney's Inc.	14,394	291,899	334,661
Sigma-Aldrich	80,000	4,233,730	4,600,000
Skyline Corporation	16,847	256,513	355,893
Smucker (J.M.) Class A	20,000	313,686	657,500
Smucker (J.M.) Class B Non Vtg	20,000	329,264	580,000
Snap-On Tools	14,300	383,240	448,663
Society Corp.	28,400	1,011,187	1,824,700
Sonat, Inc.	18,066	799,074	869,426
Southern Co.	45,996	1,020,702	1,770,846
Southwestern Bell Corp.	88,985	4,624,632	6,584,890
Spring Industries	9,607	302,549	347,053
Sprint Corp.	239,571	6,093,392	6,109,061
SPX Corp.	17,143	229,251	308,574
Standard Products	20,000	591,438	645,000
Standard Register	14,000	243,375	252,000
Stanley Works	11,916	376,775	506,430
State Auto Financial	15,000	213,000	337,500
State Street Boston	40,000	1,465,000	1,750,000
Stewart & Stevenson	100,000	3,128,130	3,350,000
Stone Container	17,341	357,911	290,462
Stride Rite	22,211	498,658	505,300
Structural Dynamics Res.	20,000	271,250	220,000
St. Jude Medical	13,153	541,413	552,426
St. Paul Companies	8,792	438,971	676,984
Sun Co.	27,199	947,799	761,572
Sun Microsystems	18,194	489,921	611,773
Sundstrand Corp.	100,000	3,281,960	4,025,000
SunTrust Banks	63,604	2,183,598	2,782,675
Super Food Services	15,000	162,300	151,875
Supervalu Inc.	289,757	7,480,236	9,018,687
Sysco Corp.	92,757	1,833,066	2,446,466
Tandem Computers	33,854	415,547	507,810

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Tandy Corp.	19,304	582,694	574,294
Tektronix Inc.	24,430	505,634	491,654
Teledyne Inc.	17,922	353,517	365,161
Tele-Communiations Class A	53,536	752,743	1,137,640
Telxon Corp.	29,000	394,458	340,750
Temple-Inland	81,618	3,209,973	4,203,327
Tenneco Inc.	20,912	924,144	849,550
Texaco Inc.	50,927	2,371,620	3,042,888
Texas Instruments	95,385	3,704,821	4,447,326
Texas Utilities	31,262	943,307	1,328,635
Textron, Inc.	20,165	566,807	902,384
Thomas & Betts	6,348	357,471	415,794
Thor Industries	25,500	271,706	640,688
Time Warner Inc.	241,475	6,294,921	7,063,144
Times Mirror	22,960	675,221	717,500
Timken Co.	22,535	568,830	597,178
TJX Companies	78,247	1,970,306	2,210,478
Torchmark Corp.	102,933	4,537,117	5,880,048
Toys R Us	163,390	4,299,707	6,556,024
Transamerica Corp.	143,582	5,061,614	6,891,936
Transco Energy	24,685	309,338	351,761
Travelers Corp.	23,367	521,388	636,751
Tribune Co.	16,528	649,187	793,344
TRINOVA Corp.	41,825	919,498	894,009
TRW Inc.	28,783	1,234,759	1,655,023
Tyco Laboratories	13,299	434,598	550,246
U S West Inc.	193,778	6,454,438	7,436,231
UAL Corp.	5,556	656,704	700,751
Unifi, Inc.	127,550	3,698,727	5,500,594
Union Camp	17,246	670,459	795,472
Union Carbide	411,314	4,320,839	6,838,095
Union Carbide Rights	969	9,690	26,163
Union Electric	15,110	539,596	564,736
Union Pacific	99,820	4,670,619	5,839,470
Union Texas Petroleum	217,000	3,960,250	4,068,750
Unisys Corp.	54,674	548,540	553,574
United Healthcare	110,000	2,653,099	6,256,250
United Technologies	122,021	6,157,379	5,872,261
Unitrin Inc.	120,000	4,075,408	5,130,000
Unocal Corp.	35,753	996,869	911,702
UNUM Corporation	160,300	6,429,445	8,495,900
Upjohn Co.	34,004	949,266	1,096,629
USAir Group	34,299	531,330	437,312
USF&G	35,205	399,484	435,662
USLIFE Corp.	9,691	285,741	351,299
UST Inc.	226,659	4,555,582	7,253,088
USX-Marathon Group	50,248	1,283,620	866,778
USX-U.S. Steel Group	16,659	405,437	566,406
U.S. Bancorp	29,750	606,474	784,656
U.S. Healthcare	181,300	7,346,038	8,090,513
U.S. Shoe	25,000	407,760	303,125
U.S. Surgical	38,582	3,327,227	2,652,513

