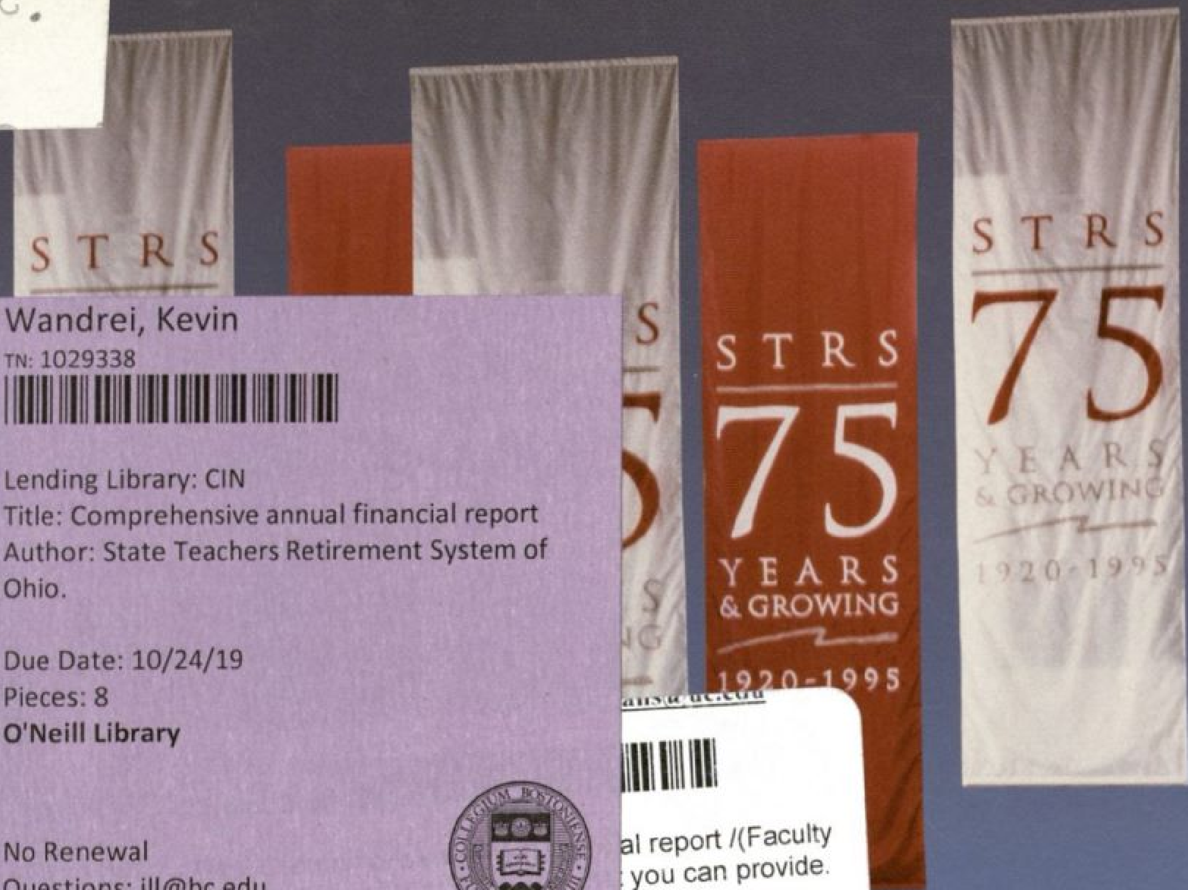
OYT 36.7/2:
995



Boston College ILL
O'Neill Library Interlibrary Loan Room 306
140 Commonwealth Avenue
Chestnut Hill, MA 02467

Wandrei, Kevin
TN: 1029338

Lending Library: CIN
Title: Comprehensive annual financial report
Author: State Teachers Retirement System of Ohio.

Due Date: 10/24/19
Pieces: 8
O'Neill Library

No Renewal
Questions: ill@bc.edu

University of Cincinnati

al report /(Faculty
you can provide.
Author State Teachers Retirement System of Ohio.
Call # OY T 36.7/2: LANGSAM GovDoc OH 1990-1991,1994-1997,1999-

Due: 10/24/2019

ILL# 197912691

DATE: 9/9/2019 9:13:16 AM

Loaned To: BXM - Thomas P. O'Neill Library, Interlibrary Loan Room 306, Boston College,

State Teachers Retirement System of Ohio
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 1995

75 Years and Growing
75th Anniversary Report

STRS Philosophy

MISSION

To enhance the quality of life for teachers and their beneficiaries through retirement benefits as statutorily defined, health care coverage and retirement services.

VISION

To be a premier retirement system, as evidenced by:

- *Accurate, prompt and courteous service*
- *Comprehensive benefits*
- *Exceptional investment returns*
- *Actuarial soundness*

STATE TEACHERS RETIREMENT SYSTEM OF OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1995

Prepared through the joint efforts of the STRS staff

Copies of this report are available from:
State Teachers Retirement System of Ohio
275 E. Broad St.
Columbus, Ohio 43215-3771
(614) 227-4090

UNIVERSITY OF CINCINNATI LIBRARIES
404-304881154

Contents

UNIVERSITY OF CINCINNATI
FEB 16 1996
DOCUMENTS COLLECTION
LIBRARY

INTRODUCTION

State Teachers Retirement Board 3
Certificate of Achievement 4
Professional Consultants 5
Senior Staff 5
Organizational Structure 5
Letter of Transmittal 6
Year in Review 11
75th Anniversary Report 14

FINANCIAL

Independent Auditors' Report 22
General Purpose Financial Statements:
Statements of Net Assets Available for Benefits as of June 30, 1995 and 1994 23
Statements of Changes in Net Assets Available for Benefits, Years Ended June 30, 1995 and 1994 24
Notes to Financial Statements 25
Supplementary Information on Analysis of Funding Progress, 1986–1995 37
Supplementary Information on Revenues by Source and Expenses by Type, 1986–1995 38
Supplementary Information on Employer Contributions, 1986–1995 39
Supplementary Information on Investment Summary, Year Ended June 30, 1995 39
Supplementary Information on Administrative Expenses, Years Ended June 30, 1995 and 1994 40
Supplementary Information on Cash Receipts and Disbursements, Years Ended June 30, 1995 and 1994 41

ACTUARIAL

Actuary's Certification Letter 42
Statement of Actuarial Assumptions and Methods 43
Schedule of Member Valuation Data, 1986–1995 44
Schedule of Retirees and Beneficiaries, 1986–1995 44
Summary of Accrued and Unfunded Accrued Liabilities, 1986–1995 45
Solvency Test, 1986–1995 45
Summary of Benefit and Contribution Provisions 46

STATISTICAL

Benefit Expenses by Type, 1986–1995 48
Number of Reporting Employers by Type, 1986–1995 48
Selected Funding Information, 1986–1995 49
Number of Members: Active, Inactive, Retirees and Beneficiaries, 1986–1995 50
Assumed Rate of Interest and Realized Rate of Return on Assets, 1986–1995 50
Number of Benefit Recipients by Type, 1986–1995 51
Benefit Recipients Added to and Removed from the Rolls, 1995 51
Average Monthly Allowances by Type, 1986–1995 51

INVESTMENTS

Investment Review 52
Investment Performance 56
Summary of Investment Assets, Years Ended June 30, 1995, 1994, 1993 57
Investment Distribution by Market Value as of June 30, 1995 58
Investment Objective and Policy 59
Schedule of Investments as of June 30, 1995 72
Footnotes to Schedule of Investments 91

A tribute to

Ohio educators

for their commitment

to excellence and

dedication to

lifelong learning

through teaching.

STRS

75

YEARS
& GROWING

1920-1995

Retirement Board

The State Teachers Retirement Board meets monthly to transact business and set policy. Front row, from left to right are: William A. Dorsey, chair; Jack H. Chapman, vice chair; Deborah Bell Scott; and Nedra Hadley, representing the attorney general. Back row, from left to right are: Herbert L. Dyer, executive director; Hazel Sidaway; Dr. James Van Keuren, representing the superintendent of public instruction; Betty Ocasek Peters; Gloria L. Gaylord, representing the auditor of state; and Charles W. Jewell.

Membership of the Retirement Board is set by the General Assembly and includes five active teachers, one retired teacher and three voting ex officio members.

Teacher members are elected to four-year terms by members of the Retirement System. The retired teacher member is elected to a four-year term by the retirees receiving benefits from STRS. Board members serve without compensation other than actual, necessary expenses.

