# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

FOR THE YEAR
ENDED DECEMBER 31, 1993

PREPARED THROUGH THE COMBINED EFFORTS OF
THE PFDPF STAFF

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

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# BOARD OF TRUSTEES

## ELECTED MEMBERS:

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

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

**Thomas A. Bennett**
Dayton Police Department
Term expires June 7, 1997

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

**William Gallagher**
Cleveland Police Department
(Retired)
Term expires June 5, 1995

**Patrick White**
Cleveland Police Department
Term expires June 5, 1995

## STATUTORY MEMBERS:

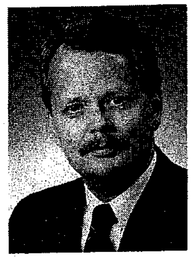
**Richard T. Balazs**
Director of Finance
City of Euclid

**Lee I. Fisher**
Attorney General

**Thomas E. Ferguson**
Auditor of State

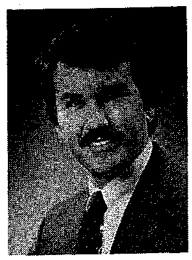
# ADMINISTRATION

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



**Thomas R. Severns**
Director of Finance

**David J. Nesbitt**
Director of Benefits



**Theodore G. Hall**
Director of Investments

# PROFESSIONAL CONSULTANTS

**Actuary:**
The Wyatt Company

**Auditors:**
Deloitte & Touche

**Legal Counsel:**
Attorney General Lee I. Fisher

**Investment Consultants:**
Callan Associates Inc.
The Townsend Group

**Investment Managers:**
Schroder Real Estate Associates
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
C.B. Commercial Mortgage
Northcoast Fund
TA Associates Realty
Copely Real Estate Advisors
MIG Realty Advisors, Inc.
Schroder Real Estate Fund A & Subsidiaries

# ORGANIZATIONAL CHART

## BOARD OF TRUSTEES

**Joseph Walter,** Toledo Fire Department, Chairman
**Thomas A. Bennett,** Dayton Police Department
**William Gallagher,** Cleveland Police Department (Retired)
**Elmer J. Khal,** Cleveland Fire Department
**Robert M. Shields,** Columbus Fire Department
**Patrick White,** Cleveland Police Department
**Richard T. Balazs,** 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**

**DIRECTOR OF BENEFITS**
David J. Nesbitt

**DIRECTOR OF INVESTMENTS**
Theodore G. Hall

**DIRECTOR OF 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, 1992

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 capacities are 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. Medical expense benefits are not a vested right and are subject to change at any time upon action of the Board of Trustees.

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 25, 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 $20,500 per year in 1993. 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 contributions plus interest. The lifetime monthly cash payment is based on the value of the lump sum option. If the monthly annuity would be less than $25.00, then only the lump sum option is available.

# LETTER OF TRANSMITTAL

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

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

June 21, 1994

**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, 1993. This CAFR was prepared to aid interested parties in assessing the Fund's status at December 31, 1993, 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's 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, 1993. The statistical section beginning on page 66 provides more detail of the aforementioned participating employers.

**Participating Employers**

| | Police | Fire |
|---|---|---|
| Municipalities | 242 | 187 |
| Townships | — | 75 |
| Villages | 303 | 26 |
| **Total** | **545** | **288** |

### Economic Conditions and Outlook

The economy started the year slowly, gained momentum and ended the year rather robustly. For all of 1993, real GDP rose 3.1%. The stock market, as measured by the S&P 500, performed roughly in line with its historical average returning 10.08%. The bond market, represented by the Lehman Aggregate Index, provided a very competitive return of 9.75%. Both the Fund's internal bond portfolio and composite equity portfolio outperformed their relevant benchmarks contributing to a solid return last year for the total investment portfolio of 11.3%. The Fund's other main revenue sources—employer and employee contributions—are established by Ohio law and thus are relatively unaffected by economic conditions. So far in 1994, the Federal Reserve Board has raised interest rates several times to moderate the growth of the economy and head off any inflationary pressures which might arise. The capital markets have so far responded negatively to these tightening moves.

### Discounted Employers' Accrued Liability Payoff Program

In 1993 the Ohio Legislature authorized the Fund's Board of Trustees to enter into agreements with municipal corporations permitting them to pay off the remaining balance of their "Employers' Accrued Liability," which represents the remaining balance of their unfunded actuarial liability at the time the Police and Firemen's Disability and Pension Fund was established to replace the local pension funds. The intent of the legislation was to provide a "win-win" situation for the Fund and the cities. The Fund benefits by exchanging a long-term, low-yielding (4.25% annual interest) asset for cash that can be invested to earn a higher return (the Fund's assumed investment return for actuarial valuation is 8.25%), while the city benefits by receiving a substantial discount. The Board adopted 65 percent as the discounted amount it would accept for payments received by October 15, 1994.

Because of a preliminary informal ruling by the Internal Revenue Service that interest on debt issued by cities to provide funds for paying off this obligation would not be considered tax exempt, only a limited number of cities (19) have entered into payoff agreements. Should a final I.R.S. ruling reverse the preliminary ruling, it is anticipated that many more cities will take advantage of this program in the future.

The difference between the carrying amount of the Employer Receivables for those 19 cities and the amount of their discounted payoff totaled $51,969,625, and is reflected in the Fund's 1993 Statement of Revenues, Expenses and Changes in Fund Balance as a "loss," although in the long term the Fund expects a gain from these transactions.

### Major Initiatives

The Trustees' goal of maintaining medical expenses at 6.5% of payroll was achieved in 1993, closing at 6.4%. This goal was established as a result of a complete and complex report prepared by the Fund's actuary in 1991 projecting under various assumptions the pension and health care expenses in the future. Specifically, if the cost of health care continued to increase at its historical rate of approximately 20% per year, the continuation of such medical benefits would be in jeopardy.

For the first time since the Fund began providing health care benefits in 1974, the Fund actually saw a decrease in medical expenses in 1993. This was due to cost containment and managed care efforts which began in the Fall of 1991 and largely because of new programs initiated in 1993.

In January 1993 the PAID Prescription retail drug program was implemented, and a new contract was entered into with National Rx mail order services which achieves larger discounts for the Fund. The combination of these two programs reflected a 16% decrease in prescription drug expenses from the previous year.

On April 1, 1993 the Fund implemented the ORS Individual Option Network with Blue Cross Blue Shield of Ohio and Aetna Health Plans as the preferred provider (PPO) networks. Savings from this program became apparent with June claims, and reflected an overall decrease in medical claim expenses of 6.77% from the previous year.

Other Plan policies such as subrogation recoveries and the prescription drug formulary rebate program resulted in substantial savings. 1993 was also the first full year of member contributions toward medical expense benefits. Member contributions collected were approximately $5 million.

Increases in medical expenses included Kaiser from $860,000 in 1992 to $1,300,000 in 1993. Medicare B Reimbursements increased from $2,900,000 in 1992 to $3,500,000 in 1993. The Medicare B Reimbursement increased 19.2% with only an additional Medicare B enrollment of 229 benefit recipients.

As a result of the decreases and increases, total *overall* medical expenses reflected a decrease of approximately 6%, or over $4 million.

## Financial Overview

Revenues:

The Fund receives virtually all of its funds from the following sources: member contributions, employer contributions, retiree medical benefit contributions, state subsidies and reimbursements, and investment earnings. Revenues from all sources totaled $760,439,561 in 1993, as compared to $720,625,806 in 1992. A summary of revenues for 1993 and 1992 is as follows:

| | 1993 | | 1992 | | |
|---|---|---|---|---|---|
| **REVENUES BY SOURCE** | **Amount** | **Percent** | **Amount** | **Percent** | **INCREASE (DECREASE)** |
| Contributions: | | | | | |
| Employers | $ 200,703,066 | 26% | $ 189,566,606 | 26% | $ 11,136,460 |
| Employees | 97,158,960 | 13% | 91,957,848 | 13% | 5,201,112 |
| Medical Benefits | 5,048,847 | 1% | 2,400,094 | 0% | 2,648,753 |
| State of Ohio—Subsidies | 4,645,952 | 1% | 4,927,194 | 1% | (281,242) |
| State of Ohio—Death Benefit Fund | 13,158,544 | 2% | 11,013,727 | 2% | 2,144,817 |
| | 320,715,369 | 43% | 299,865,469 | 42% | 20,849,900 |
| Net Investment Income | 422,969,125 | 55% | 403,209,178 | 56% | 19,759,947 |
| Interest on Local Funds Receivable | 16,026,269 | 2% | 17,411,423 | 2% | (1,385,154) |
| Other Income | 728,798 | 0% | 139,736 | 0% | 589,062 |
| **Total** | **$760,439,561** | **100%** | **$720,625,806** | **100%** | **$39,813,755** |

The increase in revenues is primarily due to investment income and contribution growth. 1992 investment income reflects a write-down of real estate holdings due to other than a temporary decline in market value of approximately $6.7 million. There were no such write-downs in 1993. The Fund's total rate of return on its investment portfolio increased from 6.5% in 1992 to 11.3% in 1993.

The balance of the increase in revenues was largely due to the continued increase in the number of active members and average annual salaries. Medical benefit contributions from retirees doubled because the contributions were collected for only the final six months of 1992.

Expenses:

Benefit payments are the primary expense of the Fund. Total expenses for the Fund were $425,298,105 in 1993, as compared to $352,482,862 in 1992. A summary of expenses for 1993 and 1992 is as follows:

| | 1993 | | 1992 | | |
|---|---|---|---|---|---|
| **EXPENSES BY TYPE** | **Amount** | **Percent** | **Amount** | **Percent** | **INCREASE (DECREASE)** |
| Benefits: | | | | | |
| Retirement | $177,838,542 | 42% | $163,441,985 | 47% | $14,396,557 |
| Disability | 74,969,707 | 18% | 69,277,993 | 20% | 5,691,714 |
| Health Care | 63,135,402 | 15% | 67,419,506 | 19% | (4,284,104) |
| Survivor | 28,609,991 | 7% | 28,042,134 | 8% | 567,857 |
| Death Benefit Fund | 13,158,544 | 3% | 11,013,727 | 3% | 2,144,817 |
| | 357,712,186 | 85% | 339,195,345 | 97% | 18,516,841 |
| Loss on Write-down of Long term Local Funds Receivable | 51,969,625 | 12% | 0 | 0% | 51,969,625 |
| Administrative Expenses | 9,063,687 | 2% | 8,475,243 | 2% | 588,444 |
| Refund of Employee Contributions | 5,007,473 | 1% | 3,723,998 | 1% | 1,283,475 |
| Other Expenses | 1,545,134 | 0% | 1,088,276 | 0% | 456,858 |
| **Total** | **$425,298,105** | **100%** | **$352,482,862** | **100%** | **$72,815,243** |

The primary component of the Fund's increased expenses was the loss on the write-down of those Employers' Accrued Liability Fund accounts which were paid off by cities under the Fund's Accrued Liability Payoff Program discussed on page 10. The increase in the number of benefit recipients, the average benefit paid and cost of living increases account for most of the balance of the Fund's increased expenses.

### Funding Practices and Actuarial Overview

Funds are derived from the excess of revenues over expenses, and are accumulated by the Fund in order to meet current and future benefit obligations to retirees and beneficiaries. Net income for the year ended December 31, 1993, increased the fund balance by approximately $335.1 million. This increase is approximately $33 million less than the total fund balance increase recognized in the prior year.

The actuarial valuation for funding purposes dated January 1, 1993, the most recent actuarial valuation, incorporated the changes in actuarial assumptions recommended by the Fund's actuary based on the results of the Fund's fifth quinquennial evaluation of experience, completed in 1993. The valuation reported an unfunded actuarial accrued liability of $2,798.7 million, which represents the difference between the actuarial accrued liability for benefits to be paid members and retirees ($6,826.2 million) and total valuation assets ($4,027.5 million). The unfunded actuarial accrued liability is being amortized in an orderly fashion over future years. The January 1, 1993 pension benefit obligation was $5,132.8 million.

### Investment 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, 1993, the investment portfolio provided 55.0% of the Fund's total revenues while employee and employer contributions provided 13.0% and 26.0%, respectively. All other sources provided the remaining 6.0%.

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 1993 follows:

| | December 31, 1992 Carrying Value | December 31, 1992 Market Value | Purchases and Accretions | Sales, Redemptions and Accruals | December 31, 1993 Carrying Value | December 31, 1993 Market Value | % of Total Market Value |
|---|---|---|---|---|---|---|---|
| Canadian bonds and obligations | $ 40,114,489 | $ 40,607,306 | $ 50,524,931 | $ 37,132,055 | $ 53,507,365 | $ 55,693,574 | 1.21% |
| Government bonds and obligations | 1,130,648,371 | 1,226,810,179 | 1,024,095,949 | 889,045,520 | 1,265,698,800 | 1,326,793,939 | 28.86% |
| Corporate bonds and obligations | 800,775,355 | 842,079,519 | 305,020,434 | 208,311,107 | 897,484,682 | 950,612,442 | 20.68% |
| Common stocks | 1,173,304,620 | 1,466,038,276 | 761,521,684 | 650,772,325 | 1,284,053,979 | 1,620,250,036 | 35.24% |
| Preferred stocks | 1,803,120 | 2,005,000 | 0 | 1,803,120 | 0 | 0 | 0.00% |
| Commercial paper | 425,911,772 | 425,911,772 | 4,295,523,373 | 4,270,602,193 | 450,832,952 | 450,832,952 | 9.81% |
| Real estate, net of accumulated depreciation | 195,824,900 | 166,809,779 | 1,234,270 | 2,818,457 | 194,240,713 | 167,358,607 | 3.64% |
| Mortgage notes receivable | 15,200,000 | 15,200,000 | 3,139,141 | 0 | 18,339,141 | 18,339,141 | 0.40% |
| Venture capital | 13,767,653 | 13,767,653 | 2,350,000 | 9,675,478 | 6,442,175 | 7,621,102 | 0.16% |
| | $3,797,350,280 | $4,199,229,484 | $6,443,409,782 | $6,070,160,255 | $4,170,599,807 | $4,597,501,793 | 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 75 through 80 of this comprehensive annual financial report.

### Material Plan Amendments

There were no material plan amendments in 1993.

### Independent Auditors

The financial statements of the Fund for the year ended December 31, 1993, 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, 1992. 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 employee and employer members of the Fund and other interested parties.

Respectfully submitted,

HENRY E. HELLING, III
Executive Director

Thomas R. Severns

THOMAS R. SEVERNS
Director of 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, 1993 and 1992, 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, 1993 and 1992, 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 1993 and 1992 financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic 1993 and 1992 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 21, 1994

**Deloitte Touche Tohmatsu International**

# BALANCE SHEETS

DECEMBER 31, 1993 AND 1992

| | 1993 | 1992 |
|---|---|---|
| **Assets:** | | |
| Cash (note 5) | $ 21,031,898 | $ 11,853,793 |
| Receivables: | | |
| Employers' contributions | 64,258,644 | 56,807,088 |
| Employees' contributions | 6,353,680 | 5,929,940 |
| Accrued investment income | 56,491,323 | 44,659,093 |
| Investment sale proceeds | 5,252,157 | 6,563,214 |
| Total receivables | 132,355,804 | 113,959,335 |
| Collateral held under security lending program (note 5) | 831,932,897 | 698,603,154 |
| Investments, at cost (market value $4,597,501,793 and $4,199,229,484 in 1993 and 1992, respectively) (notes 5, 6, 8 and 12) | 4,170,599,807 | 3,797,350,280 |
| Local funds receivable (note 7) | 343,028,538 | 400,480,943 |
| Property and equipment, net of accumulated depreciation of $2,532,749 and $2,077,922 in 1993 and 1992, respectively | 3,322,993 | 3,657,163 |
| Other assets (note 9) | 1,193,895 | 315,640 |
| Total assets | 5,503,465,832 | 5,026,220,308 |
| **Liabilities:** | | |
| Health care benefits payable | 11,352,758 | 12,589,910 |
| Investment commitments payable | 24,752,498 | 17,090,700 |
| Accounts payable and accrued expenses | 1,495,207 | 1,770,994 |
| Note payable (note 8) | 2,180,701 | 2,180,701 |
| Other liabilities (note 9) | 3,994,346 | 1,368,880 |
| Obligations under security lending program (note 5) | 831,932,897 | 698,603,154 |
| Total liabilities | 875,708,407 | 733,604,339 |
| **Net assets available for benefits** | **$ 4,627,757,425** | **$ 4,292,615,969** |
| **Fund balance (note 3):** | | |
| Pension benefit obligation: | | |
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | $ 2,604,200,000 | $ 2,376,500,000 |
| Current employees: | | |
| Accumulated employee contributions | 660,300,000 | 608,500,000 |
| Employer financed portion | 1,868,300,000 | 1,779,700,000 |
| Total pension benefit obligations | 5,132,800,000 | 4,764,700,000 |
| Unfunded pension benefit obligation | (505,042,575) | (472,084,031) |
| **Total fund balance** | **$ 4,627,757,425** | **$ 4,292,615,969** |

See accompanying notes to financial statements.

# STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

YEARS ENDED DECEMBER 31, 1993 and 1992

| | 1993 | 1992 |
|---|---|---|
| **Operating revenues:** | | |
| Contributions: | | |
| Employers (note 4) | $ 200,703,066 | $ 189,566,606 |
| Employees (note 4) | 97,158,960 | 91,957,848 |
| Medical Benefits (note 14) | 5,048,847 | 2,400,094 |
| State of Ohio—Subsidies (note 4) | 4,645,952 | 4,927,194 |
| State of Ohio—Death Benefit Fund | 13,158,544 | 11,013,727 |
| | 320,715,369 | 299,865,469 |
| Net investment income (notes 5 and 6) | 422,969,125 | 403,209,178 |
| Interest on local funds receivable | 16,026,269 | 17,411,423 |
| Other income | 728,798 | 139,736 |
| Total operating revenues | 760,439,561 | 720,625,806 |
| **Operating expenses:** | | |
| Benefits: | | |
| Retirement | 177,838,542 | 163,441,985 |
| Disability | 74,969,707 | 69,277,993 |
| Health care | 63,135,402 | 67,419,506 |
| Survivor | 28,609,991 | 28,042,134 |
| Death Benefit Fund | 13,158,544 | 11,013,727 |
| | 357,712,186 | 339,195,345 |
| Loss on write-downs of long term local funds receivable (note 2) | 51,969,625 | 0 |
| Administrative expenses, including depreciation on operating properties | 9,063,687 | 8,475,243 |
| Refund of employee contributions (note 4) | 5,007,473 | 3,723,998 |
| Other expenses | 1,545,134 | 1,088,276 |
| Total operating expenses | 425,298,105 | 352,482,862 |
| Net operating income | 335,141,456 | 368,142,944 |
| Fund balance, beginning of year | 4,292,615,969 | 3,924,473,025 |
| **Fund balance, end of year** | **$ 4,627,757,425** | **$ 4,292,615,969** |

See accompanying notes to financial statements.

# STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1993 AND 1992

| | 1993 | 1992 |
|---|---|---|
| Reconciliation of net operating income to net cash provided by operating activities: | | |
| Net operating income: | $ 335,141,456 | $ 368,142,944 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | |
| Investment income | (422,969,125) | (409,936,672) |
| Unrealized loss on investments | 0 | 6,727,494 |
| Depreciation on property and equipment | 667,034 | 449,625 |
| Local funds receivable principal payments | 5,482,780 | 2,964,544 |
| Loss on write-downs of long term local funds receivable | 51,969,625 | 0 |
| Change in assets and liabilities: | | |
| Increase in receivables | (7,875,296) | (2,910,284) |
| (Increase) decrease in other assets | (878,255) | 94,553 |
| (Decrease) increase in health care benefits payable | (1,237,152) | 214,973 |
| Decrease in accounts payable and accrued expenses | (275,787) | (555,519) |
| Increase in other liabilities | 2,625,466 | 562,423 |
| Total adjustments | (372,490,710) | (402,388,863) |
| Net cash used by operating activities | (37,349,254) | (34,245,919) |
| Cash flows from capital and related financing activities: | | |
| Purchase of property and equipment | (332,864) | (162,656) |
| Cash flows from investing activities: | | |
| Purchase of investments | (6,421,871,051) | (5,439,224,447) |
| Proceeds from sale and maturities of investments | 6,260,463,072 | 5,271,194,341 |
| Net investment income | 208,309,120 | 204,366,866 |
| (Increase) decrease in investment receivables | (10,521,173) | 27,990,807 |
| Increase (decrease) in investment payables | 7,661,798 | (32,034,347) |
| Depreciation on investment in real estate | 2,818,457 | 3,024,049 |
| Net cash provided by investing activities | 46,860,223 | 35,317,269 |
| Net increase in cash and cash equivalents | 9,178,105 | 908,694 |
| Cash and cash equivalents at beginning of year | 11,853,793 | 10,945,099 |
| Cash and cash equivalents year to date | $ 21,031,898 | $ 11,853,793 |
| Noncash Transaction | | |
| Change in collateral and related obligations related to securities lending program | $ 133,329,743 | $ 67,142,314 |

**See accompanying notes to financial statements.**

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1993 AND 1992

## 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, 1993, 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 | 10,116 | 8,399 | 18,515 |
| Current employees: | | | |
| Vested | 5,066 | 3,666 | 8,732 |
| Nonvested | 8,474 | 6,483 | 14,957 |
| | 13,540 | 10,149 | 23,689 |
| **Employer Members** | | | |
| Municipalities | 242 | 187 | |
| Townships | — | 75 | |
| Villages | 303 | 26 | |
| **Total** | **545** | **288** | |

### (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 medical 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. The Fund provides medical benefits to eligible benefit recipients and their eligible dependents. The medical benefits are not guaranteed and are subject to change at any time upon action of the Board of Trustees. Coverage includes a comprehensive medical expense benefit plan along with a prescription drug program for retail and mail order prescriptions.

An eligible spouse or dependent of a member whose death resulted from injury or disease sustained while on active duty as a police officer or fire fighter 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 Financial Reporting Entity

The Police and Firemen's Disability and Pension Fund is a public employee retirement system governed by a Board of Trustees consisting of nine members. Six members are elected by the employee groups they represent. The Auditor of State, the Attorney General and a municipal fiscal officer appointed by the Governor are statutory members. The Fund is not included in the State of Ohio reporting entity because it is legally separate, a voting majority of the governing board is not appointed by the State, and it is not fiscally dependent on the State. As required by generally accepted accounting principles, these statements present the Fund (the primary government) and its component units. The component units discussed in the following two paragraphs are included in the Fund's reporting entity because of the significance of their operational or financial relationships with the Fund.

The Ohio Police and 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. Although the Trusts are legally separate from the Fund, management of the Fund is responsible for the operations of the Trusts, and the Fund is the beneficiary and sole participant in the Trusts. Therefore the Trusts are reported as if they were part of the primary goverment.

The Death Benefit Fund was created to finance certain death benefit payments. Although the State of Ohio is responsible for financing the cost of these benefits, the Fund is responsible for the organization and administration of the Death Benefit Fund, including determination of benefit eligibility, the amount of the benefit, and payment of the benefit. Therefore the Death Benefit Fund is reported as if it were part of the primary government.

## 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. Nine 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, 1993 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, 1993 follows:

| | |
|---|---|
| Claims liability at December 31, 1992 | $12,589,910 |
| Incurred claims | 63,135,402 |
| Claims paid | (64,372,554) |
| Claims liability at December 31, 1993 | $11,352,758 |

### (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 an investment.

### (g) Loss on Write-downs of Long Term Local Funds Receivable

In 1993 the Ohio Legislature authorized the Fund's Board of Trustees to enter into agreements with municipal corporations permitting them to pay off the remaining balance of their "Employers' Accrued Liability" (see Note 7) at a discounted amount to be determined by the Board. The Board adopted 65 percent as the discounted amount it would accept for payments received by October 15, 1994.

Because of a preliminary ruling by the Internal Revenue Service that interest on debt issued by cities to provide funds for paying off this obligation would not be considered tax exempt, only a limited number of cities have entered into payoff agreements.

On the Fund's 1993 Statement of Revenues, Expenses and Changes in Fund Balance and Statement of Cash Flows, the amount shown as "Loss on Write-downs of Long Term Local Funds Receivable" represents the amount of the known discounts agreed to as of June 21, 1994.

### (h) Reclassifications

Certain 1992 balances have been reclassified to conform with the 1993 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, 1993 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 from the Health Care Stabilization Fund (see note 14). The pension benefit obligation of the Fund as a whole is presented separately for police and fire fighters due to different actuarial assumptions for each group. Significant actuarial assumptions used in the 1993 and 1992 valuations are as follows:

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

(b) For 1993, future salary increases based on inflationary increase of 4% per year, and an age-graded promotional increase of 1.0 to 3.0% per year. For 1992, 5.75% projected salary increase, compounded annually. Increase is attributable to inflation (5.0%) and promotional raises (0.75%).

(c) For 1993, pre-retirement mortality is based on the 1951 Group Annuity Mortality Table as projected to 1980 using Scale C, with a one-year set-forward in age. The projected values are multiplied by 0.5. For 1992, pre-retirement mortality is based on the Projected Annuity Mortality Table, decreased by 33% for fire fighters.

(d) For service retirees and survivors, mortality is based on:
- For 1993, the 1951 Group Annuity Mortality Table projected to 1980 using Scale C, with a one-year set-forward.
- For 1992, the Projected Annuity Mortality Table.

For disability retirees, mortality is based on:
- For 1993, the 1951 Group Annuity Mortality Table projected to 1980 using Scale C and includes loads for disability.
- For 1992, 70% of the 1956 Railroad Retirement Board Disability Annuitants Ultimate Mortality Table for ages 20-69, 80% for ages 70-85, 90% for ages 86-89, and 100% for ages 90 and above.

(e) Rates of retirement for ages 53 through 65 are based upon the experience during the period of 1982 through 1986. These rates of retirement for ages 48 through 52 are based upon 1989 experience. These 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 1993, assets are valued for actuarial purposes at cost, except common and preferred stocks are included in valuation assets with a value equal to that developed under the 4-year Market Adjustment Method, with an initial value equal to market value.

For 1992, assets are valued for actuarial purposes at cost, except that common and preferred stocks are valued utilizing a method which limits their book value to a minimum of 85% and to a maximum of 115% of market value.

The net effect of the changes in actuarial assumptions for the 1993 valuation was an increase in the total pension benefit obligation of $38,300,000, composed of a $40,600,000 increase for police and a $2,300,000 decrease for fire fighters.

At January 1, 1993, the unfunded pension benefit obligation was computed to be approximately $840,184 as follows (in thousands):

| | Police | Fire | Total |
|---|---|---|---|
| **Pension benefit obligation:** | | | |
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | $ 1,427,600 | $1,176,600 | $ 2,604,200 |
| **Current employees:** | | | |
| Accumulated employee contributions | 379,000 | 281,300 | 660,300 |
| Employer-financed vested | 792,000 | 570,500 | 1,362,500 |
| Employer-financed nonvested | 281,200 | 224,600 | 505,800 |
| | 1,452,200 | 1,076,400 | 2,528,600 |
| **Total pension benefit obligation** | $ 2,879,800 | $2,253,000 | 5,132,800 |
| Net assets available for benefits, at cost (excluding Health Care Stabilization Fund of $154,908,200) | | | 4,292,616 |
| **Unfunded pension benefit obligation at January 1, 1993** | | | $ 840,184 |

The actuarial effect of 1993 membership changes on the pension benefit obligation has not been determined and is therefore not reflected in the December 31, 1993 balance sheet value for the unfunded pension benefit obligation.

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 and plan amendments on the pension benefit obligation had not been determined and is therefore not reflected in the December 31, 1992 balance sheet value for the unfunded pension benefit obligation. These changes and amendments have been reflected in the 1993 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, 1993: | | |
| Employer | 19.50 | 24.00 |
| Member | 10.00 | 10.00 |
| **Total actual rate** | 29.50 | 34.00 |
| **Actuarially determined rate as of January 1, 1993** | 33.16 | 32.13 |

The Fund's actuary allocated 6.50% (7.51% in 1992) 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 1993 represented 29.50% for police and 34.00% for fire fighters. Employer and member contributions were approximately $103,463,000 and $55,295,000 respectively for police and $97,240,000 and $41,864,000 respectively for fire fighters for the year ended December 31, 1993.

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.

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, 1993 was $4,645,952, 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, 1993 was $21,031,898 and the depository balance was $21,904,599. Of this total, $549,359 was covered by federal depository insurance and $19,483,681 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 $1,871,559 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 collateral risk assumed by the Fund as of December 31, 1993 and 1992. 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, 1993 and 1992, 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:

| | Year ended December 31, 1993 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1992 | | | | 1993 | | |
| | Carrying Value | Market Value | Purchases and Accretions | Sales, Redemptions and Accruals | Carrying Value | Market Value | % of Total Market Value |
| Canadian bonds and obligations | $ 40,114,489 | $ 40,607,306 | $ 50,524,931 | $ 37,132,055 | $ 53,507,365 | $ 55,693,574 | 1.21% |
| Government bonds and obligations | 1,130,648,371 | 1,226,810,179 | 1,024,095,949 | 889,045,520 | 1,265,698,800 | 1,326,793,939 | 28.86% |
| Corporate bonds and obligations | 800,775,355 | 842,079,519 | 305,020,434 | 208,311,107 | 897,484,682 | 950,612,442 | 20.68% |
| Common stocks | 1,173,304,620 | 1,466,038,276 | 761,521,684 | 650,772,325 | 1,284,053,979 | 1,620,250,036 | 35.24% |
| Preferred stocks | 1,803,120 | 2,005,000 | 0 | 1,803,120 | 0 | 0 | 0.00% |
| Commercial paper | 425,911,772 | 425,911,772 | 4,295,523,373 | 4,270,602,193 | 450,832,952 | 450,832,952 | 9.81% |
| Real estate, net of accumulated depreciation (note 6) | 195,824,900 | 166,809,779 | 1,234,270 | 2,818,457 | 194,240,713 | 167,358,607 | 3.64% |
| Mortgage notes receivable | 15,200,000 | 15,200,000 | 3,139,141 | 0 | 18,339,141 | 18,339,141 | 0.40% |
| Venture capital | 13,767,653 | 13,767,653 | 2,350,000 | 9,675,478 | 6,442,175 | 7,621,102 | 0.16% |
| | $ 3,797,350,280 | $ 4,199,229,484 | $ 6,443,409,782 | $ 6,070,160,255 | $ 4,170,599,807 | $ 4,597,501,793 | 100.00% |

| | Year ended December 31, 1992 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1991 | | | | 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 | 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% |

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 1993.

In accordance with the Fund's policy (see note 2) venture capital limited partnerships are accounted for at cost. Distributions received from Primus Capital Fund I through December 31, 1993 exceed the Fund's capital contributions, reducing its cost to zero. The current market value of this asset is equal to estimated future cash distributions from this fund.

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, 1993 and 1992 totaled $831,932,897 and $698,603,154 respectively. Security lending income totaled $915,481 and $1,070,432 for the years ended December 31, 1993 and 1992 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:

| | 1993 | 1992 |
|---|---|---|
| Land | $ 42,892,749 | $ 42,892,749 |
| Buildings | 99,945,038 | 100,522,667 |
| Capital improvements | 14,822,379 | 13,657,391 |
| | 157,660,166 | 157,072,807 |
| Accumulated depreciation | 18,919,453 | 16,747,907 |
| Net book value | 138,740,713 | 140,324,900 |
| Comingled funds limited partnerships | 55,500,000 | 55,500,000 |
| **Total** | **$ 194,240,713** | **$ 195,824,900** |

Real estate rental income was approximately $9,161,000 and $8,425,000 in 1993 and 1992, respectively, net of depreciation of approximately $2,818,457 and $3,024,000. 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, 1993:

| | |
|---|---|
| Year ending December 31, | |
| 1994 | 14,917,400 |
| 1995 | 12,222,100 |
| 1996 | 9,639,100 |
| 1997 | 6,790,500 |
| 1998 | 5,396,400 |
| THEREAFTER | 24,784,700 |
| **Total minimum future rentals** | **$ 73,750,200** |

## 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, 1993 includes $1,465,015 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.

In 1993 the Ohio Legislature authorized the Fund's Board of Trustees to enter into agreements with municipal corporations permitting the cities to pay off the remaining balance of their "Employers' Accrued Liability" at a discounted amount to be determined by the Board. The Board adopted 65 percent as the discounted amount it would accept for payments received by October 15, 1994.

On the Fund's 1993 Balance Sheets the amount shown as "Local funds receivable" has been adjusted to reflect this receivable net of discounts agreed to as of June 21, 1994.

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

| | |
|---|---|
| Year ending December 31, | |
| 1994 | $107,799,314 |
| 1995 | 12,676,768 |
| 1996 | 12,660,153 |
| 1997 | 12,659,011 |
| 1998 | 12,655,224 |
| Later years | 457,963,916 |
| Total projected payments | 616,414,386 |
| Less interest portion | 273,385,848 |
| **Balance due at December 31, 1993** | **$343,028,538** |

## 8. MORTGAGE NOTE PAYABLE

The mortgage note payable, secured by the Mill River office building, matured on October 1, 1992. The note was not repaid and, as a result, the Trust is in default under the terms of the note. Management is currently negotiating with the mortgagee to restructure the note. Interest is still accrued on the mortgage note, which 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 $461,000 and $333,000 as of December 31, 1993 and 1992, 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, 1993 was approximately $2,192,000; the Fund's total payroll was approximately $2,250,000.

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 received 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, 1993 were approximately $297,000 and $186,000, 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 December 31, 1992, date of the most recent actuarial valuation, was $21.6 billion. PERS' net assets available for benefits on that date, at market value were $20.8 billion. The Fund's 1993 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, 1993 comprehensive annual financial report for seven 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 347,937 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 $112,000 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 December 31, 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 December 31, 1992 (most recent valuation available) was $7.04 billion; the net assets available for these benefits at that date were $5.60 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.

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, is as follows (in thousands):

| | 1993 | 1992 |
|---|---|---|
| Receivable from borrower | $15,000 | $15,000 |
| Capitalized acquisition fee | 126 | 126 |
| Deferred interest | 287 | 250 |
| Unrealized loss | (176) | (176) |
| **Total** | **$15,237** | **$15,200** |

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, 1993.

The Fund is committed to make additional capital contributions of $19,100,000 to existing venture capital investments, and $16,897,859 to the CB Mortgage Fund.

## 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 FUNDING

Since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage. These contributions, which vary in amount depending on the type and amount of the retirant's pension, are credited to a Health Care Stabilization Fund created in 1992. This fund, which received an initial allocation of $150,000,000, is also credited with a portion of employer contributions equal to 6.5% of payroll, and 8.25% effective annual interest, and is charged with all health care expenses. The fund's assets at December 31, 1993 were $154,908,200.

# 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 |
| 1993 | 4,292,616 | 5,132,800 | 83.6 | 840,184 | 871,352 | 96.4 |

**Note:** Historical trend information is not available for years prior to 1987. Analysis of funding progress is presented for 1987 through 1993 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) |
|---|---|---|---|---|---|
| 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 |
| 1993 | 200,703,066 | 97,158,960 | 5,048,847 | 4,645,952 | 422,969,125 |

Note: For years 1984 through 1986, revenues are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1993 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 |
|---|---|---|---|
| 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 |
| 1993 | 281,418,240 | 63,135,402 | 5,007,473 |

Note: For years 1984 through 1986, expenses are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1993 expenses are shown on the accrual basis.

**See accompanying independent auditors' report.**

| Interest on local funds receivable | Other income | State contribution to Death Benefit Fund | Total | Employer contributions as a percentage of covered payroll |
|---|---|---|---|---|
| $ 20,399,728 | $ 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 |
| 16,026,269 | 728,798 | 13,158,544 | 760,439,561 | 21.4 |

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

(3) For years 1984 through 1987 net realized gain on sale of investments is excluded.

| Administrative expenses | Other expense | Death Benefit Fund Benefits | Loss on write-down of local funds receivable | Total |
|---|---|---|---|---|
| $ 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 |
| 9,063,687 | 1,545,134 | 13,158,544 | $51,969,625 | 425,298,105 |

# ADMINISTRATIVE EXPENSES

**YEARS ENDED DECEMBER 31, 1993 AND 1992**

| | 1993 | 1992 |
|---|---|---|
| **Personnel Services:** | | |
| Administrative salaries | $ 2,250,378 | $ 2,213,359 |
| Employee benefits | 383,209 | 337,036 |
| Employer contributions—PERS | 296,755 | 273,028 |
| | 2,930,342 | 2,823,423 |
| **Professional services** | 4,349,400 | 4,256,720 |
| **Other services and charges:** | | |
| Equipment—rental and maintenance | 146,493 | 150,280 |
| Travel expenses | 43,034 | 42,680 |
| Postage | 181,913 | 173,390 |
| Printing | 49,978 | 57,288 |
| Insurance—administrative | 92,373 | 73,448 |
| Office supplies and maintenance | 293,983 | 151,533 |
| Utilities | 128,681 | 119,855 |
| Ohio Retirement Study Commission | 31,213 | 31,384 |
| Dues and subscriptions | 28,279 | 24,627 |
| Depreciation expenses | 667,034 | 449,625 |
| Miscellaneous expenses | 120,964 | 120,990 |
| | 1,783,945 | 1,395,100 |
| **Total administrative expenses** | **$ 9,063,687** | **$ 8,475,243** |

**See accompanying independent auditors' report.**

# REFUNDS OF EMPLOYEE CONTRIBUTIONS

| Year Ended December 31, | Police | Fire | Total |
|---|---|---|---|
| 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 |
| 1993 | 3,752,052 | 1,255,421 | 5,007,473 |

**Note:** For years 1984 through 1986, refunds are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1993 refunds are shown on the accrual basis.