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

	SHARES	BOOK VALUE	MARKET VALUE
Van Dorn	50,000	783,993	1,018,750
V.F. Corp.	12,086	314,114	643,580
Walgreen Co.	19,090	539,125	832,801
Wal-Mart Stores	247,383	9,099,907	15,832,512
Warner-Lambert	113,527	7,331,375	7,847,554
Washington Mutual Savings Bank	120,000	3,173,120	4,035,000
Waste Management	75,650	1,967,502	3,026,000
Wells Fargo	86,532	6,684,418	6,608,882
Wendy's International	162,869	1,999,824	2,056,221
Westinghouse Electric	61,957	1,019,906	828,675
Westmoreland Coal	32,099	496,866	357,101
Westvaco Corp.	14,734	451,476	508,323
Weyerhaeuser Co.	29,861	864,266	1,101,124
Whirlpool Corp.	124,780	4,474,459	5,568,308
Whitman Corp.	32,613	326,157	481,042
Willamette Industries	143,000	5,242,829	5,898,750
Williams Cos.	12,676	426,461	497,533
Winn-Dixie Stores	81,811	4,775,329	6,268,768
Woolworth Corp.	172,045	5,429,093	5,440,923
Worthington Foods	12,000	144,000	112,500
Worthington Industries	74,016	1,002,649	1,683,864
Wrigley, (Wm) Jr.	160,963	4,994,395	5,251,418
Xerox Corp.	15,867	861,100	1,257,460
Xidex Corporation Warr.	14,482	56,188	193,697
Yellow Freight Sys.	14,043	423,168	384,427
Zenith Electronics	53,553	401,901	314,624
Zurn Industries	9,122	285,223	359,179
Total common stocks	**39,354,569**	**$1,173,304,620**	**$1,466,038,276**

PREFERRED STOCKS

Time Warner Inc. Ser. C. CV. Pf.	40,000	$ 1,803,120	$ 2,005,000
Total common & preferred stocks	**39,394,569**	**$1,175,107,740**	**$1,468,043,276**

FINANCIAL SECTION

DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

VENTURE CAPITAL

NAME	BOOK VALUE	MARKET VALUE
Cardinal Development Capital Fund I	$ 1,976,403	$ 1,976,403
Chemicals and Materials Enterprise Associates	1,350,000	1,350,000
Primus Capital Fund I	351,250	351,250
Primus Capital Fund II	9,390,000	9,390,000
Northwest Ohio Venture Fund	200,000	200,000
Blue Chip Capital Fund	500,000	500,000
Total venture capital	**$ 13,767,653**	**$ 13,767,653**

REAL ESTATE

PROPERTY	BOOK VALUE	MARKET VALUE
Advent Realty Ltd. Ptrshp.	$ 10,000,000	$ 7,219,973
Cablevision Building	9,313,255	7,150,000
Cedarbrook Business Park	7,461,954	5,100,000
Century Commerce Center	3,905,886	3,000,000
Copley Instit. Inv. Fund III	8,500,000	9,598,510
Crossings at Rosewell	5,399,211	3,400,000
Executive Center	4,007,011	2,800,000
Fullerton Industrial	8,811,377	8,200,000
Maricopa Business Center	5,272,961	3,500,000
MIG Residential Group Trust	25,000,000	26,167,723
Mill River	2,637,026	1,450,000
Northwest Square Shopping Center	9,403,461	9,300,000
Park Place	3,012,607	2,750,000
Periwinkle Place	7,635,423	8,900,000
Schroder Real Estate Fund A	12,000,000	11,973,573
Skyview Plaza	22,078,522	19,500,000
Sunrise Plaza	10,858,134	7,000,000
Torrance Business Park	17,767,843	13,300,000
Tri-View/Tri-County	9,426,170	6,250,000
Westmont	13,334,059	10,250,000
Total real estate	**$195,824,900**	**$166,809,779**

MORTGAGE NOTES RECEIVABLE

	BOOK VALUE	MARKET VALUE
Village Square Shopping Center	**$ 15,200,000**	**$ 15,200,000**

See accompanying independent auditors' report.