The Retirement Board is proud to present this *Comprehensive Annual Financial Report* for the fiscal year July 1, 1994 through June 30, 1995.

William A. Dorsey,
Chair.
Teacher member since 1990.
Painesville City Local Schools, Lake County.

Jack H. Chapman,
Vice Chair.
Teacher member since 1990.
Reynoldsburg City Schools, Franklin County.

Charles W. Jewell
Teacher member since 1984.
Youngstown City Schools, Mahoning County.

Betty Ocasek Peters
Retired teacher member since 1983.
Summit County.

Deborah Bell Scott
Teacher member since 1994.
Finneytown Local Schools, Hamilton County.

Hazel Sidaway
Teacher member since 1986.
Canton City Schools, Stark County.

James M. Petro, Auditor of State
Ex officio member of the board since elected to office in 1995.

Betty D. Montgomery, Attorney General
Ex officio member of the board since elected to office in 1995.

John M. Goff, Superintendent of Public Instruction
Ex officio member of the board since appointed to office in 1995.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The State Teachers Retirement System of Ohio

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1994

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

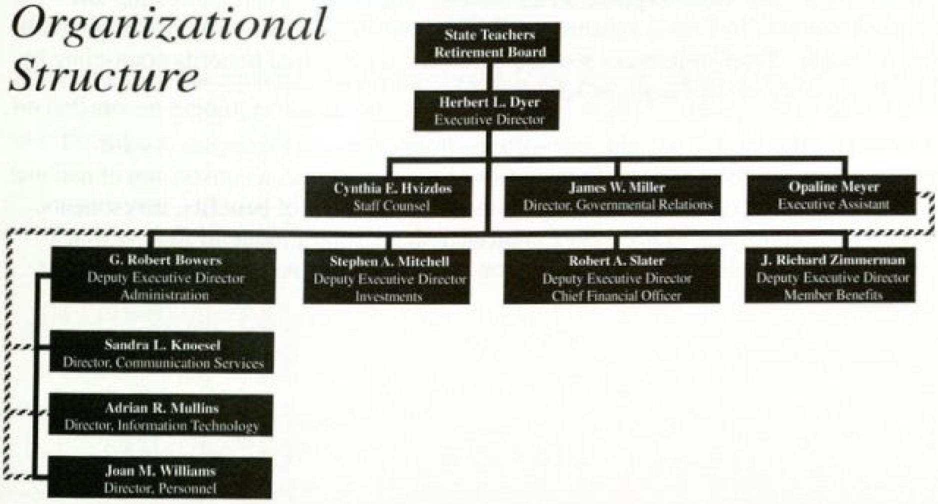
Professional Consultants

Independent Public Accountants:	Deloitte & Touche LLP, Columbus, Ohio
Investment Advisors:	Frank Russell Company Real Estate Consulting, Tacoma, Washington
	Wellington Management Company, Boston, Massachusetts
Actuarial Consultant:	Buck Consultants, Chicago, Illinois

Senior Staff

The STRS senior staff meets regularly to discuss day-to-day operations and develop procedures for administering policies adopted by the Retirement Board. Seated, from left to right are: Joan M. Williams, director of Personnel; and Herbert L. Dyer, executive director. Standing, from left to right are: Adrian R. Mullins, director of Information Technology Services; Stephen A. Mitchell, deputy executive director — Investments; James W. Miller, director of Governmental Affairs; Opaline Meyer, executive assistant; Robert A. Slater, deputy executive director, chief financial officer; Cynthia Hvizdos, staff counsel; Sandra L. Knoesel, director of Communication Services; G. Robert Bowers, deputy executive director — Administration; and J. Richard Zimmerman, deputy executive director — Member Benefits.

Organizational Structure



THE STATE TEACHERS RETIREMENT SYSTEM OF OHIO

275 EAST BROAD STREET, COLUMBUS OH 43215-3771

TELEPHONE (614) 227-4090

RETIREMENT BOARD
JACK H. CHAPMAN, CHAIR—Reynoldsburg Jr. High School, Reynoldsburg
CHARLES W. JEWELL, VICE CHAIR—Chaney High School, Youngstown
DEBORAH M. BELL, Finneytown Local Schools, Hamilton County
WILLIAM A. DORSEY, Painesville City Local Schools, Lake County
JOHN M. GOFF, Superintendent of Public Instruction
BETTY D. MONTGOMERY, Attorney General of Ohio
BETTY OCASEK PETERS, Retired Teacher Member, Northfield
JAMES M. PETRO, Auditor of State
HAZEL SIDAWAY, Worley Elementary School, Canton

December 1, 1995

Members of the State Teachers Retirement Board:

We are pleased to present the *Comprehensive Annual Financial Report* of the State Teachers Retirement System of Ohio for the fiscal year ended June 30, 1995. This report is intended to provide readers with financial, investment, actuarial and statistical information in a single publication.

The State Teachers Retirement System (STRS) was created by legislative act on May 8, 1919, as an alternative to separate, often-unstable local school district retirement plans. Now celebrating its 75th anniversary, this cost-sharing, multiple-employer plan provides service retirement, disability, survivor and health care benefits to teachers and faculty members of public boards of education, state-supported colleges and universities, and the state of Ohio and its political subdivisions.

The *Comprehensive Annual Financial Report* is divided into five sections: (1) the Introductory Section includes this letter of transmittal and information about the administrative organization of STRS; (2) the Financial Section contains the general purpose financial statements and footnotes along with the report of the independent auditors; (3) the Actuarial Section includes results of the annual actuarial valuation and the certification letter of Buck Consultants; (4) the Statistical Section includes historical data showing the progress of the system; and (5) the Investment Section includes a summary of investment assets and the Retirement Board's Objective and Policy Statement.

Major Initiatives

Employer workshops were conducted at the STRS headquarters in Columbus and other locations around the state. The workshops provide an overview of STRS reporting procedures and offer employers a forum for asking questions and making suggestions. STRS also expanded its employer advisor program to maintain more consistent and personal communication with employers. The benefits of this program include more timely and accurate employer reporting.

STRS produced a video called *STRS Guide to Benefits and Services*, which was mailed to every school building in Ohio. The video explains STRS benefits and service in an interesting and easy-to-understand manner. To further enhance service to members, the TeleConference program was expanded statewide. TeleConferences provide members personalized benefits counseling by telephone from the privacy of their home or school office.

STRS was honored for the second straight year with the Public Pension Principles Award sponsored and administered by the Public Pension Coordinating Council, a consortium of national organizations. The award recognizes STRS' achievements in the areas of benefits, investments, financial and actuarial reporting. STRS' *1994 Comprehensive Annual Financial Report* won a Bronze Award in a national annual-report competition sponsored by *Financial World* magazine.

The implementation of pension and investment information systems during the year completed the upgrading of STRS software. Membership and employer reporting software was previously installed. The pension, membership and employer software, known as Clarity, provides a more efficient way to store and access information to better serve our members. The investment system is a modified software package called MAXIMIS.

A complete 1994-95 Year in Review can be found on Pages 11–13 of this report.

Economic Environment

The Federal Reserve raised short-term interest rates for the first time in five years during 1994 to control the growth of the economy and to keep inflation in check. The move drove short- and long-term interest rates higher early in 1995. When the rate of growth and consumer price increases slowed, the 30-year Treasury bond yield fell to 6.6 percent at fiscal year-end from a high of 8.1 percent in November.

While rates were rising in the first part of the fiscal year, STRS added duration to the fixed-income portfolio, making it more sensitive to interest rate changes. The longer duration paid off during the second half of the year when rates fell. Above-market returns for bonds were realized when interest rates declined. At year-end, the fixed-income portfolio was reduced to 40.6 percent at cost of the total fund from 46.6 percent at cost at the beginning of the year.

U.S. equity markets turned bullish in the second half of fiscal 1995. Market returns for the fiscal year were significantly stronger than the returns measured on a calendar-year basis. (STRS performance on Page 57 is measured on a calendar-year basis.) The allocation for domestic equities did not vary much from 43 percent at cost of total assets during the year.

Real estate continued a recovery started last year. There was little change in vacancy rates, and new construction slowed dramatically. At year-end, STRS increased the allocation for real estate to 7.8 percent at cost from 6.4 percent at cost the previous year.

The economic outlook is for continued improvement in inflation and above-average economic growth. Further action on interest rates by the Federal Reserve will depend largely on meaningful progress in reducing the federal budget deficit.

Financing for education has been tight statewide for several years. Nonetheless, there have been no defaults on employer contributions to STRS, and steady improvement in STRS' funding status is expected.