**See accompanying independent auditors' report.**

# SUPPLEMENTAL SCHEDULES

## FUND BALANCE ACCOUNTS

YEAR ENDED DECEMBER 31, 1993

**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 | |
|---|---|---|---|---|
| | Police | Fire Fighters | Police | Fire Fighters |
| Fund balance at beginning of year | $ 374,963,395 | $277,417,884 | $774,908,510 | $496,126,180 |
| Changes for the year: | | | | |
| Contributions: | | | | |
| Employers | — | — | 103,462,922 | 97,240,144 |
| Employees | 55,294,539 | 41,864,421 | — | — |
| Medical Benefits | — | — | — | — |
| State of Ohio subsidies | — | — | — | — |
| Death benefit fund | — | — | — | — |
| Investment income | — | — | — | — |
| Interest on local funds receivable | — | — | 8,348,432 | 7,677,837 |
| Other income | — | — | — | — |
| Benefits: | | | | |
| Retirement | — | — | — | — |
| Disability | — | — | — | — |
| Health care | — | — | — | — |
| Survivor | — | — | — | — |
| Death benefit fund | — | — | — | — |
| Loss on write-downs of long term local funds receivable | — | — | (30,096,966) | (21,872,659) |
| Administrative expenses | — | — | — | — |
| Refund of employee contributions | (3,752,052) | (1,255,421) | — | — |
| Other expenses | — | — | — | — |
| Transfers | (12,486,222) | (9,597,301) | (72,837,946) | (56,548,272) |
| Net changes | 39,056,265 | 31,011,699 | 8,876,442 | 26,497,050 |
| **Fund balance at end of year** | $ 414,019,660 | $308,429,583 | $783,784,952 | $522,623,230 |

**See accompanying independent auditors' report.**

### (D) Guarantee Fund

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

### (E) Expense Fund

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

### (F) Death Benefit Fund

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

| Annuitant & Pension Reserve Funds | | Guarantee Fund | Expense Fund | Death Benefit Fund | Totals | |
|---|---|---|---|---|---|---|
| Police | Fire Fighters | | | | 1993 | 1992 |
| $1,287,200,000 | $1,082,000,000 | — | — | — | $4,292,615,969 | $3,924,473,025 |
| — | — | — | — | — | 200,703,066 | 189,566,606 |
| — | — | — | — | — | 97,158,960 | 91,957,848 |
| — | — | $ 5,048,847 | — | — | 5,048,847 | 2,400,094 |
| — | — | 4,645,952 | — | — | 4,645,952 | 4,927,194 |
| — | — | — | — | $ 13,158,544 | 13,158,544 | 11,013,727 |
| — | — | 422,969,125 | — | — | 422,969,125 | 403,209,178 |
| — | — | — | — | — | 16,026,269 | 17,411,423 |
| — | — | 728,798 | — | — | 728,798 | 139,736 |
| (96,112,940) | (81,725,602) | — | — | — | (177,838,542) | (163,441,985) |
| (40,521,761) | (34,447,946) | — | — | — | (74,969,707) | (69,277,993) |
| (33,384,510) | (29,750,892) | — | — | — | (63,135,402) | (67,419,506) |
| (15,463,942) | (13,146,049) | — | — | — | (28,609,991) | (28,042,134) |
| — | — | — | — | (13,158,544) | (13,158,544) | (11,013,727) |
| — | — | — | — | — | (51,969,625) | 0 |
| — | — | — | $ (9,063,687) | — | (9,063,687) | (8,475,243) |
| — | — | — | — | — | (5,007,473) | (3,723,998) |
| — | — | (1,545,134) | — | — | (1,545,134) | (1,088,276) |
| 322,083,153 | 252,170,489 | (431,847,588) | 9,063,687 | — | — | — |
| 136,600,000 | 93,100,000 | — | — | — | 335,141,456 | 368,142,944 |
| $1,423,800,000 | $1,175,100,000 | — | — | — | $4,627,757,425 | $4,292,615,969 |

# CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BALANCE

YEARS ENDED DECEMBER 31, 1993 AND 1992

| | 1993 | 1992 |
|---|---|---|
| **Cash receipts:** | | |
| Investment sales and maturities | $ 6,269,470,834 | $ 5,308,724,280 |
| Contributions: | | |
| Employer | 193,251,510 | 186,058,596 |
| Employee | 96,735,220 | 92,555,575 |
| Medical Benefits | 5,048,847 | 2,400,094 |
| State of Ohio—subsidies | 3,445,952 | 4,927,194 |
| State of Ohio—Death Benefit Fund | 13,725,101 | 12,321,557 |
| | 312,206,630 | 298,263,016 |
| Net investment income | 210,285,270 | 207,348,151 |
| Local funds receipts | 21,509,049 | 20,375,967 |
| Other income | 1,275,673 | 268,708 |
| Total cash receipts | 6,814,747,456 | 5,834,980,122 |
| **Cash Disbursements:** | | |
| Investment purchases | 6,433,161,728 | 5,481,124,151 |
| Benefits: | | |
| Retirement | 177,487,703 | 163,367,847 |
| Disability | 74,964,284 | 69,148,217 |
| Health care | 64,372,554 | 67,193,716 |
| Survivor | 28,610,596 | 28,060,606 |
| Death Benefit Fund | 13,386,568 | 11,498,395 |
| | 358,821,705 | 339,268,781 |
| Administrative expenses | 8,771,950 | 7,756,703 |
| Refund of employee contributions | 3,724,657 | 3,960,338 |
| Other expenses | 1,089,311 | 1,961,455 |
| Total cash disbursements | 6,805,569,351 | 5,834,071,428 |
| Excess of cash receipts over cash disbursements | 9,178,105 | 908,694 |
| Cash balance, beginning of year | 11,853,793 | 10,945,099 |
| **Cash balance, end of year** | **$ 21,031,898** | **$ 11,853,793** |

See accompanying independent auditors' report.

# INVESTMENT MANAGEMENT FEES

YEAR ENDED DECEMBER 31, 1993

| INVESTMENT MANAGER | MANAGEMENT FEES |
|---|---|
| Oppenheimer Capital Corporation | $ 654,092 |
| Atlanta/Sosnoff Capital Corporation | 628,919 |
| Loomis, Sayles and Company | 586,697 |
| Schroder Real Estate Associates | 462,193 |
| Value Line Asset Management | 394,039 |
| Equitable Real Estate Investment Management Inc. | 246,365 |
| W.R. Lazard & Co. | 229,037 |
| Bankers Trust Company | 212,112 |
| The RREEF Funds | 205,000 |
| Gelfand Partners | 119,729 |
| Duff and Phelps Asset Management | 51,903 |
| Lakefront Capital Investment Inc. | 33,414 |

**See accompanying independent auditors' report.**

# DETAILED LISTING OF INVESTMENT PORTFOLIO
DECEMBER 31, 1993

## GOVERNMENT BONDS AND OBLIGATIONS:

| ISSUER | COUPON | MATURITY | PAR VALUE | BOOK VALUE | MARKET VALUE |
|---|---|---|---|---|---|
| U.S. Treasury | 8.625% | 08/15/97 | $ 7,045,000 | $ 7,439,366 | $ 7,923,427 |
| U.S. Treasury | 8.750 | 10/15/97 | 8,050,000 | 8,542,438 | 9,111,594 |
| U.S. Treasury | 7.875 | 01/15/98 | 8,000,000 | 8,505,030 | 8,842,504 |
| Mid-State TR II CL A-3 | 9.350 | 04/01/98 | 9,000,000 | 8,999,356 | 9,742,500 |
| FHLMC #230013 | 7.250 | 08/01/98 | 1,413,594 | 1,359,340 | 1,446,283 |
| U.S. Treasury | 9.250 | 08/15/98 | 6,660,000 | 7,484,696 | 7,775,550 |
| U.S. Treasury | 8.875 | 02/15/99 | 140,810,000 | 163,129,864 | 163,559,686 |
| U.S. Treasury | 7.000 | 04/15/99 | 10,000,000 | 10,758,027 | 10,784,380 |
| FHLMC #251021 | 12.000 | 08/01/99 | 143,861 | 161,826 | 163,147 |
| U.S. Treasury | 8.750 | 08/15/00 | 31,050,000 | 36,847,833 | 36,639,000 |
| U.S. Treasury | 8.500 | 11/15/00 | 10,000,000 | 11,638,986 | 11,678,130 |
| U.S. Treasury | 7.750 | 02/15/01 | 222,400,000 | 253,735,705 | 250,617,000 |
| FHLMC #212242 | 7.500 | 07/01/01 | 1,783,943 | 1,654,013 | 1,837,462 |
| Community Prog. Ser. 87 A-3 | 4.500 | 04/01/02 | 23,700,000 | 19,369,546 | 23,285,250 |
| FHLMC #300846 | 7.000 | 06/01/02 | 70,693 | 69,026 | 72,195 |
| FHLMC #252548 | 7.000 | 09/01/02 | 164,747 | 156,107 | 168,402 |
| FNMA 89-34 Y3 | 9.850 | 11/25/02 | 1,956,445 | 1,998,157 | 1,966,227 |
| FHLMC #252397 | 7.250 | 07/01/03 | 283,589 | 272,376 | 290,501 |
| Mid States TR II A-4 | 9.625 | 10/01/03 | 57,675,000 | 59,393,854 | 66,434,391 |
| U.S. Treasury | 11.625 | 11/15/04 | 71,460,000 | 103,961,376 | 103,818,017 |
| FNMA/GL #44048 | 7.000 | 12/01/05 | 10,125,091 | 9,156,651 | 10,416,187 |
| U.S. Treasury | 9.375 | 02/15/06 | 15,580,000 | 18,962,024 | 20,103,077 |
| FNMA Remic 91-146 Z2 | 8.000 | 07/25/06 | 24,740,000 | 24,371,343 | 26,348,100 |
| FNMA/GL #8300 | 7.500 | 07/01/07 | 13,868,842 | 12,744,385 | 14,406,260 |
| FNMA/GL #57839 | 7.250 | 07/01/07 | 5,021,019 | 4,604,034 | 5,193,617 |
| FNMA 92-93 Class Z 3 | 8.000 | 06/25/07 | 8,729,000 | 7,908,904 | 9,220,006 |
| FNMA/GL #2494 | 8.000 | 01/01/08 | 9,763,193 | 9,236,903 | 10,297,123 |
| FNMA/GL #8245 | 8.000 | 02/01/08 | 3,793,346 | 3,628,523 | 4,000,797 |
| FHLMC #181186 | 8.000 | 10/01/08 | 450,817 | 315,413 | 473,639 |
| FHLMC #181734 | 7.500 | 05/01/09 | 352,595 | 219,928 | 363,393 |
| Vendee Mtge TR 93-2 C | 6.250 | 03/15/10 | 10,000,000 | 10,107,520 | 9,993,750 |
| FNMA #281 | 9.500 | 12/01/10 | 650,197 | 612,987 | 704,650 |
| FHLMC #185228 | 11.500 | 08/01/13 | 144,239 | 137,208 | 162,495 |
| FHLMC #185839 | 12.000 | 08/01/13 | 91,995 | 87,120 | 104,328 |
| FHLMC #185711 | 12.000 | 09/01/13 | 65,503 | 62,672 | 74,284 |
| FHLMC #186256 | 12.000 | 10/01/13 | 89,003 | 69,274 | 100,935 |
| FHLMC #187000 | 13.000 | 12/01/13 | 148,037 | 138,912 | 168,948 |
| FNMA/GL #44046 | 7.500 | 02/01/14 | 6,257,781 | 5,732,586 | 6,517,873 |
| BSIT 89-1 CL-Y3 | 9.970 | 01/01/15 | 2,620,499 | 2,618,161 | 2,659,807 |
| U.S. Treasury | 9.250 | 02/15/16 | 179,320,000 | 226,747,227 | 235,974,002 |
| FHLMC #170164 | 9.000 | 05/01/16 | 144,726 | 142,220 | 152,686 |
| FNMA Remic 92 147 PH | 6.750 | 07/25/16 | 10,000,000 | 10,281,547 | 10,150,000 |
| BSIT 89-3 CL-Y4 | 0.000 | 01/01/17 | 28,777,000 | 12,288,298 | 23,884,910 |
| FNMA Trust 28 | 0.000 | 02/01/17 | 13,917,646 | 7,812,957 | 12,386,705 |
| GNMA #228868 | 8.000 | 04/15/17 | 1,287,597 | 1,104,703 | 1,349,563 |
| FHLMC Remic 1239 J | 8.000 | 04/15/22 | 10,000,000 | 10,421,857 | 10,381,250 |
| FHLMC Remic 1468 G | 7.000 | 06/15/18 | 18,900,000 | 19,606,043 | 19,372,500 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| ISSUER | COUPON | MATURITY | PAR VALUE | BOOK VALUE | MARKET VALUE |
|---|---|---|---|---|---|
| FHLMC Remic 1526 G | 6.250% | 07/15/18 | $ 17,000,000 | $ 17,060,780 | $ 17,000,000 |
| FHLMC Remic 1379 FA | 6.500 | 08/15/18 | 13,750,000 | 13,843,761 | 13,930,469 |
| Ameri. HSNG TR-1 CL-1 | 7.625 | 08/25/18 | 5,406,892 | 4,704,125 | 5,565,720 |
| FHLMC-G Remic TR 21 Y8 | 5.850 | 01/25/19 | 10,000,000 | 10,020,251 | 9,737,500 |
| FNMA Remic 89-25 | 10.000 | 02/25/19 | 4,705,000 | 4,755,710 | 5,104,925 |
| FNMA Remic 1990 G2-B | 0.000 | 07/25/19 | 6,222,744 | 2,973,349 | 5,569,356 |
| FHLMC Remic 1514 E | 6.500 | 09/15/19 | 8,597,000 | 8,407,862 | 8,554,015 |
| FNMA 92-145 ZA | 8.000 | 09/25/19 | 32,334,000 | 29,645,766 | 34,172,996 |
| FNMA Remic TR 92 129 J | 4.000 | 07/25/20 | 10,500,000 | 8,808,930 | 9,341,724 |
| FNMA Remic 92 40 E | 0.000 | 03/25/22 | 8,775,549 | 5,385,088 | 5,002,063 |
| FNMA-GN Remic 92 G58 Class B | 0.000 | 10/25/22 | 35,000,000 | 24,516,393 | 28,350,000 |
| FHLMC Remic TR Series G024 Z1 | 6.500 | 11/25/23 | 22,751,800 | 20,513,959 | 19,694,527 |
| Rural Hsng TR 87-1 2-C | 6.830 | 04/01/26 | 13,370,000 | 10,466,504 | 13,654,113 |
| **Total government bonds and obligations** | | | **$ 1,174,917,983** | **$1,265,698,800** | **$1,326,793,939** |

# CORPORATE BONDS AND OBLIGATIONS:

| | | | | | |
|---|---|---|---|---|---|
| International Lease Fin. (MTN) | 8.170% | 02/10/94 | $ 1,500,000 | $ 1,500,224 | $ 1,506,900 |
| Merrill Lynch (MTN) | 8.770 | 02/15/94 | 4,700,000 | 4,702,321 | 4,730,644 |
| Ford Motor Credit (MTN) | 10.000 | 04/21/94 | 4,900,000 | 4,906,792 | 4,992,316 |
| Salomon Inc. (MTN) | 8.550 | 06/21/94 | 2,800,000 | 2,800,187 | 2,861,964 |
| Beneficial Corp (MTN) | 12.750 | 08/15/94 | 4,180,000 | 4,180,576 | 4,402,752 |
| Associates Corp N.A. | 12.500 | 09/15/94 | 7,000,000 | 7,120,177 | 7,417,970 |
| Shearson Lehman American Exp | 12.500 | 10/15/94 | 18,915,000 | 19,179,189 | 20,139,179 |
| Household Finance | 9.250 | 04/01/95 | 5,000,000 | 4,989,770 | 5,197,900 |
| GMAC (MTN) | 9.450 | 05/18/95 | 11,300,000 | 11,362,753 | 12,033,144 |
| GMAC | 9.250 | 06/08/95 | 5,000,000 | 4,974,362 | 5,312,000 |
| Salomon Inc. | 9.000 | 07/01/95 | 2,500,000 | 2,617,134 | 2,659,925 |
| GMAC (MTN) | 9.050 | 07/20/95 | 12,400,000 | 12,323,773 | 13,185,540 |
| Salomon Inc. | 5.500 | 01/15/96 | 4,000,000 | 4,053,518 | 4,020,000 |
| Salomon Inc. (MTN) | 9.700 | 01/24/96 | 1,000,000 | 1,015,659 | 1,086,080 |
| GMAC (MTN) | 9.000 | 02/08/96 | 10,000,000 | 10,000,000 | 10,773,300 |
| Ford Motor Credit | 9.850 | 02/27/96 | 4,500,000 | 4,885,574 | 4,961,385 |
| Associates Corp N.A. | 8.800 | 03/01/96 | 4,000,000 | 3,992,395 | 4,324,920 |
| GMAC (MTN) | 8.850 | 03/04/96 | 7,500,000 | 7,511,200 | 8,068,650 |
| Phillip Morris (MTN) | 8.450 | 03/07/96 | 13,000,000 | 12,979,476 | 13,937,430 |
| Phillip Morris (MTN) | 8.500 | 03/13/96 | 8,200,000 | 8,175,331 | 8,808,112 |
| GMAC (MTN) | 8.900 | 03/13/96 | 40,600,000 | 40,700,340 | 43,715,644 |
| GMAC (MTN) | 8.800 | 03/18/96 | 4,000,000 | 4,001,870 | 4,306,760 |
| GMAC (MTN) | 8.800 | 03/19/96 | 5,000,000 | 5,002,368 | 5,380,750 |
| GMAC (MTN) | 8.800 | 03/20/96 | 3,500,000 | 3,501,652 | 3,763,690 |
| Morgan Stanley | 8.875 | 04/01/96 | 6,000,000 | 6,205,513 | 6,500,160 |
| GMAC (MTN) | 8.750 | 04/09/96 | 5,000,000 | 4,997,533 | 5,381,100 |
| Salomon Inc. (MTN) | 9.800 | 04/19/96 | 4,000,000 | 4,187,204 | 4,382,720 |
| Shearson Lehman Hutton | 10.750 | 04/29/96 | 3,360,000 | 3,423,745 | 3,774,691 |
| International Lease Fin. MTN | 8.580 | 06/03/96 | 5,000,000 | 4,992,072 | 5,415,600 |
| Salomon Inc. (MTN) | 9.190 | 06/18/96 | 8,000,000 | 8,000,000 | 8,692,080 |
| Salomon Inc. (MTN) | 9.250 | 06/19/96 | 7,000,000 | 7,001,461 | 7,615,720 |
| Salomon Inc. (MTN) | 9.190 | 06/25/96 | 3,000,000 | 3,000,000 | 3,261,450 |
| Salomon Inc. (MTN) | 9.200 | 07/03/96 | 5,000,000 | 5,238,452 | 5,436,950 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| ISSUER | COUPON | MATURITY | PAR VALUE | BOOK VALUE | MARKET VALUE |
|---|---|---|---|---|---|
| Salomon Inc. (MTN) | 9.250% | 07/16/96 | $10,000,000 | $ 10,000,000 | $ 10,897,600 |
| Salomon Inc. (MTN) | 9.200 | 07/18/96 | 4,000,000 | 3,999,664 | 4,355,040 |
| Salomon Inc. (MTN) | 9.140 | 07/19/96 | 6,000,000 | 6,000,448 | 6,524,640 |
| International Lease Fin. (MTN) | 8.800 | 08/01/96 | 3,800,000 | 3,875,431 | 4,148,840 |
| International Lease Fin. MTN | 8.730 | 08/09/96 | 30,000,000 | 29,973,345 | 32,745,300 |
| Phillip Morris (MTN) | 8.100 | 09/03/96 | 5,000,000 | 4,999,412 | 5,371,000 |
| International Lease Finance | 7.900 | 10/01/96 | 5,000,000 | 4,989,880 | 5,361,350 |
| Morgan Stanley | 8.000 | 10/15/96 | 4,590,000 | 4,612,317 | 4,935,122 |
| D.C.S. Capital Corp | 12.375 | 10/15/96 | 5,000,000 | 4,993,642 | 5,429,500 |
| Ford Motor Company | 7.875 | 10/15/96 | 13,935,000 | 13,906,652 | 14,956,714 |
| Salomon Inc. (MTN) | 5.800 | 11/15/96 | 10,000,000 | 10,000,000 | 10,067,400 |
| Sanwa Business Credit (MTN) | 7.470 | 11/21/96 | 10,000,000 | 10,031,483 | 10,634,600 |
| Ford Motor Co. | 5.200 | 01/01/97 | 15,000,000 | 15,000,000 | 14,969,850 |
| Morgan Stanley | 7.320 | 01/15/97 | 1,000,000 | 1,000,000 | 1,059,740 |
| Ford Motor Credit (MTN) | 9.300 | 02/18/97 | 5,900,000 | 5,878,121 | 6,594,076 |
| GMAC (MTN) | 7.900 | 03/12/97 | 9,700,000 | 10,217,483 | 10,373,374 |
| Beneficial Corp (MTN) | 9.125 | 03/12/97 | 10,000,000 | 10,000,000 | 11,166,000 |
| MCA (MTN) | 7.550 | 03/28/97 | 10,000,000 | 10,099,202 | 10,722,900 |
| Hamilton Tennessee | 7.875 | 04/01/97 | 10,555,000 | 10,915,417 | 11,226,404 |
| International Lease Fin. Corp. | 5.500 | 04/01/97 | 6,900,000 | 6,894,541 | 6,954,027 |
| Shearson Lehman Bros Holdings | 8.375 | 04/01/97 | 8,905,000 | 9,704,258 | 9,671,899 |
| GMAC (MTN) | 7.800 | 04/10/97 | 4,980,000 | 5,307,994 | 5,318,640 |
| Phillip Morris | 9.750 | 05/01/97 | 14,344,000 | 16,091,822 | 16,260,215 |
| Ford Motor Credit (MTN) | 9.150 | 05/07/97 | 2,500,000 | 2,506,903 | 2,795,875 |
| Ford Motor Credit (MTN) | 9.350 | 06/10/97 | 5,160,000 | 5,066,094 | 5,806,961 |
| Phillip Morris Cos. Inc. | 8.750 | 06/15/97 | 7,900,000 | 8,792,772 | 8,733,766 |
| Shearson Lehman Hutton Inc. | 9.500 | 06/15/97 | 27,005,000 | 29,606,467 | 30,363,882 |
| Signet Credit Card TR 90-1 B | 9.400 | 06/15/97 | 6,000,000 | 6,514,910 | 6,462,186 |
| Phillip Morris Cos Inc. | 8.875 | 07/01/97 | 9,350,000 | 10,226,008 | 10,203,094 |
| GMAC (MTN) | 7.100 | 07/01/97 | 4,300,000 | 4,502,840 | 4,502,573 |
| Ford Motor Co. | 5.300 | 07/01/97 | 10,000,000 | 10,000,000 | 9,962,000 |
| GMAC (MTN) | 6.750 | 07/10/97 | 5,000,000 | 5,182,002 | 5,181,650 |
| Salomon Inc. (MTN) | 5.800 | 07/15/97 | 10,000,000 | 10,000,000 | 10,066,300 |
| Standard Cr. CD Master TR 91-1A | 8.500 | 08/07/97 | 5,000,000 | 5,394,028 | 5,425,000 |
| GMAC (MTN) | 6.250 | 09/12/97 | 10,000,000 | 10,180,537 | 10,186,700 |
| Ford Motor Credit (MTN) | 10.150 | 09/18/97 | 3,000,000 | 3,023,258 | 3,475,770 |
| Ford Motor Credit (MTN) | 10.550 | 10/09/97 | 3,000,000 | 3,060,820 | 3,515,970 |
| Phillip Morris | 9.250 | 12/01/97 | 1,750,000 | 1,860,973 | 1,978,270 |
| Associates Corp of N.A. | 8.375 | 01/15/98 | 7,000,000 | 6,968,800 | 7,718,550 |
| International Lease Fin. Corp. | 5.870 | 02/13/98 | 6,000,000 | 6,101,033 | 6,064,920 |
| GTE Corp. | 8.850 | 03/01/98 | 5,000,000 | 5,000,000 | 5,579,100 |
| Heller Financial | 9.375 | 03/15/98 | 8,000,000 | 8,301,951 | 9,087,040 |
| Carco Auto Loan Master TR | 7.875 | 03/15/98 | 10,000,000 | 10,094,065 | 10,700,000 |
| Bear Stearns | 9.125 | 04/15/98 | 20,350,000 | 22,900,193 | 22,949,306 |
| Merrill Lynch | 9.000 | 05/01/98 | 6,990,000 | 7,231,832 | 7,898,560 |
| First Chicago | 8.500 | 06/01/98 | 13,200,000 | 13,214,472 | 14,635,104 |
| Heller Financial MTN | 9.625 | 09/01/98 | 5,000,000 | 5,222,251 | 5,780,250 |
| International Lease Fin. Corp. | 8.350 | 10/01/98 | 6,434,000 | 7,188,382 | 7,117,677 |
| GCC Home Equity TR 90-1 7-15-5 | 10.000 | 01/15/99 | 10,086,038 | 10,055,549 | 10,842,491 |
| Phillip Morris Cos. Inc. | 8.625 | 03/01/99 | 5,000,000 | 5,530,808 | 5,600,800 |
| Chrysler Building of NY | 9.125 | 05/01/99 | 18,000,000 | 17,889,019 | 20,271,600 |