ACTUARIAL SECTION

Actuary's Certification Letter

Summary of Actuarial Assumptions and Methods

ACTUARY'S CERTIFICATION LETTER

The Wyatt Company
Consultants and Actuaries

Suite 1400
1801 East Ninth Street
Cleveland, Ohio 44114

Telephone 216 696 6250
Fax 216 687 0675

Wyatt

April 8, 1993

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, 1992.

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 1992 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 1992 valuation is based on an 8.25% interest rate and a 5.75% salary scale, the same assumptions used in the 1991 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. In addition, for common and preferred stock, the actuarial value is restricted to be no smaller than 85% and no larger than 115% of the market value of such securities.

Wyatt

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:

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

(b) Termination:

The following rates at selected ages are illustrative:

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

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

(c) Disability:

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

Age	Rate of Disability: Police	Rate of Disability: 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 1/3 of the dependent children will be students and eligible for payments to age 22.

4. Dependent Parents:

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

E. COLA ANNUITIES

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

F. EXPENSE LOADING

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

G. ACTUARIAL COST METHOD

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

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

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

H. CHANGES IN ACTUARIAL ASSUMPTIONS

The original actuarial assumptions have been modified 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.

(13) 1992 valuation:

- The method of determining the value of Fund assets was changed. Assets are valued at an amount not less than 85% of market value nor more than 115% of market value.

ACTIVE MEMBER VALUATION DATA
1983 TO 1992

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	
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
1992	13,325	9,996	35,305	35,266	4.1	5.4	823.0

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							
	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
	1992	3,493,000	2,056,600*	1,436,400	59	470.4	305
Fire							
	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
	1992	2,882,700	1,621,900*	1,260,800	56	352.5	358

*includes market adjustment

(A) Valuation assets are based upon the following:

For 1992—net assets available for benefits as provided in the December 31, 1991 audited financial statements, adjusted to value assets at an amount not less than 85% of market value nor more than 115% of market value, 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 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.

ACTUARIAL SECTION

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							
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
1992	349,700	1,287,200	1,856,100	2,056,600*	100	100	23
Fire							
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
1992	258,800	1,081,900	1,541,900	1,621,900*	100	100	18

*includes market adjustment

Note: For the years 1983 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 1992, 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
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
1992	33.78	29.50	34.18	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
1992	813	397	566	362

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 Membership by Type of Benefits
- Average Monthly Payments
- Participating Employers

STATISTICAL SCHEDULES

BENEFIT EXPENSES BY TYPE

1983 TO 1992

SCHEDULE 1

Year ended December 31,	(1) Retirement	(1) Disability	(1) Survivor	Subtotal	Health Care	Death Benefit Fund Benefits	Total Benefits
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
1992	163,441,985	69,277,993	28,042,134	260,762,112	67,419,506	11,013,727	339,195,345

Note: For years 1983 through 1986, expenses are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1992 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

1983 TO 1992

SCHEDULE 2

Year	Service		Disability		Survivors		Combined Total Beneficiaries
	Police	Firemen	Police	Firemen	Police	Firemen	
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
1992	4,606	4,367	2,320	1,641	2,743	2,199	17,876

Note: For years 1983 through 1988, survivors who received payments under two different benefit types (e.g. Statutory plus Joint and Survivor) were counted twice.

STATISTICAL SECTION

AVERAGE MONTHLY BENEFIT PAYMENTS

FOR POLICE OFFICERS AND FIRE FIGHTERS PLACED ON RETIREMENT ROLLS, 1985-1992

SCHEDULE 3

	1985	1986	1987	1988	1989	1990	1991	1992
Service								
Normal	$ 1,771	$ 1,864	$ 1,928	$ 2,022	$ 1,988	$ 2,062	$ 2,145	$ 2,195
Age Commuted	1,420	1,394	1,514	1,585	392	0	0	0
Service Commuted	221	300	337	394	412	705	389	570
Age/Service	723	1,035	920	886	1,258	1,322	1,211	2,281
Pre-1947	1,739	0	35	947	0	35	35	0
Subtotals	1,716	1,801	1,840	1,960	1,946	2,036	2,102	2,177
Disability								
Permanent & Total	1,768	1,806	1,855	1,963	2,106	2,073	2,201	2,277
P&T Presumptive	1,737	1,778	1,823	2,038	2,065	2,072	2,339	2,314
Partial	1,247	1,265	1,273	1,337	1,450	1,579	1,741	1,830
Partial Presumptive	1,462	1,413	1,376	1,398	1,546	1,741	1,753	1,728
Off-duty	897	586	437	1,354	713	593	1,162	1,267
Pre-1947	0	0	0	0	0	0	0	0
Subtotals	1,460	1,483	1,538	1,617	1,679	1,782	1,884	1,946
Service and Disability								
Totals	$ 1,624	$ 1,682	$ 1,719	$ 1,817	$ 1,853	$ 1,945	$ 2,025	$ 2,094