Accounting Basis and Internal Control

The financial statements are prepared in accordance with generally accepted accounting principles and are the responsibility of STRS management. Equity investments are recorded at cost, and fixed-income investments are reported at amortized cost. Revenues and expenses are recorded on an accrual basis — that is, revenues are recorded when earned and expenses are recorded when incurred.

STRS maintains a system of internal controls designed to ensure responsible safeguarding of assets and reliable financial records. No material weaknesses in internal controls were reported during the conduct of the audit.

The financial statements for the fiscal year ended June 30, 1995, have been audited by Deloitte & Touche LLP, Columbus, Ohio. Their report is shown on Page 22.

Financial Highlights

Revenues

	1995	1994	Increase (Decrease)
Net investment income	$2,340,907,000	$2,231,241,000	4.9%
Contributions	1,590,139,000	1,499,686,000	6.0%
Total revenues	$3,931,046,000	$3,730,927,000	5.4%

Interest and dividend income increased 16 percent and 21 percent, respectively, from the prior year while net investment gains decreased 11 percent. Contributions were boosted by a .05 percent increase in the member contribution rate to fund survivor benefit improvements.

The Retirement Board may pay a supplemental benefit to benefit recipients in years when the realized return on book value of assets exceeds the assumed investment return of 7.5 percent. The realized return for 1994-95 was 8.4 percent, and the board allocated $42 million for payment of a supplemental benefit in December 1995.

Expenses

	1995	1994	Increase (Decrease)
Benefits	$1,526,915,000	$1,403,843,000	8.8%
Withdrawals	21,233,000	18,235,000	16.4%
Administrative Expense	38,926,000	38,770,000	0.4%
Total Expenses	$1,587,074,000	$1,460,848,000	8.6%

Pension benefits for service retirement, disability and survivors increased 9.3 percent for the year. Health care costs grew at a moderate rate of 5.4 percent because of increased cost-sharing by benefit recipients and the managed-care plan.

Funding

Contribution rates are actuarially determined to provide a level basis of funding using the entry age normal cost method, and an actuarial valuation is performed annually by Buck Consultants, Chicago, Ill. The July 1, 1995, valuation shows that the amortization period for the unfunded accrued liability decreased to 29.3 years from 30.5 years, and the ratio of assets to total accrued liabilities improved to 79 percent from 77 percent.

The pension benefit obligation is a standardized measure of the present value of pension benefits prescribed by Governmental Accounting Standards Board Statement No. 5. The total pension benefit obligation for STRS as of July 1, 1995, was $36.1 billion, excluding health care.

Investments

Providing the financial foundation for STRS, total investment assets grew to $29.2 billion as of June 30, 1995. All assets are strategically allocated among four primary portfolios: fixed income, common and preferred stocks, equity real estate and international investments. The mix of investments is designed to provide high long-term yields while minimizing exposure to risk. The State Teachers Retirement Board Investment Objective and Policy Statement is included in the Investment Section starting on Page 52.

Review of Operations and Activities

STRS devotes much time and attention to advising members and retirees about their benefits. A comprehensive annual account statement showing projected benefits and a history of earnings and service credit is sent to members each year. Individual counseling sessions are offered at STRS headquarters and at various locations around the state. STRS associates are available to conduct general meetings for active and retired teacher groups. Retirement Planning Seminars, Life Planning Workshops and an annual Information Fair are also popular forums for presenting information about STRS benefits. Periodic newsletters are mailed to both active and retired members.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to STRS for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 1994. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. STRS has received a Certificate of Achievement for the last five consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to the GFOA.

Acknowledgments

The preparation of this report is possible only through the combined efforts of the STRS staff. It is intended to provide complete and reliable information as a basis for making management decisions, complying with legal provisions and determining responsible stewardship of the assets contributed by members and their employers.

Respectfully submitted,

Herbert L. Dyer
Executive Director

Robert A. Slater, CPA
Deputy Executive Director &
Chief Financial Officer

HERBERT L. DYER, EXECUTIVE DIRECTOR

CYNTHIA E. HVIZDOS, Staff Counsel
OPALINE MEYER, Executive Assistant
JAMES W. MILLER, Governmental Relations

DEPUTY EXECUTIVE DIRECTORS:
G. ROBERT BOWERS, Administration
STEPHEN A. MITCHELL, Investments
ROBERT A. SLATER, Chief Financial Officer
J. RICHARD ZIMMERMAN, Member Benefits

1994–95: Year in Review

The following are highlights of STRS' fiscal year: July 1, 1994, through June 30, 1995.

Board approves 15th supplemental benefit payment

The Retirement Board, at its October 1994 meeting, allocated nearly $35 million for a December 1994 supplemental benefit payment to more than 76,000 benefit recipients. The supplemental benefit had a $12 unit value. Each benefit recipient receives one unit for each year of service and each year of retirement.

This was the 15th consecutive supplemental benefit since the Retirement Board was granted authority in 1980 to issue the payment. The 15 supplemental benefit payments have totaled more than $435 million.

The supplemental benefit is not guaranteed. Funds for the benefit can arise when investment income earned in a year exceeds the actuarial funding requirements for the regular benefit plan.

Members receive cost-of-living increase for 1994-95

STRS retirees who received a benefit before July 1, 1993, received a 3 percent cost-of-living adjustment on their cost-of-living adjustment anniversaries in fiscal year 1994-95. The annual inflation rate for 1993 was 2.8 percent, as measured by the U.S. Department of Labor's Consumer Price Index (CPI).

A cost-of-living increase is awarded if a retiree has enough points in his or her cost-of-living reserve account — combined with the inflation rate for the year — to equal 3 percent. A retiree establishes a reserve account on the first anniversary of retirement. At that time, cost-of-living points are deposited into the retiree's reserve account. The number of points is determined by the previous year's inflation rate.

Points accrue the same way each year on the retiree's retirement anniversary date. When a reserve account has enough points to qualify for the 3 percent cost-of-living adjustment, the appropriate points are withdrawn from the account and the cost-of-living adjustment is made on the next anniversary date.

In a year when the CPI increase is under 3 percent, such as in 1993, retirees will still receive a 3 percent cost-of-living adjustment if the increase in inflation — combined with the points in their reserve account — equals 3 percent. If a retiree does not have sufficient points in reserve, combined with the increase in inflation, to equal at least three percentage points, the retiree will not receive an adjustment but will receive the CPI increase as an addition to the reserve account.

Board welcomes three new ex officio members

The State Teachers Retirement Board welcomed three new members in fiscal 1994–95. Ohio Attorney General Betty D. Montgomery, Auditor of State James M. Petro and Superintendent of Public Instruction John M. Goff became Retirement Board members by virtue of their new public offices.

Before her election as attorney general, Montgomery represented the 2nd District in the Ohio Senate. Petro served as Cuyahoga County commissioner before being elected state auditor. Goff was deputy superintendent of public instruction before his appointment to superintendent of public instruction.

STRS receives pension achievement award

For the second straight year, STRS was honored with a Public Pension Principles Achievement Award. STRS was one of the first honorees when the program began last year.

The award program, which is administered by the Public Pension Coordinating Council, was established to promote high professional standards for public employee retirement systems and to commend the systems that adhere to those standards. To receive the award, the system must have complied with 20 specific principles in the areas of benefits, actuarial valuations, financial reporting, audits, investments and disclosures.

STRS wins awards for excellence in communications

For the fifth consecutive year, the Government Finance Officers Association of America (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to STRS. The award was for the *Comprehensive Annual Financial Report* for the fiscal year ending June 30, 1994. The Certificate of Achievement is the highest form of recognition for governmental and financial reporting. The GFOA is a nonprofit professional association serving more than 12,000 governmental financial professionals.

STRS' 1994 *Comprehensive Annual Financial Report* also won a Bronze Award in a national annual report competition sponsored by *Financial World* magazine. This award represents the highest standards in financial reporting.

STRS also won two Awards of Excellence in a regional competition sponsored by Women In Communications Inc. The awards were for the high quality of design and content of STRS' *1994 Benefits Summary* and *Life Planning Workshop* materials.

Board sets new premium rates for health care coverage

New premium rates for health care coverage went into effect Jan. 1, 1995. The changes reflect the full implementation of a Retirement Board policy requiring health care enrollees to pay a set percentage of their actual premium costs. Premium cost-sharing is one of several measures adopted by the board to contain escalating health care costs, ensuring the financial integrity of the health care program.