# 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 | $ 20,837,145 | $ 21,511,304 |
| B.A.T. Cap Corp. | 7.250 | 07/15/99 | 5,000,000 | 4,989,349 | 5,309,000 |
| Columbia University (MTN) | 8.040 | 11/05/99 | 1,900,000 | 1,946,438 | 2,088,746 |
| B.A.T. Capital Corp-Rule 144A | 6.460 | 01/17/00 | 5,800,000 | 5,800,000 | 5,897,846 |
| Merrill Lynch & Co. | 6.140 | 01/26/00 | 5,000,000 | 5,000,000 | 5,130,400 |
| Associates Corp. of N.A. | 9.125 | 04/01/00 | 7,000,000 | 6,990,121 | 8,185,380 |
| Mid-Penn Telephone Co. | 9.500 | 05/01/00 | 540,000 | 540,000 | 540,000 |
| Western Reserve Telephone | 9.375 | 05/15/00 | 290,000 | 290,000 | 290,000 |
| B.A.T. Capital Corp-Rule 144A | 5.780 | 10/13/00 | 10,000,000 | 10,000,000 | 9,700,700 |
| General Motors Corp. | 9.625 | 12/01/00 | 7,650,000 | 8,948,125 | 9,011,165 |
| GTE Corp. | 9.375 | 12/01/00 | 3,000,000 | 3,043,727 | 3,522,990 |
| Beneficial | 9.450 | 03/05/01 | 3,000,000 | 3,381,492 | 3,553,860 |
| Union Pacific | 9.110 | 03/05/01 | 10,000,000 | 9,942,753 | 11,664,300 |
| Beneficial Corp. (MTN) | 9.450 | 03/07/01 | 10,000,000 | 10,014,807 | 11,847,300 |
| Beneficial Corp. (MTN) | 9.500 | 03/08/01 | 10,000,000 | 10,000,000 | 11,915,500 |
| Merrill Lynch | 8.180 | 05/06/02 | 15,000,000 | 14,979,554 | 16,236,750 |
| Cooker Rest. Cor Con Sub Deb | 6.750 | 10/01/02 | 150,000 | 150,738 | 141,000 |
| B.A.T. Capital Corp-Rule 144A | 6.875 | 04/15/03 | 10,000,000 | 10,182,012 | 10,125,300 |
| GMAC (MTN) | 8.850 | 03/14/96 | 5,000,000 | 5,007,437 | 5,379,550 |
| Phillip Morris | 7.500 | 03/15/97 | 7,945,000 | 7,917,643 | 8,465,159 |
| ITT Financial | 8.350 | 11/01/04 | 10,450,000 | 10,310,031 | 11,718,944 |
| Soo Line Corp | 7.945 | 02/20/05 | 12,391,027 | 12,132,177 | 12,391,027 |
| Shearson Lehman Bros. Inc. | 11.625 | 05/15/05 | 6,400,000 | 7,237,926 | 8,699,776 |
| USX Corp | 0.000 | 08/09/05 | 25,000,000 | 10,114,291 | 10,593,750 |
| ITT Financial Corp. | 8.750 | 03/01/06 | 11,000,000 | 11,287,138 | 12,498,750 |
| ITT Financial | 8.875 | 06/01/10 | 3,000,000 | 3,000,000 | 3,585,000 |
| Xerox Corp. | 13.250 | 09/01/14 | 6,500,000 | 8,167,370 | 7,284,355 |
| General Electric Credit | 8.250 | 05/01/18 | 11,640,000 | 11,644,708 | 12,627,538 |
| **Total corporate bonds and obligations** | | | **$891,905,065** | **$897,484,682** | **$950,612,442** |

# CANADIAN BONDS AND OBLIGATIONS:

| | | | | | |
|---|---|---|---|---|---|
| Ontario (Prov of) | 5.700% | 10/01/97 | $ 10,000,000 | $ 9,958,210 | $ 10,150,500 |
| Quebec (Prov of) MTN | 8.760 | 02/14/01 | 10,000,000 | 10,809,665 | 11,393,100 |
| Quebec (Prov of) MTN | 8.690 | 02/22/01 | 6,945,000 | 7,267,119 | 7,902,299 |
| Quebec (Prov of) | 7.500 | 07/15/02 | 1,145,000 | 1,142,590 | 1,224,509 |
| Nova Scotia | 8.250 | 11/15/19 | 5,000,000 | 4,818,582 | 5,681,800 |
| Hydro Quebec | 9.400 | 02/01/21 | 6,015,000 | 7,555,568 | 7,412,766 |
| Nova Scotia (Prov of) | 9.125 | 05/01/21 | 10,000,000 | 11,955,631 | 11,928,600 |
| **Total Canadian bonds and obligations** | | | **$ 49,105,000** | **$ 53,507,365** | **$ 55,693,574** |
| **Total bonds and obligations** | | | **$ 2,115,928,048** | **$ 2,216,690,847** | **$ 2,333,099,955** |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

## COMMERCIAL PAPER

| SECURITY NAME | YIELD | MATURITY | BOOK VALUE | MARKET VALUE |
|---|---|---|---|---|
| Salomon Inc. | 3.580% | 01/03/94 | $ 6,998,536 | $ 6,998,536 |
| Circus Circus Inc. | 3.600 | 01/03/94 | 9,997,914 | 9,997,914 |
| OES Fuel Inc. | 3.530 | 01/03/94 | 8,016,379 | 8,016,379 |
| Textron Finance Corp. | 3.520 | 01/04/94 | 9,996,955 | 9,996,955 |
| Baxter International Inc. | 3.570 | 01/04/94 | 8,605,331 | 8,605,331 |
| Salomon Inc. | 3.550 | 01/04/94 | 6,700,937 | 6,700,937 |
| IBM Credit Corp. | 3.430 | 01/05/94 | 9,373,327 | 9,373,327 |
| GMAC | 3.270 | 01/06/94 | 8,795,989 | 8,795,989 |
| Greyhound Finance | 3.520 | 01/06/94 | 10,494,797 | 10,494,797 |
| Occidental Petroleum Corp. | 3.510 | 01/07/94 | 6,456,194 | 6,456,194 |
| Sears Acceptance Corp. | 3.500 | 01/07/94 | 7,476,590 | 7,476,590 |
| Niantic Bay Fuel Trust | 3.570 | 01/10/94 | 14,986,510 | 14,986,510 |
| Georgia Power Co. | 3.540 | 01/11/94 | 14,985,139 | 14,985,139 |
| Whirlpool Finance | 3.300 | 01/12/94 | 9,000,891 | 9,000,891 |
| Caterpiller Financial Services | 3.400 | 01/12/94 | 11,378,117 | 11,378,117 |
| Borden Inc. | 3.550 | 01/13/94 | 7,690,795 | 7,690,795 |
| Kerr McGee Credit Corp. | 3.375 | 01/13/94 | 6,992,107 | 6,992,107 |
| Greyhound Financial Services | 3.400 | 01/13/94 | 6,992,034 | 6,992,034 |
| Detroit Edison Co. | 3.390 | 01/14/94 | 6,621,862 | 6,621,862 |
| Kerr McGee Credit Corp. | 3.400 | 01/14/94 | 4,794,098 | 4,794,098 |
| Circus Circus Inc. | 3.600 | 01/14/94 | 6,990,810 | 6,990,810 |
| GATX Capital | 3.430 | 01/18/94 | 9,983,756 | 9,983,756 |
| GMAC | 3.280 | 01/18/94 | 6,489,930 | 6,489,930 |
| Borden Inc. | 3.450 | 01/19/94 | 6,987,898 | 6,987,898 |
| Borden Inc. | 3.450 | 01/19/94 | 6,987,893 | 6,987,893 |
| Intenational Paper Co. | 3.480 | 01/19/94 | 4,991,270 | 4,991,270 |
| Whirlpool Finance | 3.270 | 01/20/94 | 7,986,164 | 7,986,164 |
| Greyhound Finance Corp. | 3.400 | 01/20/94 | 9,582,726 | 9,582,726 |
| Kerr McGee Credit Corp. | 3.400 | 01/21/94 | 11,877,495 | 11,877,495 |
| Textron Finance Corp. | 3.520 | 01/21/94 | 9,980,374 | 9,980,374 |
| Whirlpool Finance | 3.270 | 01/24/94 | 9,979,085 | 9,979,085 |
| CSX Corp. | 3.380 | 01/24/94 | 8,980,519 | 8,980,519 |
| Whirlpool Finance | 3.400 | 01/25/94 | 4,988,662 | 4,988,662 |
| Penn Fuel Corp. | 3.520 | 01/25/94 | 11,303,307 | 11,303,307 |
| International Paper Co. | 3.550 | 01/26/94 | 9,975,250 | 9,975,250 |
| Caterpillar Finance | 3.400 | 01/26/94 | 3,441,846 | 3,441,846 |
| GMAC | 3.280 | 01/27/94 | 9,976,265 | 9,976,265 |
| CSX Corp. | 3.380 | 01/27/94 | 8,828,346 | 8,828,346 |
| Conagra Inc. | 3.500 | 01/28/94 | 11,320,099 | 11,320,099 |
| GATX Capital Corp. | 3.400 | 01/28/94 | 5,515,891 | 5,515,891 |
| GMAC | 3.280 | 01/31/94 | 6,960,918 | 6,960,918 |
| Niantic Bay Fuel Trust | 3.570 | 01/31/94 | 8,713,886 | 8,713,886 |
| Salomon Inc. | 3.350 | 02/01/94 | 6,979,769 | 6,979,769 |
| Sears Acceptance Corp. | 3.250 | 02/01/94 | 9,971,966 | 9,971,966 |
| Baxter International Inc. | 3.400 | 02/01/94 | 6,979,466 | 6,979,466 |
| Crysler Financial Corp. | 3.250 | 02/02/94 | 10,878,441 | 10,878,441 |
| Beneficial Corp. | 3.220 | 02/03/94 | 10,561,697 | 10,561,697 |
| Conagra Inc. | 3.450 | 02/04/94 | 10,395,914 | 10,395,914 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| SECURITY NAME | YIELD | MATURITY | BOOK VALUE | MARKET VALUE |
| --- | --- | --- | --- | --- |
| Beneficial Corp. | 3.220% | 02/07/94 | $ 9,966,868 | $ 9,966,868 |
| Beneficial Corp. | 3.220 | 02/08/94 | 9,965,972 | 9,965,972 |
| Chrysler Financial Corp. | 3.450 | 02/09/94 | 11,955,136 | 11,955,136 |
| Chrysler Financial Corp. | 3.450 | 02/10/94 | 4,980,831 | 4,980,831 |
| **Total commercial paper** | | | **$450,832,952** | **$450,832,952** |