PARTICIPATING EMPLOYERS

AS OF DECEMBER 31, 1992

SCHEDULE 4

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

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
Fredericktown
Galena
Garrettsville
Gates Mills
Genoa
Georgetown
Gibsonburg
Glendale
Glouster
Golf Manor
Grafton
Grand Rapids
Grand River
Granville
Green Springs
Greenhills

Municipalities

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)

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

PARTICIPATING EMPLOYERS (continued)

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

PARTICIPATING EMPLOYERS (continued)

Villages

Powhattan Point
Proctorville
Reminderville
Richfield
Richwood
Rio Grande
Ripley
Riverside
Rockford
Roseville
Russellville
Sabina
Salineville
Sardinia
Seaman
Seville
Shadyside
Shawnee
Shawnee Hills
Sherwood
Shreve
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
Tiltonsville
Union City
Utica
Valley View
Valleyview
Versailles
Waite Hill
Walbridge
Walton Hills
Waterville
Waynesfield
Waynesville
Wellington

Municipalities

Wadsworth
Wapakoneta
Warren
Warrensville Heights
Washington Court House
Wauseon
Waverly
Wellston
Wellsville
West Carrollton
Westerville
Westlake
Whitehall
Wickliffe
Willard
Willoughby
Willoughby Hills
Willowick
Wilmington
Wooster
Worthington
Wyoming
Xenia
Youngstown
Zanesville

Townships (County)

PARTICIPATING EMPLOYERS (continued)

Villages	Municipalities	Townships (County)
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		

INVESTMENT SECTION

Investment Report

Investment Portfolio Summary

Investment Policy and Guidelines

INVESTMENT REPORT

The economy entered 1992 showing a little strength hot on the heels of a dramatic cut in interest rates by the Federal Reserve Board in the closing days of the prior year. However, the lack of job growth continued to plague the economy all year long as the unemployment rate rose into mid-year and then steadily declined to a 7.3% reading in December. Concern over jobs caused consumer confidence to bounce around at low levels which, among other things, hurt the president's re-election chances. Of course, the entry of a serious independent candidate for most of the race created even more uncertainty for the business outlook and the consumer. Through all of this, the economy managed to show positive growth every quarter as real GDP rose by 2.1% for the year. Another bright note was a steady decline in inflation, as shown by a CPI increase of only 2.9% for 1992. Amidst the general economic recovery were notable exceptions like IBM and GM, both of which announced major restructuring plans last year. The Fed continued to ease in response to weak economic news, especially on the employment front. In July, for instance, the discount rate was lowered again to 3%. These low and declining interest rates did give a boost to housing and helped improve the finances of multitudes of homeowners as they refinanced their existing higher rate mortgages. The year seemed to end on a fairly positive note as the election of a new president seemed to increase consumer confidence and spending going into the Christmas season.

Except for small company stocks, the capital markets provided only moderate returns in 1992. Stock market returns, as measured by the S&P 500, fell back to a below average performance of 7.6%. However, small company stock returns were strong again as shown by the Russell 2000 advance of 18.4%. Throughout most of the year, stock market averages traded in a very narrow range as the strength of the economy and the result of the upcoming election remained in doubt. The fourth quarter brought a Clinton victory, a pickup in consumer confidence and the economy, and the best returns for most stock averages during the year. All year long low short-term interest rates provided critical support to the markets as the public poured billions of dollars into stock and bond mutual funds in search of returns higher than those available in money market instruments. The bond market also provided only mediocre returns as represented by the Lehman Aggregate Index performance of 7.4%. While long-term yields were little changed over the year, short-term rates continued their decline. Notably, this resulted in a steepening Treasury yield curve which at one point reached almost 470 basis points. Early in the year, the bond market sold off due to a lack of continued Fed easing and concern over a pickup in the economy. However, the second and the third quarters produced solid returns as the Fed eased rates several times in response to weak employment reports. The fourth quarter saw rates rising again in response to a Clinton victory and renewed economic vigor. Meanwhile, the real estate market continued to be plagued by declining property values as evidenced by the NCREIF return of −5.0% for the year. Investors desires for a more dependable, higher income component of total return contributed greatly to property devaluations.