Under the new rates, retirees with at least 25 years of service pay 15 percent of the premium cost for themselves and 40 percent of the premium costs for covered dependents. These percentage factors increase for benefit recipients with fewer years of service.

Legislative committee formed to review state's pension systems

In April, a joint legislative committee was formed to review policies and operations of Ohio's five public retirement systems, including STRS.

The committee was formed to study the solvency, funding, disability practices, investment authority, performance and management of Ohio's public pension funds.

STRS services continue to meet needs of members

Continuing its tradition of providing comprehensive, timely information and quality services, STRS served thousands of members in fiscal year 1994–95 through various programs:

Program	Members Served
Individual counseling sessions at STRS	5,692
Individual counseling sessions throughout Ohio	6,676
TeleConferences	1,392
Retired-teacher general meetings	3,166
Active-teacher general meetings	3,749
Information Fair	211
Counseling correspondence/calls	74,098
Member Benefits correspondence	94,038
Retirement Planning Seminar	539
Life Planning Workshop	135
Calls to toll-free Information Line	79,875
Active-teacher newsletter circulation	253,000
Retired-teacher newsletter circulation	80,000

STRS produces video for members, expands TeleConference

To better inform educators about the benefits and services they receive as STRS members, STRS produced a video called *"STRS Guide to Benefits and Services."*

The video explains STRS benefits and services in an interesting, easy-to-understand manner. It provides important information to all members, no matter how long they have been teaching.

The video was mailed to every school building in Ohio with supporting materials to assist school principals in showing the video to teachers in a group meeting. Teachers may also borrow the video from their school to watch at home.

Another member-service enhancement was the statewide expansion of the **STRS TeleConference**. The TeleConference allows STRS members to participate in benefits counseling sessions over the phone from the convenience of their homes or schools. The program was tested in selected areas of Ohio; positive response from members resulted in the statewide expansion of the service.

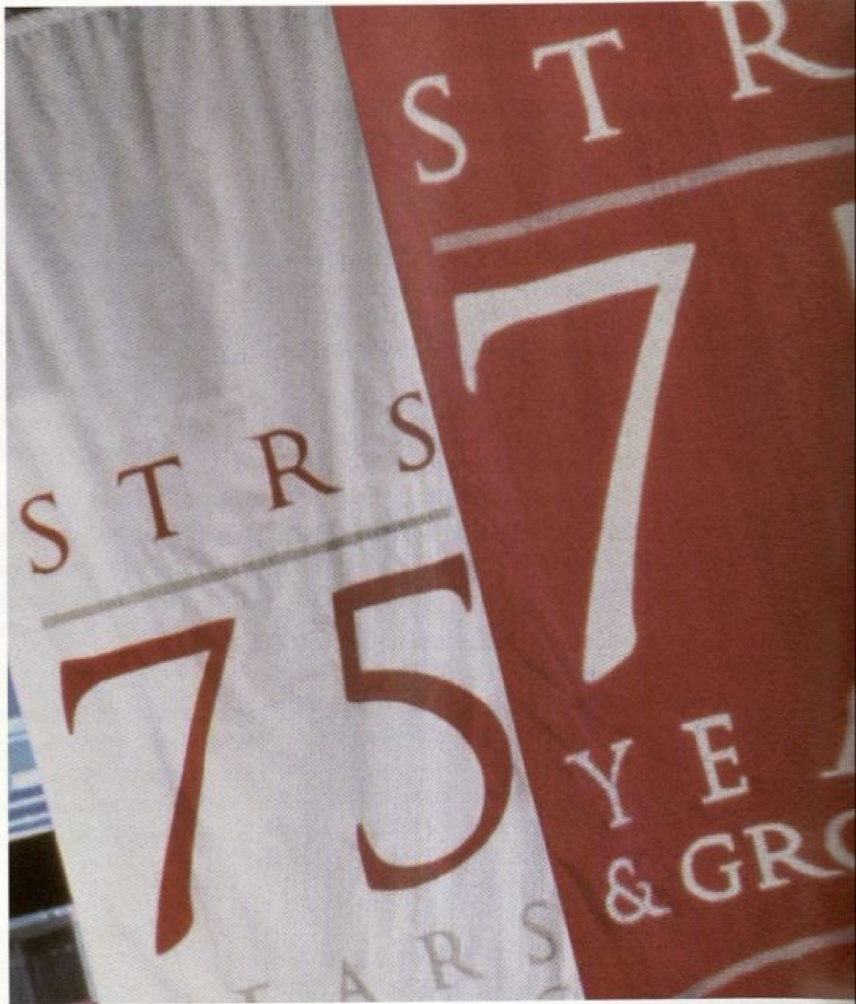
STRS reaches out to employers through workshops, advisors

To enhance the level of service provided to STRS' reporting employers, seven informational workshops were conducted by the Finance Department staff. The workshops reached more than 200 school districts and nearly 350 school district employees.

The workshops were designed to help employers better understand STRS policies, procedures and reporting requirements. STRS plans to continue this program because of positive responses from participants.

During the year, STRS also continued its employer liaison program in which STRS "employer advisors" maintain personal contact with employers. This program contributes to more timely and accurate employer reporting and has improved the Retirement System's communications with employers.

C. H. Freeman



STRS ... 75 Years And Growing

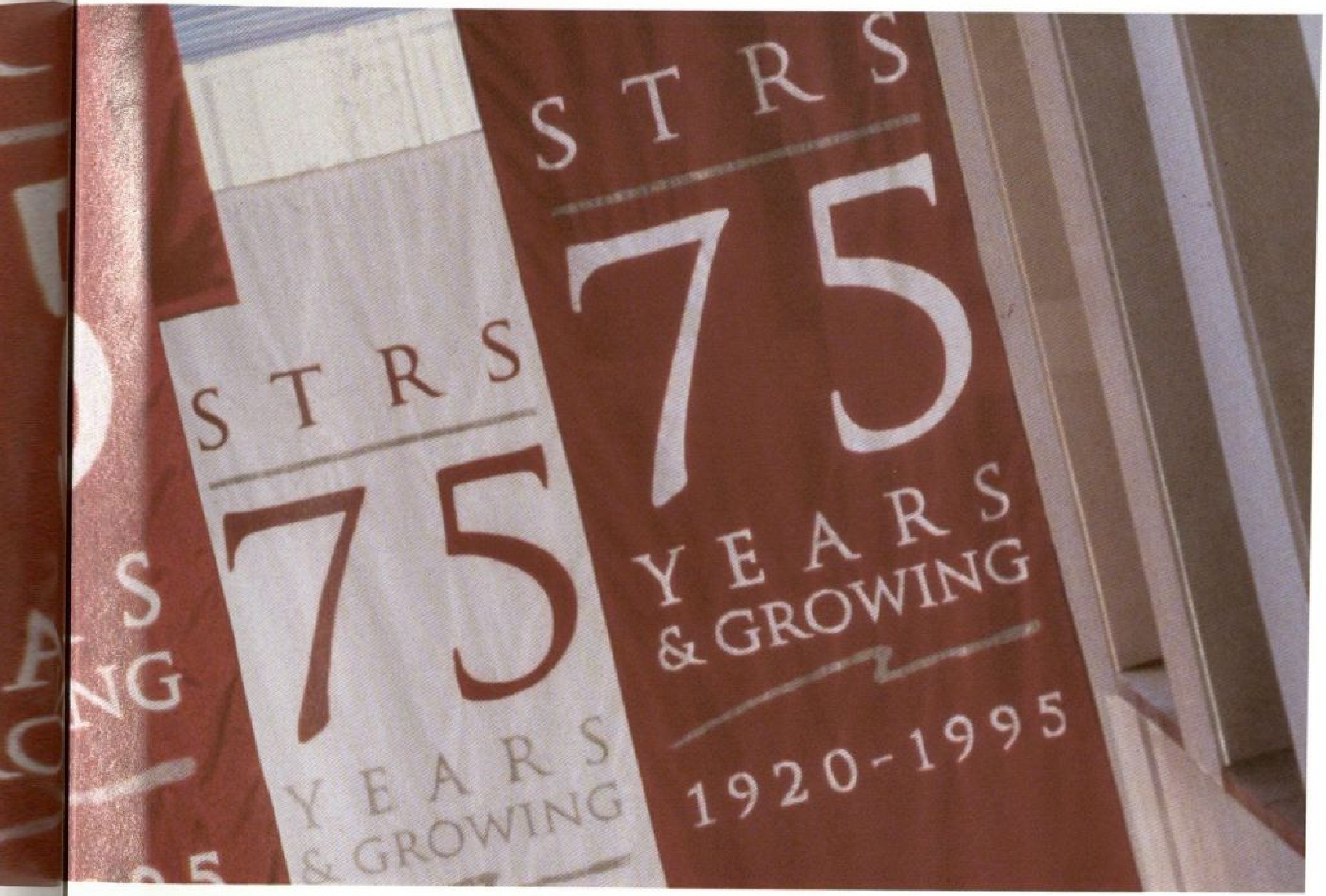
1919–1920: A year of hope . . . and glory

On a cold day in late March, 1919, C. H. Freeman, state representative from Hardin County, held the future financial security of Ohio teachers in his hands. He was to address the Ohio House of Representatives urging passage of H.B. 359: a bill that would establish a statewide teachers' retirement system.