# COMMON STOCKS:

| | SHARES | COST | MARKET VALUE |
| --- | --- | --- | --- |
| Ace Limited | 130,000 | $ 3,919,999 | $ 4,046,250 |
| AFLAC Inc. | 212,500 | 3,888,050 | 6,056,250 |
| AMR Corp. Del. | 11,686 | 679,862 | 782,962 |
| Abbott Labs. | 99,775 | 874,983 | 2,955,834 |
| Acme Cleveland | 55,000 | 614,270 | 522,500 |
| Action Auto Rental, Inc. | 85,800 | 1,608,750 | 32,175 |
| Advanced Micro Devices, Inc. | 133,407 | 2,594,691 | 2,367,974 |
| Aetna Life & Casualty | 17,148 | 812,983 | 1,035,311 |
| Agency Rent A Car, Inc. | 50,000 | 475,469 | 656,250 |
| Ahmanson (H F) & Co. | 28,719 | 496,795 | 563,610 |
| Air Products & Chemical | 21,489 | 673,231 | 950,888 |
| Alberto Culver Class B | 16,915 | 404,809 | 391,159 |
| Albertson's, Inc. | 116,038 | 2,369,684 | 3,104,017 |
| Alco Standard Corp. | 12,596 | 420,805 | 689,631 |
| Alexander & Alexander | 29,122 | 633,938 | 567,879 |
| Allen Group | 20,000 | 329,950 | 362,500 |
| Allergan Inc. Com. | 17,212 | 414,384 | 389,422 |
| Alliedsignal Inc. | 118,594 | 7,079,787 | 9,368,926 |
| Aluminum Co. of America | 19,370 | 1,120,219 | 1,343,794 |
| Alza Corporation | 20,173 | 604,586 | 569,887 |
| Amcast Industrial | 35,000 | 424,515 | 739,375 |
| Amerada Hess Corp. | 18,215 | 819,684 | 821,952 |
| Amdahl Corp. | 79,527 | 686,952 | 477,162 |
| American Barrick Resources | 7,394 | 207,497 | 209,805 |
| American Brands, Inc. | 41,629 | 1,228,428 | 1,384,164 |
| American Cyanamid Co. | 19,745 | 969,161 | 992,186 |
| American Electric Power | 48,967 | 1,443,771 | 1,817,900 |
| American Express | 334,709 | 8,795,594 | 10,334,140 |
| American General Corp. | 35,640 | 684,421 | 1,020,195 |
| American Greetings Corp. | 76,100 | 1,252,273 | 2,587,400 |
| American Home Products | 40,302 | 1,780,757 | 2,609,555 |
| American International | 139,517 | 9,614,603 | 12,242,617 |
| American Medical Holdings | 150,000 | 2,797,845 | 2,925,000 |
| American Power Conv. | 24,900 | 479,325 | 591,375 |
| American Stores Co. | 15,982 | 516,982 | 687,226 |
| American Tel & Tel Co. | 228,470 | 8,741,963 | 11,994,675 |
| Ameritech Corp. New | 35,512 | 1,892,560 | 2,725,546 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Amgen, Inc. | 21,347 | $ 1,252,397 | $ 1,056,677 |
| Amp Inc. | 19,543 | 824,279 | 1,233,652 |
| Amoco Corp. | 58,493 | 2,619,052 | 3,092,817 |
| Andrew Corporation | 101,067 | 2,602,305 | 3,891,080 |
| Anheuser Busch Cos. Com. Inc. | 270,267 | 11,102,284 | 13,276,866 |
| Apache Corp. | 15,200 | 348,369 | 355,300 |
| Apple Computer Inc. | 22,796 | 859,276 | 666,783 |
| Archer Daniels Midland | 52,187 | 755,970 | 1,187,254 |
| Arkla, Inc. | 61,059 | 720,160 | 480,840 |
| Armco, Inc. | 81,626 | 449,847 | 499,959 |
| Armstrong World Industrial | 8,990 | 254,038 | 478,718 |
| Asarco, Inc. | 25,601 | 619,900 | 585,623 |
| Ashland Oil | 97,733 | 3,261,939 | 3,335,139 |
| Atlantic Richfield Co. | 64,794 | 6,292,740 | 6,819,569 |
| Atlantic Southeast Airlines | 130,000 | 4,112,490 | 4,452,500 |
| Autodesk, Inc. | 13,554 | 456,903 | 609,930 |
| Automatic Data Process | 21,386 | 561,452 | 1,181,577 |
| Autozone, Inc. | 19,100 | 1,058,106 | 1,093,475 |
| Avery Dennison Corp. | 23,601 | 610,742 | 693,279 |
| Avnet, Inc. | 50,000 | 1,584,250 | 1,950,000 |
| Avon Products | 134,922 | 5,878,410 | 6,560,582 |
| Baker Hughes, Inc. | 40,373 | 873,484 | 807,460 |
| Ball Corporation | 12,401 | 372,361 | 375,130 |
| Bally Mfg. Corp. | 44,208 | 321,967 | 375,768 |
| Baltimore Gas & Electric | 33,690 | 655,819 | 854,884 |
| Banc One Corp. | 236,955 | 6,753,962 | 9,270,864 |
| Bank of Boston | 30,886 | 468,709 | 710,378 |
| Bankamerica Corp. | 206,897 | 7,197,937 | 9,594,848 |
| Bard (C.R.) Inc. | 19,147 | 477,739 | 483,462 |
| Barnett Banks, Inc. | 16,610 | 570,031 | 689,315 |
| Barry (R.G.) | 30,000 | 177,310 | 457,500 |
| Bassett Furniture | 11,260 | 276,746 | 394,100 |
| Bausch & Lomb | 16,108 | 489,479 | 825,535 |
| Baxter Int'l. Inc. Com. | 44,749 | 940,469 | 1,090,757 |
| Bearings Inc. Com. New | 35,000 | 640,372 | 993,125 |
| Becton, Dickinson | 158,085 | 5,032,404 | 5,651,539 |
| Bell Atlantic Corp. | 47,641 | 1,822,500 | 2,822,729 |
| Bellsouth Corp. | 60,184 | 1,998,482 | 3,490,672 |
| Bemis Co. | 17,086 | 365,260 | 403,657 |
| Beneficial Corp. | 9,948 | 292,807 | 380,511 |
| Bethlehem Steel | 27,437 | 340,730 | 559,029 |
| Beverly Enterprises | 38,246 | 349,498 | 506,760 |
| Biomet, Inc. | 44,938 | 644,395 | 460,615 |
| Birmingham Steel Corp. | 72,259 | 2,005,187 | 2,005,187 |
| Black & Decker | 210,714 | 4,640,911 | 4,161,602 |
| Block (H & R) | 20,416 | 448,112 | 831,952 |
| Blockbuster Entertainment | 50,224 | 937,092 | 1,538,110 |
| Boatmens Bancshares Inc. | 28,586 | 721,053 | 854,007 |
| Bob Evans Com. | 69,334 | 1,098,376 | 1,516,681 |
| Boeing Co. | 47,192 | 1,412,666 | 2,041,054 |
| Boise Cascade Corp. | 20,466 | 431,067 | 480,951 |
| Bombay Co., Inc. | 12,200 | 571,082 | 549,000 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Borden, Inc. | 54,834 | $ 1,302,663 | $ 932,178 |
| Briggs & Stratton | 4,438 | 196,662 | 366,135 |
| Brinker Int'l. | 15,500 | 708,691 | 713,000 |
| Bristol Myers Squibb Co. | 185,486 | 9,821,945 | 10,804,560 |
| British Telecom. PLC ADR | 89,600 | 6,317,886 | 6,372,800 |
| Brown Forman | 5,751 | 424,047 | 501,775 |
| Brown Group, Inc. | 11,316 | 289,807 | 391,817 |
| Browining & Ferris Industrie | 29,714 | 639,071 | 765,136 |
| Bruno's Inc. | 42,471 | 472,028 | 376,930 |
| Brunswick Corp. | 30,260 | 380,436 | 544,680 |
| Brush Wellman, Inc. | 35,000 | 626,456 | 498,750 |
| Burlington Northern | 15,265 | 418,925 | 883,462 |
| Burlington Res., Inc. | 8,320 | 375,686 | 352,560 |
| CBI Industries | 1,800 | 47,808 | 54,675 |
| CBS Inc. | 17,935 | 3,294,581 | 5,174,248 |
| CCP Insurance Inc. | 125,000 | 3,863,395 | 3,484,375 |
| Cigna Corp. | 13,409 | 729,429 | 841,415 |
| CML Group, Inc. | 262,500 | 4,532,750 | 6,201,563 |
| CNA Financial Corp. | 10,840 | 833,585 | 840,100 |
| CPC International, Inc. | 25,526 | 792,592 | 1,215,676 |
| CSX Corp. Com. | 16,755 | 735,201 | 1,371,816 |
| Cabletron Systems | 4,300 | 479,708 | 483,750 |
| Campbell Soup Co. | 141,187 | 5,072,386 | 5,788,667 |
| Capital Cities/ABC Inc. | 2,406 | 1,013,705 | 1,490,517 |
| Capital Holding Corp. | 19,412 | 466,254 | 720,671 |
| Capitol American Financial | 29,500 | 724,595 | 634,250 |
| Carolina Power & Light | 29,716 | 670,430 | 895,195 |
| Caterpillar Inc. | 14,495 | 537,903 | 1,290,055 |
| Centex Corp. | 28,998 | 857,381 | 1,217,916 |
| Central & Southwest Co. | 29,658 | 619,714 | 897,155 |
| Century Telephone Entepris | 170,000 | 4,546,803 | 4,377,500 |
| Ceridan Corp. | 19,372 | 156,500 | 368,068 |
| Champion International | 25,153 | 666,876 | 839,481 |
| Charter One Financial | 52,000 | 330,729 | 1,027,000 |
| Charming Shoppes, Inc. | 47,207 | 480,494 | 560,583 |
| Chart Industries, Inc. | 20,000 | 113,075 | 115,000 |
| Chase Manhatten Corp. | 150,649 | 4,683,681 | 5,103,235 |
| Chase Manhattan Corp. Warran | 763 | 3,815 | 6,199 |
| Chelsea Properties | 5,000 | 137,500 | 135,625 |
| Chemed Corp. | 20,000 | 686,048 | 610,000 |
| Chemical Banking Corp. | 57,607 | 1,791,660 | 2,311,481 |
| Chempower Inc. | 30,000 | 237,875 | 101,250 |
| Chevron Corp. | 61,120 | 3,754,934 | 5,325,080 |
| Chrysler Corp. | 428,033 | 13,756,382 | 22,792,757 |
| Chubb Corp. | 12,699 | 594,183 | 988,935 |
| Cincinnati Bell Inc. Holding | 20,000 | 377,650 | 360,000 |
| Cincinnati Financial | 89,450 | 4,848,000 | 4,785,575 |
| Cincinnati Microwave | 35,090 | 167,645 | 307,038 |
| Cincinnati Milacron | 122,883 | 2,121,482 | 2,703,426 |
| Circuit City Stores | 227,208 | 3,755,635 | 4,941,774 |
| Cisco Systems | 19,400 | 1,227,610 | 1,253,725 |
| Citicorp | 420,114 | 11,101,250 | 15,491,704 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Clark Equipment Co. | 11,878 | $ 279,989 | $ 622,110 |
| Clorox Co. | 11,277 | 422,199 | 611,777 |
| Coastal Corp. | 22,220 | 655,953 | 627,715 |
| Coca Cola Co. | 294,175 | 8,041,610 | 13,127,559 |
| Colgate Palmolive Co. | 25,037 | 858,038 | 1,561,683 |
| Columbia Gas Systems | 23,606 | 550,641 | 528,184 |
| Columbia Healthcare Corp. | 23,843 | 499,459 | 789,799 |
| Comcast Corp. CL & SPL | 84,768 | 2,937,185 | 3,051,648 |
| Commercial Intertec Co. | 20,000 | 301,517 | 390,000 |
| Commonwealth Edison | 34,789 | 1,099,850 | 978,441 |
| Community Psych Center | 31,740 | 376,556 | 444,360 |
| Compaq Computer | 102,575 | 6,101,868 | 7,577,728 |
| Computer Assoc. Int'l. | 278,911 | 4,173,104 | 11,156,440 |
| Computer Sciences | 38,043 | 3,037,702 | 3,785,279 |
| Conagra Inc. | 35,156 | 875,873 | 927,240 |
| Conrail Inc. Com. | 75,007 | 3,993,056 | 5,016,093 |
| Consolidated Edison | 39,984 | 897,448 | 1,284,486 |
| Consolidated Freightway | 20,107 | 367,784 | 475,028 |
| Consolidated Natural Gas | 16,467 | 695,118 | 773,949 |
| Consolidated Stores | 45,000 | 406,639 | 894,375 |
| Continental Bank | 230,000 | 4,818,114 | 6,066,250 |
| Continental Corp. | 17,526 | 475,411 | 484,156 |
| Coop Industries, Inc. | 157,142 | 6,384,787 | 7,739,244 |
| Cooper Tire & Rubber | 62,310 | 526,739 | 1,557,750 |
| Coors (Adolph) Co. B | 43,616 | 661,361 | 708,760 |
| Corestates Financial Corp. | 23,929 | 531,367 | 625,145 |
| Corning, Inc. | 36,087 | 897,114 | 1,010,436 |
| Countrywide Credit Ind., In | 189,100 | 5,515,499 | 4,751,138 |
| Crane Co. | 15,002 | 358,284 | 371,300 |
| Cray Reserch, Inc. | 14,500 | 382,404 | 371,563 |
| Crown America Realty Trust | 61,300 | 1,045,655 | 919,500 |
| Crown Cork & Seal | 102,308 | 3,459,462 | 4,284,148 |
| Cummins Engine Co. | 79,654 | 3,740,567 | 4,281,403 |
| Cyprus Amac Minerals Co. | 24,057 | 588,392 | 622,475 |
| DPL, Inc. | 45,000 | 907,576 | 928,125 |
| DSC Communications Corp. | 168,048 | 10,000,668 | 10,334,952 |
| Dana Corp. | 24,341 | 843,626 | 1,457,417 |
| Data General Corp. | 48,210 | 508,443 | 451,969 |
| Dayton Hudson | 99,012 | 7,181,221 | 6,596,675 |
| Dean Witter Discover & Co. | 25,553 | 722,403 | 884,773 |
| Deere & Co. | 45,444 | 2,774,088 | 3,362,856 |
| Delta Airlines | 12,245 | 624,922 | 668,883 |
| Deluxe Corp. | 24,764 | 833,046 | 897,695 |
| Detroit Edison Co. | 25,774 | 716,179 | 773,220 |
| DeVry, Inc. | 6,672 | 166,800 | 186,816 |
| Dial Corp. | 132,742 | 5,122,464 | 5,359,458 |
| Diebold, Inc. | 18,000 | 504,875 | 1,084,500 |
| Digital Equipment Corp. | 90,908 | 5,775,025 | 3,113,599 |
| Dillard Dept. Stores A | 140,639 | 5,437,078 | 5,344,282 |
| Walt Disney Co. | 65,013 | 950,676 | 2,771,179 |
| Dole Food Co. | 160,000 | 5,942,352 | 4,280,000 |
| Dollar General Corp. | 139,452 | 911,874 | 4,183,560 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Dominion Resources Inc. | 25,387 | $ 768,564 | $ 1,515,935 |
| Donnelley R R & Sons | 31,349 | 670,654 | 975,738 |
| Dover Corp. | 11,311 | 355,103 | 687,143 |
| Dow Chemical Co. | 38,859 | 2,098,709 | 2,205,248 |
| Dow Jones & Co. | 24,470 | 649,547 | 874,803 |
| Dresser Industries Inc. | 46,887 | 582,815 | 972,905 |
| Dreyfus Corp. | 180,000 | 6,927,497 | 8,100,000 |
| E.I. DuPont DeNemours | 76,390 | 1,804,029 | 3,685,818 |
| Duke Power Co. | 31,720 | 812,768 | 1,344,135 |
| Dun & Bradstreet | 27,557 | 1,330,160 | 1,698,200 |
| Duracell International Inc. | 122,000 | 4,308,570 | 4,376,750 |
| E.G. & G., Inc. | 27,766 | 554,634 | 510,200 |
| Essef Corp. | 40,000 | 360,625 | 530,000 |
| E Systems | 60,857 | 2,504,471 | 2,639,672 |
| Eastern Enterprises | 14,656 | 381,922 | 373,728 |
| Eastern Utilities Association | 80,000 | 2,242,304 | 2,240,000 |
| Eastman Kodak Co. | 40,091 | 533,208 | 2,255,119 |
| Eaton Corp. | 23,608 | 633,265 | 1,192,204 |
| Echlin, Inc. | 240,639 | 5,029,444 | 8,001,247 |
| Ecolab, Inc. | 8,204 | 250,924 | 369,180 |
| A.G. Edwards, Inc. | 1 | 0 | 29 |
| Emerson Electric | 32,702 | 1,106,788 | 1,970,296 |
| Englehard Corp. | 33,165 | 444,470 | 808,397 |
| Enron Corp. | 42,315 | 584,626 | 1,227,135 |
| Ensearch Corp. | 29,406 | 521,194 | 477,848 |
| Entergy Corp. New | 96,659 | 2,889,499 | 3,455,559 |
| Equitable Companies, Inc. | 250,000 | 7,211,775 | 6,750,000 |
| Ethyl Corp. | 33,976 | 580,271 | 594,580 |
| Exxon Corp. | 157,157 | 5,544,244 | 9,920,536 |
| FMC Group | 10,599 | 452,193 | 499,478 |
| FPL Group, Inc. | 23,926 | 752,434 | 936,105 |
| Fabri Centers of America | 25,000 | 386,902 | 468,750 |
| Fedders USA, Inc. | 62,159 | 299,684 | 396,264 |
| Federal Express | 46,429 | 2,977,993 | 3,290,655 |
| Federal Home Loan Mts. Corp. | 175,746 | 8,622,564 | 8,765,332 |
| Federal National Mort. Asso. | 127,906 | 6,519,964 | 10,040,621 |
| Federal Paper Board | 16,978 | 416,374 | 360,783 |
| Federated Dept. Stores | 235,000 | 4,732,305 | 4,876,250 |
| Ferro Corp. | 37,500 | 416,880 | 1,200,000 |
| Fifth Third Bancorp Com | 98,500 | 4,388,450 | 5,097,375 |
| Figgie Int'l., Inc. Class A | 30,000 | 523,500 | 408,750 |
| First of America Bank | 90,000 | 3,535,760 | 3,532,500 |
| First Chicago Corp. | 102,173 | 4,006,026 | 4,418,982 |
| First Colony Corp. | 132,300 | 3,836,964 | 3,357,113 |
| First FID Bancorp New Com. | 73,380 | 3,263,067 | 3,338,790 |
| First Financial Management | 205,000 | 8,786,535 | 11,633,750 |
| First Interstate Bancorp | 92,719 | 4,711,844 | 5,945,606 |
| First Mississippi Corp. | 30,830 | 292,104 | 404,644 |
| First Union Corp. | 22,880 | 609,115 | 943,800 |
| First Union Real Estate | 95,000 | 1,303,642 | 914,375 |
| Fleet Financial Corp. | 21,925 | 494,993 | 731,747 |
| Fleetwood Enterprises | 20,822 | 363,295 | 494,523 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Fleming Companies, Inc. | 18,649 | $ 615,698 | $ 461,563 |
| Fluor Corp. | 18,819 | 722,465 | 762,170 |
| Ford Motor Co. | 57,596 | 1,474,073 | 3,714,942 |
| Foster Wheeler Corp. | 17,928 | 461,393 | 600,588 |
| Franklin Resources, Inc. | 6,300 | 286,404 | 289,013 |
| Freeport McMoran | 300,000 | 5,747,298 | 5,925,000 |
| GC Companies, Inc. | 15,000 | 417,184 | 519,375 |
| GFC Financial Corp. | 173,100 | 5,106,969 | 5,019,900 |
| GTE Corp. Com. | 117,536 | 2,447,056 | 4,113,760 |
| Gannett Co. | 90,244 | 4,560,557 | 5,166,469 |
| Gap (The) Inc. | 27,807 | 685,720 | 1,094,901 |
| Gencorp | 43,074 | 680,200 | 613,805 |
| Genentech Inc. | 10,000 | 486,850 | 505,000 |
| General Dynamics | 6,571 | 224,779 | 606,175 |
| General Electric | 262,213 | 17,659,386 | 27,499,588 |
| General Instrument | 6,400 | 347,584 | 361,600 |
| General Mills Inc. | 23,446 | 614,450 | 1,424,345 |
| General Motors Corp. | 272,907 | 11,001,780 | 14,975,772 |
| General Motors Corp. Class E | 150,000 | 4,208,653 | 4,387,500 |
| General Re Corp. | 47,690 | 4,099,463 | 5,102,830 |
| General Signal Corp. | 10,827 | 281,344 | 372,178 |
| Genesco Inc. | 70,126 | 443,907 | 368,162 |
| Geon Company | 253,800 | 5,962,690 | 5,996,025 |
| Genuine Parts Co. | 22,287 | 579,300 | 838,548 |
| Georgia Gulf Corp. | 122,000 | 2,105,232 | 2,729,750 |
| Georgia Pacific | 12,650 | 723,672 | 869,688 |
| Gerber Products | 20,324 | 557,748 | 576,694 |
| Giant Food, Inc. | 19,707 | 449,137 | 507,455 |
| Gibson Greetings | 30,000 | 606,925 | 633,750 |
| Giddings & Lewis | 18,268 | 412,927 | 470,401 |
| Gillette Co. | 92,938 | 4,079,930 | 5,541,428 |
| Golden West Financial | 14,612 | 443,575 | 569,868 |
| Goodrich (B.F.) | 21,160 | 826,850 | 851,690 |
| Goodyear Tire & Rubber | 245,874 | 6,845,494 | 11,248,736 |
| Gorman Rupp & Co. | 24,000 | 591,728 | 624,000 |
| W.R. Grace & Co. | 18,612 | 453,783 | 756,113 |
| Grainger (W.W.) Inc. | 12,333 | 380,928 | 709,148 |
| Great Atlantic & Pacific TE | 20,468 | 689,515 | 552,636 |
| Great Lakes Chemical | 73,397 | 5,097,171 | 5,477,251 |
| Great Western Financial | 41,525 | 640,663 | 830,500 |
| Grumman Corp. | 9,662 | 182,798 | 381,649 |
| Halliburton Co. | 33,990 | 1,072,750 | 1,083,431 |
| Handleman Co. | 37,043 | 466,383 | 490,820 |
| Hanna (M.A.) Co. | 47,000 | 1,001,838 | 1,533,375 |
| Harcourt General Inc. | 167,227 | 4,352,838 | 6,061,979 |
| John H. Harland Co. | 17,208 | 394,494 | 372,123 |
| Harley Davidson, Inc. | 50,000 | 2,166,750 | 2,206,250 |
| Harnischfeger Ind. | 21,775 | 389,973 | 489,938 |
| Harris Corp. | 13,351 | 340,927 | 607,471 |
| Hartmarx Corp. | 51,686 | 352,236 | 361,802 |
| Hasbro, Inc. | 122,752 | 3,926,241 | 4,449,760 |
| Health Care Reit | 16,000 | 240,560 | 366,000 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Heilig Meyers & Co. | 167,600 | $ 3,758,212 | $ 6,536,400 |
| Heinz H. J. | 42,091 | 942,753 | 1,510,015 |
| Helmrich & Payne, Inc. | 18,006 | 431,736 | 501,917 |
| Hercules, Inc. | 79,660 | 2,980,593 | 9,041,410 |
| Hershey Foods Corp. | 14,483 | 582,334 | 709,667 |
| Hewlett Packard | 30,747 | 1,802,020 | 2,429,013 |
| Hillenbrand, Ind. Inc. | 22,800 | 1,080,355 | 949,050 |
| Hilton Hotels Corp. | 10,824 | 458,852 | 657,558 |
| Home Depot, Inc. | 188,826 | 6,515,741 | 7,458,627 |
| Homestake Mining & Co. | 35,364 | 484,202 | 778,008 |
| Honeywell, Inc. | 179,463 | 4,976,901 | 6,146,608 |
| Hook—Super X, Inc. | 25,000 | 236,525 | 178,125 |
| Household International | 22,827 | 568,997 | 744,731 |
| Houston Industries | 21,468 | 721,652 | 1,022,414 |
| Huffy Corp. | 49,381 | 759,073 | 913,549 |
| Humana, Inc. | 37,600 | 523,956 | 667,400 |
| Huntington Bancshares | 148,155 | 2,902,113 | 3,500,162 |
| ITT Corp. | 61,517 | 4,968,964 | 5,613,426 |
| Illinois Tool Works | 25,205 | 501,727 | 982,995 |
| Imcera Group | 16,914 | 528,273 | 568,733 |
| Ingersoll Rand | 24,016 | 544,668 | 918,612 |
| Inland Steel Industries | 82,386 | 2,522,605 | 2,729,036 |
| Intel Corp. | 186,874 | 8,600,112 | 11,586,188 |
| Intergraph Corp. | 46,444 | 668,095 | 493,468 |
| Intl. Business Machines | 75,027 | 8,175,528 | 4,239,026 |
| Intl. Flavors & Fragrances | 9,743 | 546,431 | 1,108,266 |
| Intl. Game Technology | 226,400 | 7,973,030 | 6,678,800 |
| Intl. Paper Co. | 92,276 | 4,590,265 | 6,251,699 |
| nterpublic Group Co. | 116,863 | 3,815,796 | 3,739,616 |
| nvacare Corp. | 45,000 | 240,565 | 1,237,500 |
| ames River Corp. of V | 31,074 | 573,116 | 598,175 |
| efferson Pilot Corp. | 123,473 | 5,087,496 | 5,787,797 |
| ohnson & Johnson | 244,884 | 8,713,833 | 10,989,170 |
| ohnson Controls, Inc. | 9,559 | 345,610 | 507,822 |
| ostens Inc. | 22,885 | 620,805 | 451,979 |
| ustin Industries, Inc. | 80,000 | 1,701,875 | 1,180,000 |
| -Mart | 65,303 | 1,056,294 | 1,404,015 |
| ansas City Southern | 25,300 | 1,020,653 | 1,302,950 |
| aufman & Broad Home Inc. | 21,438 | 304,328 | 509,153 |
| eithley Instruments | 40,650 | 470,229 | 396,338 |
| ellogg Co. | 34,560 | 1,196,710 | 1,961,280 |
| err McGee Corp. | 15,318 | 552,390 | 693,140 |
| eycorp | 186,300 | 6,196,268 | 6,590,363 |
| imberly Clark Corp. | 26,761 | 996,204 | 1,388,227 |
| ing World Productions, Inc. | 35,495 | 1,299,825 | 1,362,121 |
| night Ridder Inc. | 10,433 | 508,748 | 623,372 |
| roger Co. | 26,441 | 355,307 | 532,125 |
| I Corp. | 60,002 | 743,938 | 420,014 |
| mson & Sessions | 40,000 | 294,100 | 190,000 |
| ncaster Colony Corp. | 8,333 | 66,988 | 383,318 |
| sco, Inc. | 7,500 | 101,250 | 120,000 |
| ly Eli & Co. | 38,805 | 2,269,023 | 2,304,047 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Limited, Inc. | 280,472 | $ 7,105,245 | $ 4,768,024 |
| Lincoln National Corp. | 15,735 | 432,009 | 684,473 |
| Litton Industries, Inc. | 15,596 | 627,019 | 1,005,942 |
| Liz Claiborne | 27,421 | 759,844 | 620,400 |
| Lockheed Corp. | 11,949 | 565,750 | 815,519 |
| Loews Corp. | 66,800 | 6,736,689 | 6,212,400 |
| Longs Drug Stores Corp. | 11,607 | 405,519 | 381,580 |
| Loral Corp. | 216,776 | 5,094,587 | 8,183,294 |
| Lotus Dev. Corp. | 12,431 | 262,716 | 683,705 |
| Louisana Land & Exploration | 13,647 | 545,905 | 547,586 |
| Louisana Pacific Corp. | 158,355 | 3,264,360 | 6,532,144 |
| Lowe's Cos. | 12,596 | 299,457 | 749,462 |
| Lubrizol, Corp. | 40,000 | 899,356 | 1,365,000 |
| Luby's Cafeterias | 17,538 | 282,629 | 394,605 |
| M/A Com, Inc. | 49,235 | 272,269 | 424,652 |
| MBIA, Inc. | 30,000 | 1,586,190 | 1,886,250 |
| MBNA Corp. | 19,561 | 451,924 | 652,848 |
| MCI Communications | 190,983 | 2,986,495 | 5,395,270 |
| Manor Care, Inc. | 16,039 | 264,837 | 390,951 |
| Mapco Inc. | 135,800 | 7,344,505 | 8,300,775 |
| Marsh & McLennan | 13,369 | 750,238 | 1,086,231 |
| Marriott International Inc. | 22,144 | 454,533 | 642,176 |
| Martin Marietta Corp. New | 119,060 | 4,210,932 | 5,298,170 |
| Masco Corp. | 55,657 | 1,629,330 | 2,059,309 |
| Mattel Inc. | 161,787 | 3,953,653 | 4,469,366 |
| Maxus Energy Corp. | 74,170 | 465,852 | 407,935 |
| May Department Stores | 168,667 | 4,029,026 | 6,641,263 |
| Maytag Co. | 32,764 | 567,539 | 589,752 |
| McCaw Cellular Comm., Inc. | 47,393 | 2,215,114 | 2,393,347 |
| McDermott Int'l., Inc. | 12,500 | 378,100 | 331,250 |
| McDonald & Co. Investments | 96,600 | 964,398 | 1,449,000 |
| McDonalds Corp. | 187,598 | 8,115,410 | 10,693,086 |
| McDonnel Douglas Corp. | 7,363 | 321,016 | 787,841 |
| McGraw Hill & Co. | 10,060 | 579,534 | 680,308 |
| McKesson Corp. | 6,840 | 239,460 | 369,360 |
| Mead Corp. | 194,477 | 7,372,309 | 8,751,465 |
| Medex, Inc. | 27,500 | 286,875 | 474,375 |
| Meditrust SBI | 100,000 | 3,262,300 | 3,237,500 |
| Medtronic, Inc. | 10,797 | 532,781 | 886,704 |
| Mellon Bank Corp. Com. | 15,635 | 601,924 | 828,655 |
| Melville Corp. | 20,036 | 922,767 | 813,963 |
| Mercantile Stores | 13,185 | 448,606 | 477,956 |
| Merck & Co. | 319,413 | 9,279,659 | 10,979,822 |
| Meredith Corp. | 9,502 | 265,502 | 380,080 |
| Merrill Lynch & Co. | 212,746 | 4,847,111 | 8,935,332 |
| Mid-American Waste Systems | 24,000 | 244,340 | 198,000 |
| Millipore Corporation | 15,990 | 526,003 | 639,600 |
| Minnesota Mining & Mfg. | 27,839 | 1,818,594 | 3,027,491 |
| Mr. Coffee | 20,000 | 141,875 | 207,500 |
| Mitchell Energy | 16,400 | 312,387 | 356,700 |
| Mobil Corp. | 94,141 | 4,558,008 | 7,448,907 |
| Monsanto Co. | 120,453 | 6,342,234 | 8,838,239 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Morgan (J P) & Co. | 27,331 | $ 1,064,659 | $ 1,896,088 |
| Morrison Knudsen Corp. | 14,884 | 328,775 | 373,961 |
| Morton Intl. Inc. Ind. Com. | 8,129 | 369,116 | 760,062 |
| Motorola, Inc. | 88,300 | 5,254,970 | 8,145,675 |
| Multicolor Corp. | 25,000 | 193,250 | 250,000 |
| Mylan Labs | 201,700 | 5,525,617 | 5,118,138 |
| NBD Bancorp, Inc. | 24,150 | 605,182 | 718,463 |
| NL Industries Inc. New | 55,671 | 380,670 | 250,520 |
| NACCO Industries, Inc. | 7,586 | 329,133 | 390,679 |
| Malco Chemical Co. | 16,492 | 526,685 | 618,450 |
| National City Corp. | 76,000 | 1,115,569 | 1,862,000 |
| National Ed Corp. | 75,522 | 542,666 | 472,013 |
| National Intergroup, Inc. | 27,172 | 368,323 | 360,029 |
| National Medical Ente. | 219,893 | 2,959,585 | 3,078,502 |
| National Semiconductor Corp. | 188,642 | 1,819,842 | 3,065,433 |
| National Services Ind., Inc. | 19,054 | 458,254 | 488,259 |
| Nationsbank Corp. | 102,412 | 4,346,902 | 5,018,188 |
| Navistar International Corp. | 20,228 | 487,993 | 477,887 |
| New York Times (A) | 19,263 | 468,887 | 505,654 |
| Newell Co. | 122,656 | 4,322,589 | 4,952,236 |
| Newmont Mining Co. | 20,240 | 816,036 | 1,166,330 |
| Niagra Mohawk Power Co. | 36,517 | 630,785 | 739,469 |
| Nicor Inc. | 13,113 | 302,157 | 367,164 |
| Nike, Inc. | 14,409 | 705,039 | 666,416 |
| Nordson Corp. | 20,000 | 393,750 | 1,075,000 |
| Nordstrom, Inc. | 19,852 | 575,807 | 655,116 |
| Norfold Southern Corp. | 22,248 | 784,509 | 1,568,484 |
| Northern States Power | 13,170 | 502,477 | 567,956 |
| Northrop Corp. | 14,194 | 380,432 | 530,501 |
| Norwest Corp. | 276,316 | 5,089,459 | 6,735,203 |
| Novell, Inc. | 47,132 | 1,352,201 | 977,989 |
| Nucor Corp. | 88,448 | 3,724,199 | 4,687,744 |
| Nynex Corp. | 51,231 | 1,705,392 | 2,055,644 |
| Oasis Residential | 70,000 | 1,649,350 | 1,741,250 |
| Occidental Petroleum Corp. | 264,454 | 5,797,339 | 4,495,718 |
| Office Depot, Inc. | 54,700 | 1,815,220 | 1,839,288 |
| Ogden Corp. | 16,286 | 347,747 | 370,507 |
| Oglebay Norton | 8,000 | 215,750 | 180,000 |
| Ohio Edison Co. | 29,062 | 564,160 | 661,161 |
| Olsten Corp. | 150,000 | 3,705,750 | 4,406,250 |
| Omnicare, Inc. | 35,000 | 328,907 | 1,120,000 |
| Oneok, Inc. | 19,915 | 332,435 | 375,896 |
| Oracle Ststems | 224,416 | 5,051,820 | 6,451,960 |
| Oryx Energy Co. | 28,847 | 643,191 | 497,611 |
| Oshkosh B Gosh | 20,588 | 477,094 | 401,466 |
| Outboard Marine | 19,857 | 355,795 | 444,300 |
| Owens Corning Fiberglass Co. | 144,831 | 4,930,653 | 6,426,876 |
| Penco Energy Co. | 38,086 | 755,493 | 1,152,102 |
| PNC Bank Corp. | 32,722 | 587,624 | 948,938 |
| PPB Industries | 16,094 | 637,588 | 1,221,132 |
| PSI Resources | 14,397 | 250,598 | 381,521 |
| Paccar, Inc. | 11,337 | 434,662 | 694,391 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Pacific Enterprises | 20,981 | $ 549,328 | $ 498,299 |
| Pacific Gas & Electric | 193,800 | 5,755,729 | 6,797,741 |
| Pacific Telesis | 61,135 | 1,869,274 | 3,316,574 |
| Pacificorp | 44,018 | 872,366 | 847,347 |
| Pactel Corp. | 40,900 | 1,015,829 | 1,017,388 |
| Pages Inc. | 25,000 | 212,500 | 268,750 |
| Pall Corp. | 37,711 | 495,438 | 692,940 |
| Panhandle Eastern | 113,355 | 2,607,983 | 2,692,181 |
| Paramount Commins In. | 18,494 | 791,856 | 1,437,909 |
| Parker Hannifin | 43,736 | 1,187,701 | 1,651,034 |
| Penney (J.C.) | 34,620 | 836,575 | 1,821,878 |
| Pennzoil Co. | 11,386 | 634,397 | 607,728 |
| Peoples Energy Corp. | 12,959 | 359,132 | 395,250 |
| Pep Boys Manny Moe & Jack | 14,439 | 252,709 | 379,024 |
| Pepsico, Inc. | 341,021 | 10,494,465 | 13,939,233 |
| Perkin Elmer Corp. | 17,147 | 484,128 | 660,160 |
| Pet Inc. New Com. | 31,788 | 520,180 | 556,290 |
| Pfizer, Inc. | 271,662 | 16,568,197 | 18,744,678 |
| Phelps Dodge Corp. | 19,547 | 720,003 | 952,916 |
| Phillip Morris Cos. Inc. | 415,715 | 19,842,508 | 23,124,147 |
| Phillips Petroleum Co. | 223,968 | 5,631,058 | 6,495,072 |
| Pinnacle West Capital Corp. | 130,000 | 2,864,030 | 2,908,750 |
| Pioneer Hibred Int'l. | 16,320 | 601,660 | 636,480 |
| Pioneer Standard Electric | 87,500 | 585,000 | 1,640,625 |
| Pitney Bowes | 152,736 | 4,815,711 | 6,278,077 |
| Pittston Services Group | 11,623 | 142,256 | 339,973 |
| Pittston Minerals Group | 2,737 | 29,778 | 65,004 |
| Polaroid Corp. | 18,309 | 554,700 | 613,352 |
| Potlatch Corp. | 8,648 | 340,367 | 407,537 |
| Praxair Inc. | 217,539 | 2,744,030 | 3,616,586 |
| Premark Int'l. | 47,208 | 3,332,121 | 3,788,442 |
| Premier Ind. Corp. No Par | 45,001 | 440,782 | 1,260,028 |
| Price/Costco Inc. | 34,011 | 595,723 | 654,712 |
| Proctor & Gamble | 104,330 | 1,995,154 | 5,946,810 |
| Progressive Corp., Ohio | 200,000 | 4,114,435 | 8,100,000 |
| Promus Companies, Inc. | 16,729 | 401,732 | 765,352 |
| Provident Bancorp, Inc. | 17,500 | 357,125 | 586,250 |
| Public Service Enterprise | 32,480 | 808,358 | 1,039,360 |
| Pulte Corp. | 29,519 | 838,027 | 1,070,064 |
| Quaker Oats Co. | 15,012 | 736,663 | 1,065,852 |
| RMI Titanium | 30,000 | 221,140 | 45,000 |
| RPM, Inc. | 78,750 | 543,250 | 1,368,281 |
| Ralston-Ralston Purina Group | 23,867 | 992,755 | 948,713 |
| Reychem Corp. | 16,582 | 550,622 | 621,825 |
| Raytheon Co. | 64,268 | 2,671,411 | 4,241,688 |
| Reebok Int'l., Lts. | 25,180 | 543,546 | 755,400 |
| Reliance Electric Co. | 45,000 | 837,573 | 759,375 |
| Repsol S.A. Ads | 75,500 | 2,321,248 | 2,331,063 |
| Reynolds & Reynolds Class A | 10,000 | 103,475 | 456,250 |
| Reynolds Metals Co. | 17,321 | 988,337 | 785,940 |
| Rite Aid Corp. | 32,796 | 590,241 | 520,637 |
| Roadway Services | 19,945 | 926,256 | 1,196,700 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Robbins & Myers, Inc. | 20,000 | $ 107,830 | $ 330,000 |
| Rockwell International | 34,157 | 620,705 | 1,268,079 |
| Rohm & Haas | 13,045 | 495,583 | 776,178 |
| Rollins Environmental Ser. | 62,459 | 533,294 | 359,139 |
| Rowan Co's Inc. | 88,284 | 677,613 | 794,556 |
| Royal Appliance Mfg. Co. | 35,000 | 220,600 | 201,250 |
| Rubbermaid, Inc. | 58,263 | 905,372 | 2,024,639 |
| Russell Corp. | 13,530 | 434,882 | 382,223 |
| Ryan's Family Steak House | 56,703 | 550,101 | 510,327 |
| Ruder Systems | 22,281 | 482,539 | 590,447 |
| SCE Corp. | 69,621 | 1,075,209 | 1,392,420 |
| SPX Corp. | 21,810 | 306,865 | 387,128 |
| Safeco Corp. | 13,463 | 491,217 | 740,465 |
| Safety-Kleen Corp. | 25,594 | 557,565 | 415,903 |
| St. Jude Medical | 17,715 | 681,650 | 469,448 |
| St. Paul Companies | 8,552 | 430,706 | 768,611 |
| Salomon Inc. | 32,569 | 1,124,336 | 1,551,099 |
| Santa Fe Energy Resources I | 48,031 | 441,687 | 444,287 |
| Sanra Fe Southern Pacific | 32,140 | 333,543 | 715,115 |
| Sara Lee Corp. Com. | 71,528 | 816,379 | 1,788,200 |
| Schering Plough Corp. | 98,886 | 5,174,859 | 6,773,691 |
| Schluman (A.), Inc. | 18,000 | 542,250 | 607,500 |
| Scientific Atlanta, Inc. | 18,415 | 377,160 | 616,903 |
| Scott Paper Co. | 19,785 | 750,130 | 813,658 |
| The Scotts Company CL A | 10,000 | 175,500 | 197,500 |
| Sears Roebuck & Co. | 44,928 | 1,276,295 | 2,375,568 |
| Service Corp. Int'l. | 15,269 | 218,013 | 400,811 |
| Shared Medical Systems Corp. | 15,543 | 312,270 | 386,632 |
| Shaw Industries, Inc. | 260,000 | 4,628,707 | 6,630,000 |
| Shawmut National Corp. | 30,050 | 494,023 | 653,588 |
| Sherwin Williams | 159,067 | 3,940,124 | 5,686,645 |
| Shoneys, Inc. | 229,067 | 4,572,560 | 5,297,174 |
| Skyline Corporation | 20,572 | 325,072 | 406,297 |
| J.M. Smucker Co. CL A | 20,000 | 313,686 | 447,500 |
| J. M. Smucker CL B Non VTG | 20,000 | 329,264 | 420,000 |
| Snap-On Tools | 13,217 | 407,123 | 500,594 |
| Society Corp. | 59,300 | 1,083,524 | 1,764,175 |
| Solecron Corp. | 37,300 | 1,014,001 | 1,058,388 |
| Sonat, Inc. | 33,506 | 786,307 | 967,486 |
| Southern Co. | 45,379 | 1,017,881 | 2,002,348 |
| Southern Pacific Rail Corp. | 112,100 | 1,958,378 | 2,213,975 |
| Southwest Airlines | 128,000 | 4,574,944 | 4,784,000 |
| Southwestern Bell Corp. | 76,630 | 1,970,516 | 3,180,145 |
| Spring Industries, Inc. | 9,905 | 330,712 | 373,914 |
| Sprint Corp. | 222,667 | 5,663,945 | 7,737,678 |
| Standard Federal Bank | 119,100 | 3,155,278 | 3,573,000 |
| Standard Products | 25,000 | 591,438 | 875,000 |
| Standard Register Company | 21,000 | 363,375 | 435,750 |
| Stanley Works | 12,773 | 437,763 | 568,399 |
| Star Banc Corp. | 99,500 | 3,383,600 | 3,482,500 |
| State Auto Fin. Corp. | 35,000 | 278,625 | 463,750 |
| State Street Boston | 100,000 | 4,249,360 | 3,750,000 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | COST | MARKET VALUE |
|---|---|---|---|
| Steris Corp. | 35,320 | $ 600,440 | $ 662,250 |
| Steward & Stevenson Ser. | 100,000 | 3,128,130 | 5,125,000 |
| Stone Container Corp. | 31,029 | 281,860 | 298,654 |
| Stride Rite | 27,529 | 494,196 | 450,787 |
| Structural Dynamics Res. | 36,500 | 542,750 | 629,625 |
| Sun, Inc. | 42,888 | 1,441,146 | 1,259,835 |
| Sun Microsystems | 22,324 | 612,966 | 650,187 |
| Sunamerica Inc. | 300,800 | 8,980,048 | 13,009,600 |
| Sundstrand Corp. | 100,000 | 3,281,960 | 4,200,000 |
| Super Food Services, Inc. | 20,000 | 211,350 | 262,500 |
| Sun Trust Banks, Inc. | 64,101 | 2,213,931 | 2,884,545 |
| Superior Industries Int'l. | 69,500 | 2,677,506 | 2,971,125 |
| Supervalu Inc. Com | 138,897 | 3,775,705 | 5,034,654 |
| Synoptics Comm., Inc. | 12,700 | 346,075 | 354,013 |
| Sysco Corp. | 33,291 | 372,813 | 973,762 |
| TJX Cos. Inc. New Com | 174,324 | 4,718,317 | 5,077,187 |
| TRW, Inc. | 28,420 | 1,245,373 | 1,968,085 |
| Tandem Computers | 47,026 | 561,889 | 511,408 |
| Tandy Corp. | 16,553 | 520,508 | 819,374 |
| Tektronix Inc. | 23,663 | 520,738 | 556,081 |
| Tele Communications A | 170,795 | 3,372,326 | 5,166,549 |
| Teledyne, Inc. | 14,355 | 281,944 | 373,230 |
| Telxon Corp. | 29,000 | 394,458 | 308,125 |
| Temple Inland, Inc. | 13,452 | 465,428 | 677,645 |
| Tenneco, Inc. | 62,349 | 2,988,864 | 3,281,116 |
| Texaco, Inc. | 49,398 | 2,336,185 | 3,198,521 |
| Texas Instruments | 139,758 | 6,732,740 | 8,874,633 |
| Texas Utilities Co. | 32,012 | 988,798 | 1,384,519 |
| Textron Inc. | 43,127 | 1,945,522 | 2,512,148 |
| Thomas & Betts Corp. | 7,695 | 439,147 | 450,158 |
| Thor Industries | 25,500 | 271,706 | 656,625 |
| Time Warner Inc. Com | 288,005 | 9,293,443 | 12,744,221 |
| Times Mirror Co. | 23,118 | 680,947 | 771,563 |
| Timken Co. | 21,239 | 540,227 | 714,161 |
| Torchmark Corp. | 105,841 | 4,675,762 | 4,762,845 |
| Toys R Us | 150,944 | 3,820,948 | 6,169,836 |
| Transamerica Corp. | 143,348 | 5,078,064 | 8,134,999 |
| Transco Energy Co. | 26,911 | 343,628 | 380,118 |
| Travelers Inc. (The) | 698,239 | 15,406,314 | 27,144,041 |
| Tribune Co. New | 16,043 | 647,348 | 964,585 |
| Trinova Corp. | 38,374 | 842,634 | 1,203,984 |
| Tyco International Ltd. | 12,635 | 436,424 | 652,282 |
| UAL Corp. | 8,921 | 1,171,844 | 1,302,466 |
| USX Marathon Group Com New | 51,607 | 1,278,714 | 851,516 |
| UST, Inc. | 36,093 | 424,194 | 1,001,581 |
| UNUM Corporation | 160,300 | 6,429,445 | 8,415,750 |
| USF & G | 137,489 | 1,949,354 | 2,027,963 |
| USX US Steel Group | 144,069 | 5,047,402 | 6,230,984 |
| Union Camp Corp. | 17,747 | 727,537 | 845,201 |
| Union Carbide Corp. | 28,265 | 295,056 | 632,429 |
| Union Carbide Rights | 969 | 0 | 26,284 |
| Union Electric Co. Com | 15,386 | 554,075 | 603,901 |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