The securities markets were somewhat helpful to the growth of the Fund's investment assets in 1992. The book value of our assets grew from over $3.43 billion in 1991 to nearly $3.80 billion in 1992, a 10.6% increase. At the same time the market value of the investment portfolio rose a modest 5.4% to almost $4.20 billion from just under $3.99 billion a year earlier. The 1992 total return for the overall investment portfolio of only 6.47% was below the median return in the Callan Associates database. The major contributors to this disappointing return were our legally restrictive asset allocation and the poor performance of our real estate holdings. However, our internal bond portfolio had another good year with a 7.95% return which beat both the Callan median and the Lehman Aggregate returns. Also while our composite equity portfolio return of 8.47% did beat the S&P 500, our relative overweighting in the growth style did hurt our equity return. As mentioned earlier, our real estate holdings took a beating last year as shown by a −18.1% return. It should be pointed out that a vast majority of our portfolio was appraised at year-end for the first time since 1990. Therefore, a significant part of our 1992 real estate return actually reflects two years worth of depreciating property values.

The most significant changes in investments last year relate to our real estate and equity advisors. In an effort to improve the management of some of our real estate holdings, we replaced an existing advisor and divided the portfolio of properties between two well qualified firms. Also in real estate, we made our first commitment to commercial mortgages due to their relatively attractive return potential. In stocks, we hired two minority owned firms to manage portfolios totalling $50 million. We also reaped the rewards of our first year in an S&P 500 equal-weighted portfolio as it far outperformed the more traditional capitalization-weighted S&P 500. We also made two new commitments to venture capital funds, one of which is the first institutional quality fund in Cincinnati. The other fund is based in Cleveland and will focus on investing in minority owned businesses. Potentially the most important development of 1992 was a determined and cooperative effort among all the Ohio pension systems to draft and propose legislation which would liberalize our investment statutes. Associated with this was our selection of Callan Associates to assist us in restructuring our investment portfolio when this legislation hopefully becomes effective.

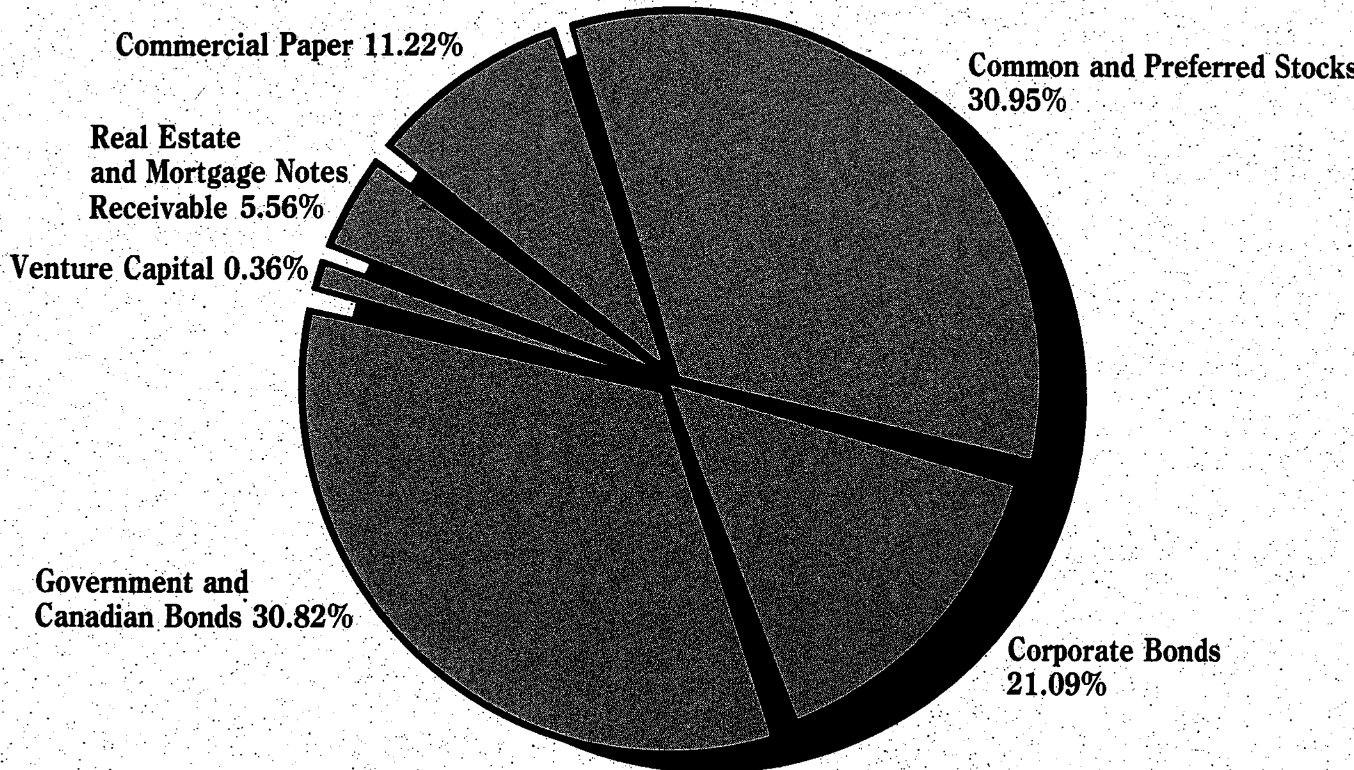
Early in 1993, the economy seems to be growing at a moderate but inconsistent pace. The auto and housing industries continue to improve due mainly to the low interest rate environment. The unemployment rate has been creeping lower but job growth has remained slow for many months. The lack of job creation seems to have created concern among consumers as reflected by a renewed retreat in the consumer confidence index. Also, hindering a stronger contribution to growth from exports is the economic weakness evident in Europe and Japan. Inflation, which had been expected to continue its decline, has been surprising in its strength so far. The new administration's budget plan and health care reform package have created a great deal of uncertainty for the economic outlook as the battle over tax increases and spending cuts rages on. Amidst all of this, the Federal Reserve Board has maintained a fairly steady monetary policy awaiting more clear cut signs on the path of the economy and inflation. Over the remainder of the year, somewhat better job growth should help boost consumer confidence and spending. Inflation should fall back into the 3 to 4% range. Also, as the economy begins to pick up the Fed will likely tilt towards tightening but certainly not dramatically.