Though physically alone, Freeman was, in spirit, accompanied by 30,000 Ohio teachers. Teachers whose standards of living and professional stature depended on passage of this bill . . . teachers who would benefit from a drive begun by Ohio's education pioneers nearly 100 years before.

Freeman's challenge was in getting the full legislature to agree that a teacher pension fund was needed in an era when pensions were not common in any profession. He could support his argument by showing how 22 city teacher pension funds were already struggling or bankrupt, but he knew the issue was deeper than money. He knew that passage of H.B. 359 would be critical to Ohio's future vitality in education, business, government and economics.

Skillfully linking the elevation of education and teaching to the future progress of every legislator's constituency, Freeman successfully influenced the General Assembly. By August 1919, H.B. 359 was signed into law, and by Sept. 1, 1920, the State Teachers Retirement System of Ohio began providing benefits and services to Ohio educators.



1920–1995: 75 years of accomplishments

The first State Teachers Retirement Board met on Nov. 21, 1919. They were challenged to establish a mode of operation that would guarantee — not just promise — teachers their due retirement benefits.

This first board was adamantly realistic and fiscally knowledgeable. They built operations on solid actuarial footing: How many probable retirements in which years, at what ages, with how many years of service? How many would retire earlier because of the existence of the pension system? To meet predicted obligations, what revenues could actually be banked from the teacher and employer contributions? What would be the realistic yield from invested funds? The board's first act was to hire an actuary to help them answer these questions . . . questions the STRS board and staff still carefully answer today.

The impressive statistics throughout this report authenticate the accomplishments of the system's 75 years of skillful management and prudent decisions on behalf of Ohio teachers.

1995: A Year of Celebration

Banners and vintage-style lampposts surround the Teachers' Park.

A bronze plaque commemorates the Teachers' Park dedication.

To celebrate 75 years of achievements, STRS wanted to commemorate the contributions of teachers to society through lasting monuments. It would not have been appropriate to use STRS funds to finance the tributes, so the system began a subscription drive to active and retired members. Would they be interested in contributing to a Teachers' Park at the Ohio Historical Society and to the creation of bronze relief statues, honoring teachers, to be permanently placed at the Ohio Statehouse? Any extra funds would be used for the endowment of teacher scholarships.

Response was overwhelming. The generosity of more than 8,700 teachers resulted in approximately $265,000 in contributions. STRS 75th Inc., a nonprofit, tax-exempt corporation was incorporated to receive the donations.

While STRS oversaw the projects, the credit and praise go to Ohio educators who have created legacies with gifts of the Teachers' Park, Statehouse statues and teacher scholarships.

Teachers' Park

Nestled in a valley of green grass and trees between the Ohio Historical Society and the Ohio Village in Columbus is Teachers' Park. The park can be recognized by the white bridge that spans the amphitheater and the vintage-style lampposts on which banners boast this scenic area to be Teachers' Park. A plaque honoring teachers for their "commitment to excellence and dedication to lifelong learning" welcomes visitors.

The park's amphitheater will be used as a performance space for art and educational programs, and as an assembly area for the many school groups that visit the historical center and village each year.

Teachers' Park also preserves Ohio's history. The bridge was originally constructed in 1870 and used in Crawford County. Large sandstone blocks that flank the amphitheater stage are from the historic Minthorn Lock built in 1836 on the Ohio & Erie Canal.

The park was formally dedicated at a ceremony on Sept. 23. All contributors to the 75th Anniversary fund were invited to attend. More than 600 participants enjoyed the dedication that included a Civil War-style fife-and-drum band, the Ohio Village Singers, a gun salute, refreshments, speeches and ribbon-cutting.

William Dorsey, STRS Board chair, cuts the ribbon officially opening Teachers' Park with the help of Gary Ness, Ohio Historical Society director; Herbert Dyer, STRS executive director; and Robert Smith, past board chair of the Ohio Historical Society.

The first bronze relief statue is unveiled by Cathy Priest, 1996 Ohio Teacher of the Year, and G. Robert Bowers, STRS deputy executive director — Administration.

George Danhires explains his sculptures to Charles Jewell, STRS board member.

Statehouse Statues

The contributions of teachers to society are permanently recognized through two bronze relief statues in the Education Center of the Ohio Statehouse. The state capitol, where legislation creating Ohio schools and STRS was enacted, seemed the appropriate location to commemorate Ohio's educators.

The statues depict traditional and modern scenes and symbols of teaching and education. One statue is of an early Ohio teacher and her students in a one-room school. The other statue is of a social studies teacher with students in a modern setting. A teacher in the background signs the words "to learn" in recognition of the nation's first state school for the deaf founded in Ohio in 1829.

Both statues were also used to record Ohio's rich history in education, flight and politics.

Subtle depictions of the McGuffey reader, Ray's arithmetic and Spencerian script — all products of Ohioans — grace the backgrounds of the statues. Ohio astronauts John Glenn and Neil Armstrong and the Wright brothers are also portrayed. On the chalkboard of one statue, a list of presidents from Ohio appears to be the history lesson for the day.

The statues were created by noted sculptor George Danhires, professor of painting and drawing at the University of Akron. They were formally dedicated as gifts from Ohio educators in a ceremony Nov. 8 at the state capitol.

Teacher Scholarships

The generosity of Ohio educators will also have a lasting influence on the teaching profession — scholarships were endowed from 75th Anniversary contributions to assist current and future teachers. The Ohio State University has agreed to administer the $152,750 scholarship endowment.

Scholarships from interest on the endowment will be rotated among Ohio's 13 public universities in proportion to the size of their teacher education programs. The scholarships will be available to undergraduate and graduate students studying education.

STRS board members present a scholarship endowment to Dr. Nancy Zimpher, the Ohio State University administrator of the endowment to Ohio public universities.

Retirement System Celebrates Success

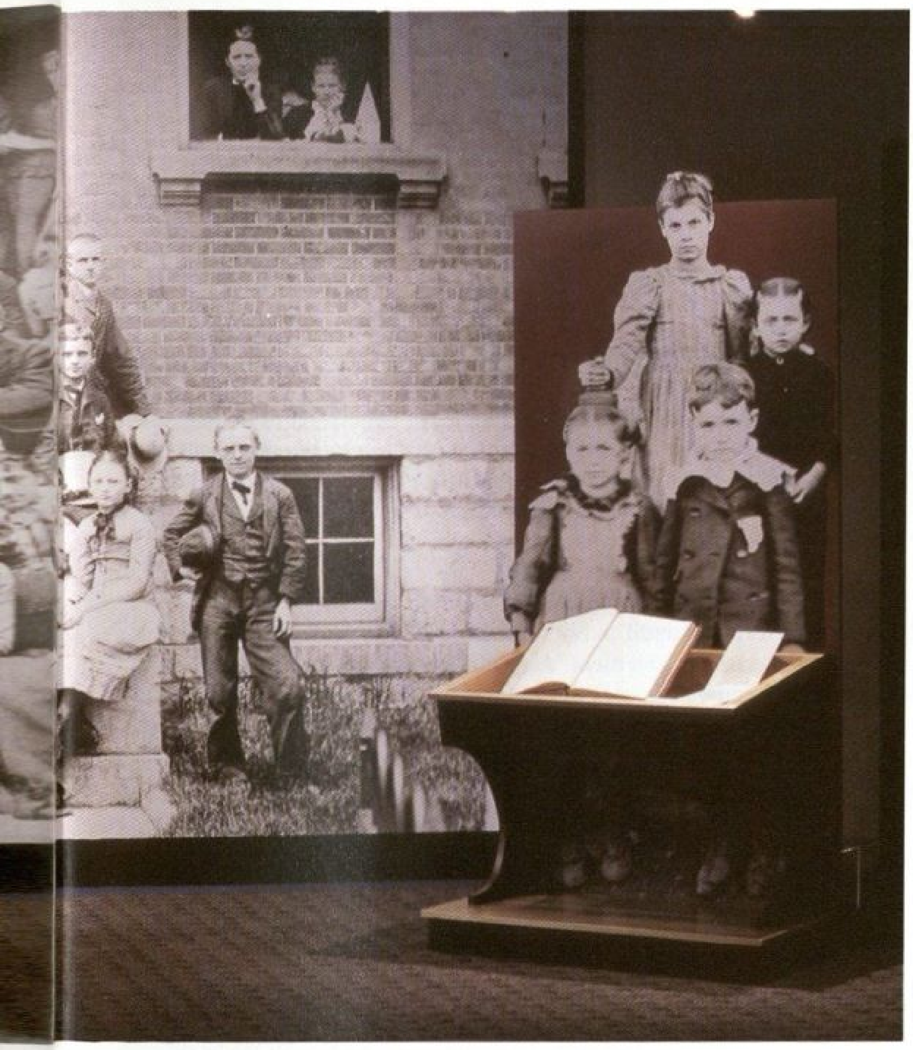
State Teachers Retirement System is proud of its accomplishments during the last 75 years. It has never failed in its mission to Ohio educators: to enhance the quality of life for teachers and their beneficiaries.