| | SHARES | BOOK VALUE | MARKET VALUE |
|---|---|---|---|
| Union Pacific Corp. | 25,803 | $ 858,825 | $ 1,615,913 |
| Union Texas Pet. Holdings | 233,400 | 4,922,626 | 4,755,525 |
| Unisys Corp. | 213,412 | 2,481,140 | 2,694,327 |
| U.S. Bancorp | 31,216 | 653,330 | 780,400 |
| U.S. Air Group | 35,337 | 573,952 | 454,964 |
| U.S. Healthcare, Inc. | 121,900 | 5,273,744 | 7,024,488 |
| U.S. Shoe | 25,000 | 407,760 | 375,000 |
| U.S. Surgical | 46,705 | 3,297,568 | 1,050,863 |
| U.S. West Inc. | 50,769 | 1,587,274 | 2,329,028 |
| United Technologies | 20,905 | 1,082,614 | 1,296,110 |
| Unitrin Inc. | 65,000 | 2,182,695 | 2,827,500 |
| Unocal Corp. | 36,790 | 1,037,693 | 1,025,521 |
| Upjohn Co. | 30,608 | 919,931 | 887,632 |
| U.S. Life Corp. | 10,046 | 314,292 | 385,515 |
| V. F. Corp. | 16,270 | 524,056 | 750,454 |
| Varity Corp. | 59,000 | 2,193,670 | 2,640,250 |
| Viacom Inc., Cl. B | 40,000 | 1,947,920 | 1,795,000 |
| Vodafone Group ADR | 6,000 | 510,360 | 535,500 |
| WMX Technologies Inc. | 195,388 | 4,836,907 | 5,153,359 |
| Wachovia Corp. | 23,856 | 910,896 | 799,176 |
| Wal-Mart Stores | 526,447 | 9,223,350 | 13,161,175 |
| Walgreen Co. | 20,452 | 608,253 | 835,976 |
| Warner Lambert Co. | 124,373 | 8,051,975 | 8,395,178 |
| Vashington Mut. Savings Ban | 180,000 | 3,173,120 | 4,342,500 |
| Vells Fargo Corp. | 9,823 | 644,306 | 1,270,851 |
| Vendy's International | 177,321 | 2,223,743 | 3,080,952 |
| /estinghouse Electric | 59,885 | 981,018 | 845,876 |
| /estvaco Corp. | 16,673 | 518,920 | 593,976 |
| /eyerhaeuser Co. | 167,401 | 6,647,323 | 7,470,270 |
| hirlpool Corp. | 63,111 | 2,261,259 | 4,196,882 |
| hitman Corp. Com | 32,742 | 343,827 | 532,058 |
| illiams Cos. Inc. | 247,773 | 5,670,606 | 6,039,467 |
| inn-Dixie Stores Inc. | 14,007 | 547,321 | 751,125 |
| oolworth Corp. Com | 77,707 | 2,353,141 | 1,971,815 |
| orthington Foods | 15,000 | 171,000 | 112,500 |
| orthington Industries | 87,544 | 826,190 | 1,794,652 |
| igley, (Wm.) Jr. | 160,460 | 5,026,430 | 7,080,298 |
| rox Corp. | 75,926 | 5,381,492 | 6,785,886 |
| lex Corporation Warr | 14,482 | 56,188 | 188,266 |
| low Corp | 17,607 | 479,768 | 437,974 |
| ith Electronics Corp. | 55,057 | 406,751 | 385,399 |
| n Industries | 13,963 | 432,433 | 382,237 |
| **Total common stocks** | **43,463,389** | **$1,284,053,979** | **$1,620,250,036** |