Although the stock market has not run away to the upside so far in 1993, most major market averages have made record highs. At this point, the Dow Jones Industrial Average is leading the way, followed by small capitalization indexes and then the S&P 500. Stocks have continued to benefit from massive flows of liquidity as investors seek higher returns than those provided by short-term investments. The positives of this new money demand have been offset somewhat by fairly high valuation levels and a heavy supply of new equity offerings. Still the stock market should continue to creep higher until rising interest rates begin to create competition for investors' dollars. This may be starting to take shape as rates have been stable to higher recently after having fallen in the first quarter. The yield curve has been flattening for many months now and should continue to do so over the rest of the year. This process will likely be encouraged by the Fed as it begins to tighten in response to increasing economic growth and higher inflation than last year.

During the remainder of 1993, we intend to begin considering selective acquisitions of attractive real estate properties. We feel that the devaluation of real estate over the last several years has created an opportunity for investors, and that acquisitions made over the next few years should prove to be rewarding in the long run. For similar reasons, we may allocate additional money to commercial mortgages. Additionally, we are hopeful that pending investment legislation will be passed and become effective soon. If and when this happens, we intend, with the assistance of our consultant, to review our asset allocation, restructure our equity advisor group and begin to formulate an international investment portfolio. In bonds, our internal management will maintain its high quality, controlled duration disciplines that have provided us with very good returns over a number of years. Finally, we will continue to seek to achieve an 8.25% return over time, which is our actuarial assumption rate.

INVESTMENT PORTFOLIO SUMMARY

DECEMBER 31, 1992



Type	% of Book Value	Book Value	% of Market Value	Market Value
Canadian bonds and obligations	1.06%	$ 40,114,489	0.97%	$ 40,607,306
Government bonds and obligations	29.76	1,130,648,371	29.22	1,226,810,179
Corporate bonds and obligations	21.09	800,775,355	20.05	842,079,519
Common Stocks	30.90	1,173,304,620	34.91	1,466,038,276
Preferred Stocks	0.05	1,803,120	0.05	2,005,000
Commercial Paper	11.22	425,911,772	10.14	425,911,772
Real Estate and Mortgage Notes Receivable	5.56	211,024,900	4.33	182,009,779
Venture Capital	0.36	13,767,653	0.33	13,767,653
Total All Investments	**100.00%**	**$3,797,350,280**	**100.00%**	**$4,199,229,484**

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.

INVESTMENT SECTION

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).

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