From a fledgling system in 1920 with a few million in assets, STRS has grown to become the 17th largest pension fund in the United States with assets of more than $32 billion. In 1920, benefit payments were approximately $170,500 for the year; in 1994–95, benefit payments totaled more than $1.5 billion. The system has reason to celebrate . . . and it did, with several special activities:

Historical Display

To mark its 75th Anniversary, STRS worked with the Ohio Historical Society to create a display in the Member Benefits lobby and the atrium of the system's building in Columbus. The display is a step back in time when children of all ages gathered in a one-room schoolhouse to peruse McGuffey's readers and practice penmanship on small slate boards. Wall panels highlight students and schools of the 1920s, and focus on A. B. Graham, an influential Ohio educator. His desk is included in the memorabilia along with other artifacts.

Red and white banners proclaiming "STRS — 75 Years & Growing" hang inside and outside the State Teachers Retirement System building, also heralding the system's anniversary. These are reproduced on the cover of this publication.



Dan Lister, Mark Rubeck and John Buch, STRS benefits counselors, offer information about STRS benefits and services at the Teachers' Park dedication.

National Symposium

In April, more than 60 representatives from 15 retirement systems across the country and Canada visited STRS for the "Sharing Success" symposium. During the STRS-sponsored symposium, the systems shared their successes in member benefits and services, technology, investments, finance, communications, law and government relations. Participants attended general and specialized information-sharing sessions led by the STRS staff and associates of the different systems. Evaluations by participants deemed the symposium a huge success.

Recognition Dinner

State Teachers Retirement System is considered a premier retirement system because of the dedication, foresight and perseverance of current and past board members, executive directors, management and staff.

A recognition dinner was held Oct. 12 to honor those who have contributed to the system's success. More than 100 people attended the dinner, including former STRS board members and executive directors.

History Book

A definitive history of STRS was published at the end of the 75th Anniversary celebration to highlight the system's accomplishments. Numerous interviews with current and former STRS board members, executive directors and staff within the book describe STRS' challenges to achieve its status as a leading pension fund. The history also focuses on STRS' social and economic impact on education, teaching, the state and the nation. The book was written by William D. Ellis and Nancy A. Schneider of Editorial Inc. in Cleveland.

Independent Auditors' Report

Deloitte & Touche LLP

To the Retirement Board of the State Teachers Retirement System of Ohio:

We have audited the accompanying statements of net assets available for benefits of the State Teachers Retirement System of Ohio as of June 30, 1995 and 1994, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 net assets available for benefits of the System as of June 30, 1995 and 1994, and the changes in its net assets available for benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on analysis of funding progress, revenues by source and expenses by type, employer contributions, investment summary, administrative expenses, and cash receipts and disbursements on Pages 37–41 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of the System's management. Such supplementary information as of and for the years ended June 30, 1995, 1994 and 1993 has been subjected to the auditing procedures applied in our audits of the basic 1995, 1994 and 1993 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 1995, 1994 and 1993 financial statements taken as a whole. The supplementary information as of and for the years ended June 30, 1988, 1989, 1990, 1991 and 1992 was subjected to auditing procedures by other auditors whose report dated November 25, 1992, expressed an unqualified opinion on those statements and stated that such supplementary information was fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The supplementary information as of and for the years ended June 30, 1986 and 1987 marked "unaudited" has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

November 17, 1995
Columbus, Ohio

Statements of Net Assets Available for Benefits

As of June 30, 1995 and 1994

(In Thousands)

	1995	1994
ASSETS:		
Investments:		
Short-term	$ 924,149	$ 462,328
Fixed income	11,873,691	12,478,624
Common and preferred stock and venture capital	12,475,907	11,431,175
International	1,693,974	712,150
Real estate	2,276,378	1,708,967
Total investments	29,244,099	26,793,244
Cash	465	16,805
Receivables:		
Accrued interest and dividends	182,911	167,925
Employer contributions	163,925	151,404
Retirement incentive plan	52,477	54,316
Member contributions	126,296	115,349
State of Ohio appropriations	3,035	3,396
Securities sold	115,280	84,628
Total receivables	643,924	577,018
Fixed assets, net of accumulated depreciation of $17,401 and $14,319 in 1995 and 1994, respectively	54,762	54,456
Total assets	29,943,250	27,441,523
LIABILITIES:		
Securities purchased	285,809	124,726
Accrued expenses and other liabilities	45,621	48,949
Total liabilities	331,430	173,675
NET ASSETS AVAILABLE FOR BENEFITS	$29,611,820	$27,267,848

See accompanying Notes to Financial Statements.

Statements of Changes in Net Assets Available for Benefits

Years Ended June 30, 1995 and 1994

(In Thousands)

	1995	1994
INVESTMENT INCOME:		
Interest	$ 1,048,545	$ 907,375
Dividends	410,231	339,371
Rent	74,464	78,858
Net investment gains	815,199	912,299
Subtotal	2,348,439	2,237,903
Investment-related expenses	(7,532)	(6,662)
Net investment income	2,340,907	2,231,241
CONTRIBUTIONS:		
Employer	956,284	902,299
Member	624,812	589,186
State of Ohio	3,035	3,396
Other	6,008	4,805
Total contributions	1,590,139	1,499,686
Total increases	3,931,046	3,730,927
BENEFIT PAYMENTS:		
Service retirement	1,185,066	1,083,335
Disability retirement	100,805	92,091
Survivor benefits	37,756	35,198
Supplemental benefit	34,567	33,586
Health care	165,767	157,276
Other	2,954	2,357
Total benefit payments	1,526,915	1,403,843
REFUNDS TO MEMBERS WHO HAVE WITHDRAWN	21,233	18,235
ADMINISTRATIVE EXPENSES	38,926	38,770
TOTAL DECREASES	1,587,074	1,460,848
NET INCREASE	2,343,972	2,270,079
NET ASSETS AVAILABLE FOR BENEFITS, Beginning of year	27,267,848	24,997,769
NET ASSETS AVAILABLE FOR BENEFITS, End of year	$29,611,820	$27,267,848

See accompanying Notes to Financial Statements.

Notes to Financial Statements

Years ended June 30, 1995 and 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State Teachers Retirement System of Ohio (STRS) presented herein have been prepared on the accrual basis of accounting following the accounting policies set forth below.

a. Organization — STRS (the Plan) is a cost-sharing, multiple-employer plan that was created by Chapter 3307 of the Ohio Revised Code (Revised Code) and is administered by a board comprised of five active members, one retired teacher and three voting ex officio members.