# DETAILED LISTING OF INVESTMENT PORTFOLIO (continued)

## VENTURE CAPITAL

| NAME | COST | MARKET VALUE |
|---|---|---|
| Cardinal Development Capital Fund I | $ 1,303,227 | $ 1,303,227 |
| Chemicals and Materials Enterprise Associates | 1,950,000 | 1,950,000 |
| Primus Capital Fund I* | 0 | 1,178,927 |
| Primus Capital Fund II | 738,948 | 738,948 |
| Northwest Ohio Venture Fund | 200,000 | 200,000 |
| Blue Chip Capital Fund | 1,000,000 | 1,000,000 |
| Primus Capital Fund III | 750,000 | 750,000 |
| Northcoast Fund | 500,000 | 500,000 |
| Total venture capital | $ 6,442,175 | $ 7,621,102 |

* (see note 5)

## REAL ESTATE

| PROPERTY | BOOK VALUE | MARKET VALUE |
|---|---|---|
| Advent Realty Ltd. Ptrshp. | $ 10,000,000 | $ 7,603,325 |
| Cablevision Building | 9,396,507 | 7,900,000 |
| Cedarbrook Business Park | 7,367,143 | 4,100,000 |
| Century Commerce Center | 3,857,175 | 2,580,000 |
| Copley Instit. Inv. Fund III | 8,500,000 | 8,372,186 |
| Crossings at Rosewell | 5,320,075 | 3,400,000 |
| Executive Center | 4,000,733 | 2,800,000 |
| Fullerton Industrial | 8,892,019 | 8,200,000 |
| Maricopa Business Center | 5,234,016 | 3,500,000 |
| MIG Residential Group Trust | 25,000,000 | 25,128,299 |
| Mill River | 2,601,375 | 1,450,000 |
| Northwest Square Shopping Center | 9,171,153 | 9,300,000 |
| Park Place | 3,037,561 | 3,400,000 |
| Periwinkle Place | 7,501,022 | 9,300,000 |
| Schroder Real Estate Fund A | 12,000,000 | 12,874,797 |
| Skyview Plaza | 21,742,306 | 19,500,000 |
| Sunrise Plaza | 10,676,624 | 9,000,000 |
| Torrance Business Park | 17,516,655 | 13,300,000 |
| Tri-View/Tri-County | 9,276,431 | 5,400,000 |
| Westmont | 13,149,918 | 10,250,000 |
| Total real estate | $194,240,713 | $167,358,607 |

## MORTGAGE NOTES RECEIVABLE

| | BOOK VALUE | MARKET VALUE |
|---|---|---|
| Village Square Shopping Center | $ 15,237,000 | $ 15,237,000 |
| CB Commercial Mortgage | 3,102,141 | 3,102,141 |
| Total Mortgage Notes receivable | $ 18,339,141 | $ 18,339,141 |

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

January 28, 1994

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 as Actuary 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 for disability and retirement benefits based on sound actuarial principles. For retiree health care benefits,the valuation reports on the adequacy of a 6.5% contribution rate with respect to maintaining the Health Care Stabilization Fund at a reasonable value. The actuarially determined contribution rates for pension and disability benefits in conjunction with the 6.5% assumed health care rate are to be used to assess the adequacy of contribution rates provided under Sections 742.33 and 742.34 of the Revised Code. The most recent actuarial valuation was as of January 1, 1993.

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 Wyatt and approved by the Board. The decrement assumptions reflect actual Fund experience as measured in the quinquennial evaluations. The 1993 valuation reflects rates of mortality, termination from employment and remarriage of surviving spouses as developed in the quinquennial evaluation covering the period 1987 through 1991. The rates of disablement and retirement, however, represent experience during the period 1982 through 1986, and for retirement only, experience during 1989.

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 1993 valuation is based on an 8.25% interest rate, the same assumption used in the 1992 valuation. The salary scale used in the 1993 valuation, however, reflects the results of the 1987 through 1991 quinquennial evaluation and as such is graded by age.

*Wyatt*

For most asset classes 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, (3) Total Liabilities and (4) the reported value of the Health Care Stabilization Fund. In addition, for common and preferred stock, the 1993 actuarial value equals the market value. In subsequent years, the actuarial value of stocks will be that determined under the 4-Year Market Adjustment method, under which realized and unrealized gains or losses are recognized in the assets over 4-year periods.

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 plus the 6.5% Health Care Stabilization Fund allocation are to be compared to the statutory contributions to determine if the statutory contributions are adequate. Based upon the results of the 1993 valuation and prior studies prepared by Wyatt, it is our opinion that the current statutory rates are adequate for 1993.

Under current law the Ohio Retirement Study Commission is to review the actuarial report and make recommendations to the General Assembly concerning proper financing of the Fund. This policy of actuarial contribution rate determination, review, and, if necessary, legislative change in the statutory rates should ensure 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:

Mortality is based on the 1951 Group Annuity Mortality Table projected to 1980 using Scale C, with a one-year set-forward in age. The projected values are multiplied by 0.5 at all ages to obtain the assumed mortality rates. The following rates at selected ages are illustrative:

| | Rate of Mortality | |
|---|---|---|
| Age | Police | Firemen |
| 25 | .000307 | .000307 |
| 30 | .000406 | .000406 |
| 35 | .000569 | .000569 |
| 40 | .000845 | .000845 |
| 45 | .001568 | .001568 |
| 50 | .002773 | .002773 |
| 55 | .004377 | .004377 |

#### (b) Termination:

The rates of termination are based upon the results of the 1987-1991 Quinquennial Evaluation. The following rates at selected ages are illustrative:

| | Rate of Termination | |
|---|---|---|
| Age | Police | Firemen |
| 25 | .047001 | .016655 |
| 30 | .031525 | .015071 |
| 35 | .022161 | .012432 |
| 40 | .014759 | .007482 |
| 45 | .009658 | .004385 |
| 50 | .012847 | .004884 |

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

#### (c) Disability:

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

| | Rate of Disability | |
|---|---|---|
| Age | Police | Firemen |
| 25 | .000904 | .000205 |
| 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 disability 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:

The per annum rates of future salary increase can be divided into two component parts: (i) inflationary increase of 4% per year and (ii) age-graded promotional increases as follows:

| Age(s) | Promotional Increase | Total Increase |
|---|---|---|
| under 30 | 3.00% | 7.00% |
| 30-34 | 1.75% | 5.75% |
| over 34 | 1.00% | 5.00% |

#### (e) Retirement:

The rates of retirement are based upon the experience during the periods 1982 through 1986, and (for ages 48-52) 1989. These rates are applicable after the member has satisfied the conditions for retirement. The rates are as follows:

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

### 2. After Retirement:

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

The mortality, after retirement of active members expected to go on service retirement, is based on the 1951 Group Annuity Mortality Table as Projected to 1980 using Scale C, with a one-year set-forward in age. The following probabilities at selected ages are illustrative:

| Age | Probability of Mortality |
|---|---|
| 55 | .008753 |
| 60 | .013012 |
| 65 | .020979 |
| 70 | .033316 |
| 75 | .056741 |
| 80 | .099390 |
| 85 | .158333 |
| 90 | .236172 |
| 95 | .316061 |

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

The mortality, after retirement of active members expected to go on disability retirement, is based on the results of the 1987-1991 Quinquennial Evaluation. The rates are based on the 1951 Group Annuity Mortality Table projected to 1980 using Scale C and include loads for disability. The following probabilities at selected ages are illustrative:

| Age | Probability of Mortality |
|---|---|
| 35 | .008560 |
| 45 | .010262 |
| 55 | .018051 |
| 65 | .038838 |
| 75 | .071826 |
| 85 | .168254 |
| 95 | .297806 |

## C. PROBABILITIES OF MORTALITY AMONG PENSIONERS

### 1. Nondisabled Pensioners:

The mortality among all nondisabled retirants is equal to the 1951 Group Annuity Mortality Table rates projected to 1980 using Scale C, with a one-year set-forward in age. The following probabilities at selected ages are illustrative:

| Age | Probability of Mortality |
|---|---|
| 35 | .001138 |
| 40 | .001691 |
| 45 | .003136 |
| 50 | .005545 |
| 55 | .008753 |
| 60 | .013012 |
| 65 | .020979 |
| 70 | .033316 |
| 75 | .056741 |
| 80 | .099390 |
| 85 | .158333 |
| 90 | .236172 |
| 95 | .316061 |

### 2. Disabled Pensioners:

The mortality among all disabled retirants is based on the 1951 Group Annuity Mortality Table projected to 1980 using Scale C and includes loads for disability. The following probabilities at selected ages are illustrative:

| Age | Probability of Mortality |
|---|---|
| 35 | .008560 |
| 40 | .009043 |
| 45 | .010262 |
| 50 | .012495 |
| 55 | .018051 |
| 60 | .022001 |
| 65 | .038838 |
| 70 | .050322 |
| 75 | .071826 |
| 80 | .111137 |
| 85 | .168254 |
| 90 | .222882 |
| 95 | .297806 |

## D. PROBABILITIES AMONG SURVIVORS

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

The mortality among all present surviving spouses is based on the Projected Annuity Mortality Table 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 1987-1991 Quinquennial Evaluation. The following probabilities at selected ages are illustrative:

| Age | Probability of Remarriage |
|---|---|
| 35 | .030686 |
| 40 | .025594 |
| 45 | .017015 |
| 50 | .008101 |
| 55 | .006225 |
| 60 | .005491 |
| 65 | .002442 |
| 70 | .001092 |
| 75 | .000491 |

**3. Dependent Children:**

No specific allowance has been made, in the valuation of this benefit, for the probability of mortality prior to age 18, or the probability of disability at age 18 and thereafter. In valuing the benefit beyond age 18, it is assumed that ⅓ of the dependent children will be students and eligible for payments to age 22.

**4. Dependent Parents:**

Costs based upon allowance for mortality (the Projected Annuity Mortality Table rates), but no specific allowance for change in dependency status.

## E. COLA ANNUITIES

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

## F. EXPENSE LOADING

The net costs were loaded by ¾ of 1% to allow for future administrative expenses of the Fund.

## G. ACTUARIAL COST METHOD

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

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

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

## H. VALUATION ASSETS

Valuation assets equal the net cost (book) value of all Fund assets, except common and preferred stocks are included in valuation assets with a value equal to that developed under the 4-year Market Adjustment Method, with an initial value equal to market value. Under this method realized and unrealized gains are recognized in the assets over a 4-year period: valuation assets equal market value less 75% of the previous year's realized and unrealized gains, 50% of the second previous year's realized and unrealized gains, and 25% of the third previous year's realized and unrealized gains. Full implementation of the phase-in is to occur on January 1, 1996. The balance in the Health Care Stabilization Fund is excluded from total assets to arrive at valuation assets for pension and disability benefits. Contributions due to be refunded to terminated members are also excluded from valuation assets.

## I. CHANGES IN ACTUARIAL ASSUMPTIONS

The original actuarial assumptions have been modified twelve 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) **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.

**(12) 1993 valuation:**

Adjustments were made in four areas as a result of the findings of the Fund's fourth quinquennial evaluation, which covered the years 1987 through 1991:

(a) A change in the termination rates to the graduated 1987-91 experience rates. In general the rates decreased.

(b) A change in the 5.75% salary scale to an age-graded salary increase assumption.

(c) Changes in the pre- and post-retirement mortality probabilities for active members, service retirees and disability retirees. All of these probabilities are to be based on the 1951 Group Annuity Mortality Table projected to 1980.

(d) A decrease in the probabilities of remarriage among surviving spouses to the graduated 1987-91 experience rates.

The method of determining the value of Fund assets was changed. For stocks, the value is that amount determined under the 4-year Market Adjustment Method, with an initial value equal to market value, less $2,696,000 of contributions that have yet to be refunded to employees with less than 15 years of service.

The valuation recognizes the establishment of the Health Care Stabilization Fund which was created in 1992. Initially $150,000,000 was allocated for future health care expenses. The fund is credited with retiree health care contributions, a portion of employer contributions equal to 6.5% of payroll, and 8.25% effective annual interest, and charged for all medical expense payments, including Medicare reimbursements. The fund value is excluded from valuation assets.