STRS is a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14. Specifically, the Plan is governed by a separately elected body, is legally separate, and is fiscally independent of other state and local governments.

b. Investment Income Recognition:
   - Dividend income is recognized on the record date.
   - Interest income is recognized as earned.
   - Rental income is recognized as earned.
   - Gain or loss on security transactions is determined as of the trade date using the average cost of securities sold.
   - Gain or loss on exchange of fixed-income securities is recognized using the completed transaction method.
   - Gain or loss on real estate is recognized upon sale and for market declines judged to be other than temporary.
   - Currency gains and losses between the trade and settlement date for international investments are recognized on the settlement date.

c. Contributions — Employer and member contributions are recorded in the period the related member salaries are earned.

d. Fixed Assets — Fixed assets are recorded at historical cost. Depreciation is provided on a straight-line basis over estimated useful lives of 5-10 years for equipment and 40 years for buildings and building improvements.

e. Investment Accounting and Valuation —
   - Short-term investments and fixed-income investments are valued at amortized cost with any related discount or premium amortized using the effective yield method, subject to adjustment for market declines judged to be other than temporary. Short-term investments include cash equivalents, repurchase agreements, and corporate and government notes that mature within one year.
   - Common and preferred stock, international equities and venture capital investments are valued at cost, subject to adjustment for market declines judged to be other than temporary.
   - Real estate investments are valued at historical cost, subject to adjustment for market declines judged to be other than temporary. Noprovision for depreciation has been made because real estate is treated as an investment asset.
   - Purchases and sales of investments are recorded as of their trade date.
   - Investment administrative expenses are deducted from gross investment income.
   - STRS has no individual investment that exceeds five percent of net assets available for benefits.

f. Federal Income Tax Status — During the years ended June 30, 1995 and 1994, STRS qualified under Section 501(a) of the Internal Revenue Code and was exempt from federal income taxes.

g. New Accounting Pronouncements — In November 1994, the Governmental Accounting Standards Board issued Statement No. 25 — "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans;" Statement No. 26 — "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Plans;" and Statement No. 27 — "Accounting for Pensions by State and Local Governmental Employers." These statements will require, among other things, that the Plan's investments be carried at fair value, a statement of Plan net assets and changes therein, additional financial statement disclosures regarding health care benefits, and the elimination of disclosures regarding the pension benefit obligation. Statements No. 25 and 26 will be effective for the Plan's year ended June 30, 1997 and Statement No. 27 will be effective for the Plan's year ended June 30, 1998. Additionally, in May 1995, Statement No. 28 — "Accounting and Financial Reporting for Securities Lending Transactions" was issued, effective for the Plan's year ended June 30, 1997. This statement requires certain securities lending transactions to be shown as an asset and liability on the Plan's statement of net assets.

Management is currently reviewing the requirements of these statements and has not determined the impact of these statements on the Plan's net assets or the years of adoption.

2. DESCRIPTION OF THE STRS PLAN

Plan Membership — STRS is a mandatory statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio (the State) or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. At June 30, 1995, the number of participating employers was:

City school districts	192
Local school districts	371
County boards of education	80
Exempted village school districts	49
Joint vocational schools	48
Universities and colleges	38
County boards of mental retardation and developmental disabilities	82
State of Ohio	1
Total	**861**

Plan Benefits — Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60, (ii) 25 years of service credit and attained age 55, or (iii) 30 years of service credit regardless of age.

The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is determined by multiplying final average salary by 2.5% for each year of Ohio contributing service in excess of 30 years and by 2.1% for all other years of credited service up to a maximum allowance of 100% of final average salary. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance.

Since the Plan is tax-qualified, benefits are subject to limits established by Section 415 of the Internal Revenue Code.

After retirement, benefits are increased annually by 3% of the original benefit at retirement if the cost of living as measured by the Consumer Price Index has increased at least 3% in the previous calendar year. If the annual increase in the Consumer Price Index is less than 3%, a 3% cost-of-living increase is still paid if cumulative increases in the Consumer Price Index, less previous cost-of-living increases, equal or exceed 3%.

A retiree of STRS or other Ohio public retirement systems is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment, or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Death, Survivors' and Disability Benefits — A member with five or more years' credited service who becomes disabled (illness or injury preventing individual's ability to teach) is entitled to a disability benefit. Additionally, monthly benefits are paid to eligible survivors of members who die prior to retirement. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage up to $2,000 can be purchased. Various other benefits are available to members' beneficiaries.

Health Care Benefits After Retirement —The Plan provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the Retirement Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the Plan. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

Under Ohio law, medical costs paid from the funds of the Plan are included in the employer contribution rate, currently 14% of compensation. The Retirement Board allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund within the Employers' Trust Fund from which payments for health care benefits are paid. Health care benefits are not included in the pension benefit obligation. The balance in the Health Care Reserve Fund was $851,228,000 and $829,600,000 at June 30, 1995 and 1994, respectively.

The net health care costs paid by the Plan were approximately $165,767,000 for the year ended June 30, 1995, and $157,276,000 for the year ended June 30, 1994. Eligible benefit recipients totaled 83,136 and 77,405 at July 1, 1995 and 1994, respectively. As of July 1, 1995 and June 30, 1994, $652,000,000 and $60,000,000, respectively, were transferred from the Employers' Trust Fund to the Health Care Reserve Fund to provide additional reserves for future health care benefits.

Supplemental Benefits — In December of each year, if the Retirement Board determines that sufficient funds are available, a lump-sum supplemental benefit payment is made to eligible retirees. The payment is based on the retiree's years of service and date of retirement. The amount of the payment may vary and is not guaranteed from year to year. Approximately $34,567,000 and $33,586,000 were paid as supplemental benefits in December 1994 and 1993, respectively.

Refunds — Upon termination of employment, a member may withdraw accumulated contributions made to STRS. Withdrawal cancels the individual's rights and benefits in STRS. Employer contributions to STRS are not refundable.

3. FUNDING METHOD AND CONTRIBUTION REQUIREMENTS

STRS' funding policy provides for periodic employer and member contributions at rates, expressed as percentages of covered payroll, that will accumulate assets sufficient to pay benefits when due. Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Revised Code to 14% and 10%, respectively, of covered payroll. The rates are established by the Retirement Board based on a valuation of the liabilities of STRS by its actuary.

The actuarial valuation used the projected benefit method with level percentage entry age normal cost and an open-end unfunded actuarial liability to calculate the projected benefit obligation, and to determine the period over which the unfunded liability would be amortized (based on present fixed employer and member contribution rates). The significant actuarial assumptions used to compute the projected benefit obligation are the same as those used to compute the standardized measure of the pension obligation.

Effective for the July 1, 1993, actuarial valuation, certain actuarial assumptions were changed. In addition, effective July 1, 1993, STRS elected to change its asset valuation method for actuarial purposes from book value to a three-year moving market average method. Effective July 1, 1994, the member contribution rate was increased 0.05% to 9.30% to fund survivor benefit improvements.

Contributions consisted of the following components as of July 1, 1995 and 1994:

	As of 7/1/95	As of 7/1/94
Member normal cost	9.30%	9.30%
Employer:		
Normal cost	5.44%	5.45%
Amortization of unfunded actuarial liability	6.56%	6.55%
Health care benefits	2.00%	2.00%
Total employer	14.00%	14.00%

Normal cost is the amount necessary to finance benefits earned by members during the current service year.

The actuarial calculation resulted in an unfunded liability for funding purposes that would liquidate over a period of 29.3 years at July 1, 1995, and 30.5 years at July 1, 1994.

Notes to Financial Statements (cont.)

Contribution requirements based on covered payroll were approximately $885,787,000 and $848,516,000 for employers and $588,416,000 and $560,627,000 for members in 1995 and 1994, respectively. Actual contributions recorded were approximately $956,284,000 and $902,299,000 for employers and $624,812,000 and $589,186,000 for members in 1995 and 1994, respectively. The differences are primarily due to programs whereby members and employers can purchase additional years of service credit.

4. FUNDING STATUS AND PROGRESS

The amounts shown below as the Pension Benefit Obligation (PBO) are standardized disclosure measures of the present value of pension benefits estimated to be payable in the future as a result of member service to date. The PBO is adjusted for the effects of composite projected salary increases. The measure is the actuarial present value of credited projected benefits, excluding health care benefits, and is intended to help users assess the funding status of the Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to STRS discussed in Note 3.