# ACTIVE MEMBER VALUATION DATA
## 1984 TO 1993

| 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 | |
| 1984 | 12,796 | 9,040 | $24,273 | $24,442 | | | |
| 1985 | 12,656 | 9,008 | 25,290 | 25,421 | 4.9% | 4.8% | $531.6 |
| 1986 | 12,614 | 9,226 | 26,987 | 26,973 | 4.2 | 4.0 | 549.1 |
| 1987 | 12,652 | 9,231 | 28,443 | 28,418 | 6.7 | 6.1 | 589.3 |
| 1988 | 12,862 | 9,292 | 29,391 | 29,424 | 5.4 | 5.4 | 622.2 |
| 1989 | 12,993 | 9,374 | 30,853 | 31,060 | 3.3 | 3.5 | 651.4 |
| 1990 | 13,088 | 9,698 | 32,351 | 31,863 | 5.0 | 5.6 | 692.0 |
| 1991 | 13,273 | 9,801 | 33,910 | 33,467 | 3.5 | 2.6 | 732.4 |
| 1992 | 13,325 | 9,996 | 35,305 | 35,266 | 4.8 | 5.0 | 778.1 |
| 1993 | 13,540 | 10,149 | 36,783 | 36,783 | 4.1 | 5.4 | 823.0 |
| | | | | | 4.2 | 4.3 | 871.3 |

## 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** | | | | | | |
| 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 |
| 1993 | 3,806,500 | 2,252,113* | 1,554,387 | 59 | 498.0 | 312 |
| **Fire** | | | | | | |
| 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 |
| 1993 | 3,019,700 | 1,775,354* | 1,244,346 | 59 | 373.3 | 333 |

*includes market adjustment

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

For 1993—net assets available for benefits as provided in the December 31, 1992 audited financial statements, adjusted to value assets to an amount determined using the 4-Year Market Adjustment Method, with an initial value equal to market value, less the local funds receivable, contributions which had yet to be refunded to employees who terminated with less than 15 years of service, and the value of the Health Care Stabilization Fund.

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 1984 through 1987—cost value of assets as reported by the Fund, less amounts reserved to the Death Benefit Fund, less contributions which had yet to be refunded to the employees who terminated with less than 15 years of service and plus member contributions which had not been deposited as of the reporting date.

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

## SHORT-TERM SOLVENCY TEST

The Fund's financing objective is to pay for the benefits through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the system are level in concept and soundly executed, the system will pay all promised benefits when due—the ultimate test of financial soundness.

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's valuation assets are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities for service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare.

# COMPUTED ACCRUED LIABILITIES

**($ Amounts in Thousands)**

| | Valuation Year | (1) Active Member Contributions | (2) Retirants and Beneficiaries | (3) Active Members (Employer Financed Portion) | Valuation Assets | Portion of Accrued Liabilities Covered by Reported Assets (1) | (2) | (3) |
|---|---|---|---|---|---|---|---|---|
| **Police** | | | | | | | | |
| | 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 |
| | 1993 | 379,000 | 1,423,800 | 2,003,700 | 2,252,113* | 100 | 100 | 22 |
| **Fire** | | | | | | | | |
| | 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 |
| | 1993 | 281,300 | 1,175,100 | 1,563,300 | 1,775,354* | 100 | 100 | 20 |

*includes market adjustment

Note: For the years 1984 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 1993, 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 |
|---|---|---|---|---|
| 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 |
| 1993 | 33.16 | 29.50 | 32.13 | 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 |
| 1993 | 671 | 342 | 504 | 320 |

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

# STATISTICAL SECTION

## Schedules:

- Benefit Expenses by Type
- Retired Membership by Type of Benefits
- Average Monthly Benefit Payments
- Participating Employers

# TATISTICAL SCHEDULES

## ENEFIT EXPENSES BY TYPE

**4 TO 1993**

| ar ended ember 31, | (1) Retirement | (1) Disability | (1) Survivor | Subtotal | Health Care | Death Benefit Fund Benefits | Total Benefit |
|---|---|---|---|---|---|---|---|
| 1984 | — | — | — | $125,282,722 | $23,533,863 | $ 3,066,383 | $151,882,9 |
| 1985 | — | — | — | 137,391,797 | 27,055,162 | 5,988,102 | 170,435,0 |
| 1986 | $ 99,341,813 | $34,185,020 | $19,889,018 | 153,415,851 | 31,379,158 | 6,001,201 | 190,796,2 |
| 1987 | 105,307,595 | 38,247,807 | 20,811,701 | 164,367,103 | 39,465,273 | 6,720,685 | 210,553,0 |
| 1988 | 113,022,120 | 43,739,268 | 23,814,341 | 180,575,729 | 43,703,422 | 6,796,504 | 231,075,6 |
| 1989 | 125,271,895 | 49,481,413 | 25,949,582 | 200,702,890 | 47,818,789 | 9,368,095 | 257,889,7 |
| 1990 | 137,176,452 | 55,855,530 | 26,736,682 | 219,768,664 | 52,979,696 | 10,378,929 | 283,127,2 |
| 1991 | 150,003,030 | 62,137,040 | 27,324,754 | 239,464,824 | 61,748,019 | 10,177,185 | 311,390,02 |
| 1992 | 163,441,985 | 69,277,993 | 28,042,134 | 260,762,112 | 67,419,506 | 11,013,727 | 339,195,34 |
| 1993 | 177,838,542 | 74,969,707 | 28,609,991 | 281,418,240 | 63,135,402 | 13,158,544 | 357,712,18 |

For years 1984 through 1986, expenses are shown on the basis of cash and investment receipts and disbursements, while 1987 through 1993 expenses are shown on the accrual basis.

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

## TIRED MEMBERSHIP BY TYPE OF BENEFITS

**TO 1993**

| Service | | Disability | | Survivors | | Combined Total Beneficiaries |
|---|---|---|---|---|---|---|
| Police | Firemen | Police | Firemen | Police | Firemen | |
| 3,519 | 3,488 | 1,296 | 1,134 | 2,812 | 2,233 | 14,482 |
| 3,654 | 3,649 | 1,398 | 1,173 | 2,894 | 2,265 | 15,033 |
| 3,674 | 3,677 | 1,499 | 1,209 | 2,958 | 2,297 | 15,314 |
| 3,687 | 3,703 | 1,534 | 1,216 | 2,949 | 2,289 | 15,378 |
| 3,784 | 3,830 | 1,741 | 1,352 | 3,046 | 2,321 | 16,074 |
| 4,020 | 4,009 | 1,893 | 1,426 | 2,856 | 2,182 | 16,386 |
| 4,219 | 4,103 | 2,024 | 1,490 | 2,547 | 2,038 | 16,421 |
| 4,469 | 4,265 | 2,188 | 1,587 | 2,698 | 2,159 | 17,3[illegible] |
| 4,606 | 4,367 | 2,320 | 1,641 | 2,743 | 2,199 | 17,87[illegible] |
| 4,762 | 4,484 | 2,430 | 1,682 | 2,756 | 2,203 | 18,31[illegible] |

For years 1984 through 1988, survivors who received payments under two different benefit types (e.g. Statutory plus Joint and Survivor) were counted twice.

# AVERAGE MONTHLY BENEFIT PAYMENTS

## FOR POLICE OFFICERS AND FIRE FIGHTERS PLACED ON RETIREMENT ROLLS, 1985-1993

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|---|---|---|---|
| **Service** | | | | | | | | | |
| Normal | $ 1,771 | $ 1,864 | $ 1,928 | $ 2,022 | $ 1,988 | $ 2,062 | $ 2,145 | $ 2,195 | $ 2,379 |
| Age Commuted | 1,420 | 1,394 | 1,514 | 1,585 | 392 | 0 | 0 | 0 | 433 |
| Service Commuted | 221 | 300 | 337 | 394 | 412 | 705 | 389 | 570 | 0 |
| Age/Service | 723 | 1,035 | 920 | 886 | 1,258 | 1,322 | 1,211 | 2,281 | 0 |
| Pre-1947 | 1,739 | 0 | 35 | 947 | 0 | 35 | 35 | 0 | 0 |
| Subtotals | 1,716 | 1,801 | 1,840 | 1,960 | 1,946 | 2,036 | 2,102 | 2,177 | 2,359 |
| **Disability** | | | | | | | | | |
| Permanent & Total | $ 1,768 | $ 1,806 | $ 1,855 | $ 1,963 | $ 2,106 | $ 2,073 | $ 2,201 | $ 2,277 | $ 2,318 |
| P&T Presumptive | 1,737 | 1,778 | 1,823 | 2,038 | 2,065 | 2,072 | 2,339 | 2,314 | 2,363 |
| Partial | 1,247 | 1,265 | 1,273 | 1,337 | 1,450 | 1,579 | 1,741 | 1,830 | 1,776 |
| Partial Presumptive | 1,462 | 1,413 | 1,376 | 1,398 | 1,546 | 1,741 | 1,753 | 1,728 | 1,848 |
| Off-duty | 897 | 586 | 437 | 1,354 | 713 | 593 | 1,162 | 1,267 | 1,009 |
| Pre-1947 | 0 | 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 | 1,908 |
| **Service and Disability** | | | | | | | | | |
| Totals | $ 1,624 | $ 1,682 | $ 1,719 | $ 1,817 | $ 1,853 | $ 1,945 | $ 2,025 | $ 2,094 | $ 2,191 |

# INVESTMENT SECTION

## Investment Report

## Investment Portfolio Summary

## Investment Policy and Guidelines

# INVESTMENT REPORT

The economy experienced a slowdown in growth as we entered 1993. Real Gross Domestic Product started out the year with a very modest increase, but grew steadily each quarter and ended with a very strong fourth quarter showing of 7.0%. For the full year, real GDP rose 3.1%. The unemployment rate crept steadily lower to finish the year at 6.4%, down from 7.3% in 1992. However, it took several months before job growth finally began to pick up in both magnitude and consistency. Once this occurred, there were many months of payroll employment increases in excess of 200,000. This is not to say that corporate America blindly began to beef up its workforce. Sears, IBM and Procter & Gamble, to name a few, announced major layoffs throughout the year as they continued in their efforts to restructure and improve their competitive positions. Another important indicator, consumer confidence, fell through the middle of the year but rose strongly in the fourth quarter, helped principally by the perception of a strengthening economy and related job growth. Inflation, as measured by the Consumer Price Index, began the year looking as if it would increase. However, its rate of increase rolled over in the second quarter and declined for the remainder of the year to register a 2.7% annual gain. This tame inflation background allowed the Federal Reserve Board to maintain a very stable monetary policy with both the federal funds target and the discount rate remaining at 3% all year.

The capital markets provided solid returns in 1993. Stock market performance, as measured by the S&P 500, was 10.08%, close to its historical long term average return. Other equity indexes performed better. The Dow Jones Industrial Average and the Russell 2000, a good small cap proxy, had returns of 17.08% and 18.89%, respectively. The major source of support for these advances was the low and declining interest rate environment which lasted most of the year. Related to this, of course, was the continued flow of billions of dollars into equity and bond mutual funds as investors sought higher returns than those provided by short-term instruments. Also aiding the markets was the steadily increasing growth rate of the economy throughout the year and the accompanying calm inflation environment. As stated earlier, this allowed the Fed to provide a stable monetary policy all year long. However, the fourth quarter brought evidence of fairly strong economic growth and the fear that inflation might soon accelerate. This, of course, caused an upturn in interest rates which lasted through the end of the year. Even after this, the bond market, as represented by the Lehman Aggregate Index, provided a very competitive return of 9.75%. The strongest returns came from long maturity bonds due to the relatively larger decline in long-term rates than in short-term rates. This resulted in the Treasury yield curve flattening by almost 100 basis points during the year. Elsewhere, the real estate market finally began to show some promise as evidenced by the small but positive NCREIF return of 0.88%. Apparently the relative value and high income returns offered by certain real estate assets began to be noticed by investors.

The securities markets assisted in the growth of the Fund's investment assets in 1993. The book value of our assets grew from nearly $3.80 billion in 1992 to over $4.17 billion in 1993, a 9.83% increase. Meanwhile, the market value of the investment portfolio rose 9.48% to nearly $4.60 billion from just under $4.20 billion a year earlier. The 1993 total return for the overall investment portfolio was 11.30%, roughly equal to the median return in the Callan Associates database. Over the past five years, the annualized total portfolio return of 12.51% ranked in the top 35% of Callan's universe. Our internally managed bond portfolio had another good year with an 11.09% return. This beat both the Callan bond median and the Lehman Aggregate Index returns. Also while our composite equity portfolio return of 11.0% beat the S&P 500 and Callan's Broad Market Index, it fell short of Callan's equity database median return. Our continued overweighting in the growth style and the statutory restrictions on stock selection hurt our equity returns somewhat. Another encouraging area was our much maligned real estate portfolio. It showed a total return last year of 6.89% which ranked it in the top quartile of Callan's real estate database and well above the 1993 NCREIF return. We did change our appraisal policy to allow for the valuation of half of our direct property holdings each year. This latest appraisal happily resulted in the appraised properties' values increasing from the prior year. Finally, although only a very small part of the the overall portfolio, our venture capital return of 26.50% certainly deserves mention.

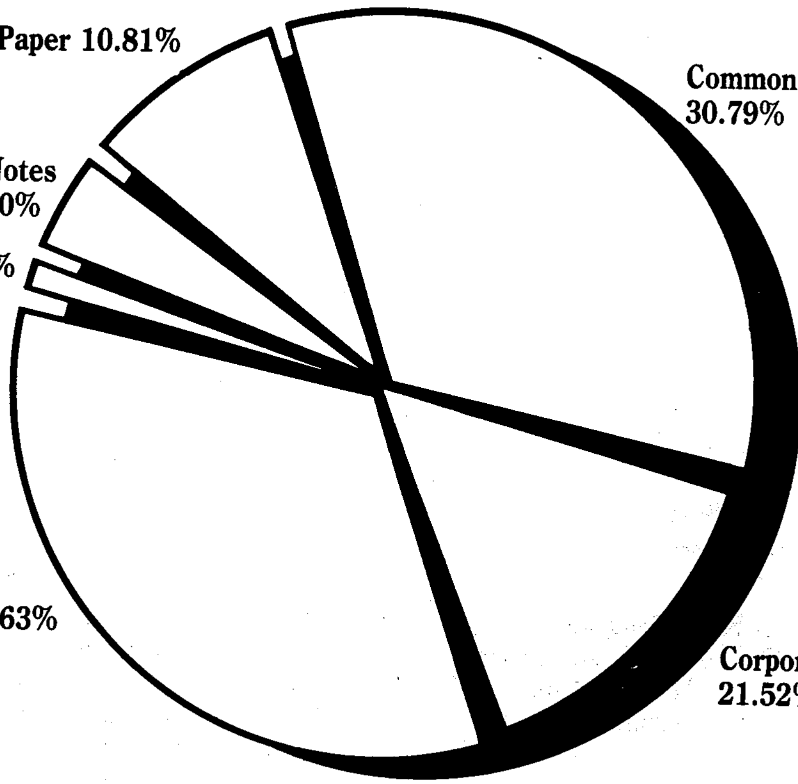
By far the most significant changes in investments last year, and for many years, relate to the passage of liberalized investment statutes by the state legislature. The new law, which became effective in October, allows the Fund and the other Ohio pension systems to increase our equity holdings up to 50% of the total portfolio and, importantly, authorized more liberal stock selection criteria as well. Also, for the first time, we will be able to invest 10% of our assets in the securities of foreign markets thus further diversifying the portfolio and gaining exposure to an expanding global maket. In response to these changes, our consultant, Callan Associates, performed an Asset Allocation and Liability Study. The result of the study was the Board's selection of an optimal portfolio mix which will be used as an asset allocation guideline for the next several years. The major recommendations of the study were to add a 10% position in small to mid capitalization equities, add a 10% position in international equity and increase our real estate portfolio up to 10% of assets. We began immediately, with Callan's assistance, to search for qualified small cap managers. Also, during the year the Board authorized our first real estate property purchase in quite some time. Finally, the Board authorized investments in two new Ohio based venture capital funds.

So far in 1994, the story is being dominated by the Federal Reserve Board. The tone was set by very strong economic growth in late 1993, and the resulting increases in market determined interest rates. In an effort to slow economic growth to a sustainable pace and to head off inflationary pressures, the Fed has several times pushed short term interest rates higher. Indeed, first quarter GDP growth slowed to 3.0% but not as a result of Fed actions. More likely is the dampening effect of severe winter weather and the California earthquake. The unemployment rate stabilized early on but seems to be declining slowly again. This has been accompanied by continued strong increases in payroll employment. A continuing beneficiary of job growth has been rising consumer confidence. Meanwhile, the CPI has shown only modest increases in the 2.5% area so far. However, recent increases in the price of oil and other commodities are worrisome. It seems that economic growth may be stronger in the second quarter than in the first. It also seems doubtful that the upward momentum of the economy would be dissipated so rapidly by the tightening actions taken by the Fed so far. Therefore, over the course of the year, additional signs of excess strength in the economy will likely be met with modest tightening moves by the Fed.

In response to the strong economic growth in the fourth quarter of 1993, stocks surged to new highs early this year. As stated earlier, the Fed made sure this celebration was short lived as in February it initiated the first of several tightening moves it has made so far this year. The stock and bond markets reacted immediately and negatively. Bonds resumed with a vengeance their selloff which had begun late last year. Interest rates across the entire maturity spectrum have risen between 110 to 180 basis points since the end of the year. In response, stocks suffered their first negative quarterly return in two years. To date, among major equity indexes, only the Dow Jones Industrial Average has provided a positive return. Currently the markets are benefitting from what they believe to be either an end to or a lengthy respite from further Fed action. More likely, however, there will be additional Fed tightening moves as economic growth continues and inflationary pressures pick up. If this does occur, bonds should resume their decline and stocks will likely suffer as a result.

So far in 1994, the Board has selected four qualified small cap equity advisors and intends to fund them with 10% of our assets over the course of the year. Also, the Board participated in an educational seminar on international investing put on by Callan Associates. As a result of this, the Board adopted a manager structure for our international equity allocation and the first of several advisor searches has begun. The selection and full funding of these advisors will likely carry well into next year. We have taken additional steps to increase our real estate exposure through commitments to two "opportunistic" real estate funds, the approval of another property purchase and the continued review of potential property acquisitions. We also intend to commit more funds to the commercial mortgage sector later this year. In bonds, our internal management will continue to maintain its high quality, controlled duration disciplines that have provided us with very good returns for a number of years. Finally, as always, we will continue to seek to achieve at least an 8.25% return over time, which is our actuarial assumption rate.

# INVESTMENT PORTFOLIO SUMMARY
DECEMBER 31, 1993




| Type | % of Book Value | Book Value | % of Market Value | Market Value |
|---|---|---|---|---|
| Canadian bonds and obligations | 1.28% | $ 53,507,365 | 1.21% | $ 55,693,574 |
| Government bonds and obligations | 30.35 | 1,265,698,800 | 28.86 | 1,326,793,939 |
| Corporate bonds and obligations | 21.52 | 897,484,682 | 20.68 | 950,612,442 |
| Common Stocks | 30.79 | 1,284,053,979 | 35.24 | 1,620,250,036 |
| Commercial Paper | 10.81 | 450,832,952 | 9.81 | 450,832,952 |
| Real Estate and Mortgage Notes Receivable | 5.10 | 212,579,854 | 4.04 | 185,697,748 |
| Venture Capital | 0.15 | 6,442,175 | .16 | 7,621,102 |
| **Total All Investments** | **100.00%** | **$4,170,599,807** | **100.00%** | **$4,597,501,793** |

# 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 nvestment standards and these standards are incorporated n 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 9 months may be purchased.

## REAL ESTATE

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

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

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

## ELIGIBLE PROPERTIES

1) Office Buildings
2) Industrial Properties
3) Retail Centers
4) Apartments
5) 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) (4) (d) limits the Fund's investment in common and preferred stocks to 50 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 Director of Investments 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 (D) (5) (a).

## INTERNATIONAL DEBT AND EQUITY INVESTMENTS

Section 742.11(D) (14) allows the Fund to invest up to 10% of its assets in debt or equity interests in or issued by foreign entities or any instrument derived from such interests and foreign currency denominated contracts.