The PBO was determined as part of actuarial valuations at July 1, 1995 and 1994. Significant actuarial assumptions for the July 1, 1995 and 1994 valuations were as follows:

Rate of return on the investment of present and future assets	7.50%
Projected annual salary increases	9.25% at age 20 to 3.25% at age 65
Postretirement life expectancies	1983 Group Annuity Table with one year set forward for women
Preretirement life expectancies, rates of withdrawal from service before retirement other than death, rates of disability and rates of retirement ages	Actual Plan experience
Annual postretirement benefit increases	3%
Member contribution rate	9.30%
Employer contribution rate	14%

At July 1, 1995 and 1994, the unfunded pension benefit obligation was $8,003,759 and $8,043,212 respectively, as follows (dollar amounts in thousands):

	1995		1994	
	Number of Members	Amount	Number of Members	Amount
Actuarial present value of projected benefits payable to current retirees and beneficiaries	83,136	$16,745,090	77,405	$14,025,124
Actuarial present value of projected benefits payable to terminated vested members	17,013	1,227,845	17,128	1,254,041
Total	100,149	17,972,935	94,533	15,279,165
Actuarial present value of credited projected benefits for plan members:				
Member contributions		5,038,570		4,872,035
Employer financed vested		5,358,374		6,206,606
Employer financed nonvested		7,742,472		8,123,654
Total (125,549 and 127,210 vested members; 140,238 and 139,179 non-vested members at July 1, 1995 and 1994, respectively)	265,787	18,139,416	266,389	19,202,295
Total members*	365,936		360,922	
Pension benefit obligation		36,112,351		34,481,460
Net assets available for benefits (excluding health care reserves) at cost (market value: 1995 – $30,861,914; 1994 – $27,009,589)		28,108,592		26,438,248
Unfunded pension benefit obligation		**$ 8,003,759**		**$ 8,043,212**

*In addition, there were 7,436 and 7,356 reemployed retirees included in the actuarial valuation as of July 1, 1995 and 1994, respectively.

5. FUNDS

Various funds were established under the Revised Code to account for contributions, reserves, income and administrative expenses.

- The Teachers' Savings Fund (TSF) is used to accumulate member contributions in trust.
- The Employers' Trust Fund (ETF) is used to accumulate employer contributions in trust. ETF includes assets allocated to the Health Care Reserve Fund from which payments for comprehensive health care benefits are made (see Note 2).
- The Annuity and Pension Reserve Fund (APRF) is the fund from which all annuities and pension payments to retired members are made. Reserves are transferred to this fund from the TSF and ETF funds at the time of retirement.
- The Survivors' Benefit Fund is the fund from which all survivor benefit payments are made for which reserves have been transferred from the Teachers' Savings Fund and the Employers' Trust Fund.
- The Guarantee Fund is used to accumulate income derived from gifts, bequests and investments for the year.
- The Expense Fund is the fund from which all expenses for the administration and management of STRS are paid.

After interest is allocated to the various funds, the Guarantee Fund and the Expense Fund are closed into the Employers' Trust Fund at year-end.

At June 30, 1995 and 1994, net assets available for benefits were included in the various funds as follows (in thousands):

	1995	1994
Teachers' Savings Fund	$ 5,533,684	$ 5,158,561
Employers' Trust Fund	9,350,128	8,522,084
Annuity and Pension Reserve Fund	14,326,668	13,201,588
Survivors' Benefit Fund	401,340	385,615
Total	$29,611,820	$27,267,848

6. COMMITMENTS AND CONTINGENCIES

STRS has made commitments to fund various real estate investments totaling approximately $391,330,000 and $203,752,000 at June 30, 1995 and 1994.

In October 1995, the board passed a resolution that provides lump-sum supplemental benefit payments to be paid to eligible retirees in December 1995. Estimated payments to be made are $42 million.

STRS is a party in various lawsuits. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the net assets available for benefits.

7. CASH AND INVESTMENTS

The investment authority of the Retirement Board is governed by Section 3307.15 of the Revised Code that also requires the Retirement Board to publish its investment policies annually and make copies available to interested parties. This section requires that investments be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. It further provides that the Retirement Board may invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks and debentures with certain restrictions as to the nature and quality of the investment and composition of the investment portfolio. The Retirement Board has further restricted investments as to the nature and quality of the investment and composition of the investment portfolio.

Investments held by STRS at June 30, 1995 and 1994 are summarized as follows:

(In Thousands)	June 30, 1995		June 30, 1994	
Category	**Cost**	**Fair Market Value**	**Cost**	**Fair Market Value**
Short-term				
Commercial paper	$ 839,535	$ 839,535	$ 304,119	$ 304,300
Government notes	60,614	60,490	158,209	155,903
Repurchase agreements	24,000	24,000		
Total short-term	924,149	924,025	462,328	460,203
Fixed income:				
Guaranteed mortgages	4,482,752	4,552,866	4,215,769	4,137,146
U.S. government and governmental agencies	4,547,163	5,167,194	4,771,642	4,907,937
Corporate bonds	2,493,226	2,529,346	2,822,282	2,813,377
Canadian bonds	349,150	360,592	667,286	663,656
Municipal bonds	1,400	1,539	1,645	1,748
Total fixed income	11,873,691	12,611,537	12,478,624	12,523,864
Common and preferred stock	12,450,775	14,595,050	11,411,307	11,933,544
Real estate (see Note 8):				
Participating mortgages	162,844	170,011	205,688	198,174
Multitenant properties	1,107,650	1,011,084	566,045	493,272
Joint ventures	385,429	338,444	366,783	275,251
Sale-leasebacks	249,988	240,860	265,595	264,895
Separate accounts	148,939	335,516	176,033	334,928
Real estate investment trusts	161,523	157,956	62,547	63,902
Other	60,005	59,496	66,276	69,436
Total real estate	2,276,378	2,313,367	1,708,967	1,699,858
Venture capital	25,132	31,462	19,868	26,758
International	1,693,974	1,669,226	712,150	738,285
Total investments	$29,244,099	$32,144,667	$26,793,244	$27,382,512

Fair market valuation — Stocks traded on a national securities exchange are valued at the closing price on the last business day of the fiscal year; stocks traded over the counter are valued at the closing bid price, as reflected by NASDAQ, on the last business day of the fiscal year; international investments are valued by the subcustodian using relevant closing market prices and exchange rates; U.S. government and governmental agency securities, bonds, certain guaranteed mortgages, and short-term corporate and government notes are valued based on information from an independent service organization for institutional investors; guaranteed mortgages are valued based on their coupon rate relative to the coupon rate for similar mortgages on the last business day of the fiscal year; short-term cash equivalent investments are stated at amortized cost which approximates market value; real estate is valued based on appraisals performed by independent appraisers or, for properties not appraised, at the present value of the projected future net income stream; and venture capital is based on values established by valuation committees.

Statement No. 3 of the Governmental Accounting Standards Board requires governmental entities to categorize investments as an indication of the level of risk at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by STRS or its agent in the name of STRS. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of STRS. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty in STRS' name or held by the counterparty's trust department or agent but not in STRS' name.

All investments subject to categorization at June 30, 1995, meet the criteria of Category 1. Investments are held in the name of STRS or its nominee by the Treasurer of the State of Ohio as custodian. Real estate investments and venture capital funds are investments that, by their nature, are not required to be categorized.

STRS participates in a security lending program whereby securities are loaned to investment brokers/dealers (borrower). Securities loaned are collateralized by the borrower at 102% of the loaned securities' market value. The program is administered by a custodial agent bank. STRS receives a fee from the borrower for the use of loaned securities. In fiscal 1995 and 1994, STRS received $1.8 million and $2.5 million, respectively, in security lending income. STRS has minimized its exposure to credit risk because of borrower default by having the custodial agent bank determine daily that the required collateral meets 102% of the market value of securities on loan. The market value of securities loaned at June 30, 1995 and 1994, was $1.2 billion and $1.3 billion, respectively.

At June 30, 1995, the bank cash balance was $3,154,000. Of the bank balance, $100,000 was insured by the Federal Deposit Insurance Corporation. The remaining bank balance was covered by collateral held in the name of STRS' pledging financial institution, as required by state statute.

8. REAL ESTATE INVESTMENTS

General — STRS properties are geographically distributed. The real estate investments include retail single-tenant stores and malls, single and multitenant office space, single and multitenant warehouses, apartments and other.

Participating Mortgages — Participating mortgages consist principally of mortgages on commercial office space. Fixed interest rates are generally one to two percentage points below the prevailing market rate at the inception of the mortgage in exchange for participation in the net cash flow generated by a project.

Multitenant and Sale-Leaseback — Multitenant properties and sale-leaseback arrangements consist of real estate leased subject to operating leases, which consist principally of commercial office space, retail store space and warehouse space.

REITs — Real estate investment trusts (REITs) are real estate company stocks with a high dividend-income component. REITs divide the ownership of the real estate company and its properties among all the shareholders. REITs are required to distribute 95% of the company's taxable income to their shareholders. Distributions are taxable to shareholders rather than the real estate company.

Separate Accounts, Joint Ventures and Other — Separate accounts consist of group annuity contracts and group trusts. Joint ventures are co-ownership arrangements with other investors. Other real estate includes syndicated mortgages consisting of land acquisition costs and mortgage receivables relating to the financing of buildings.

9. INTERNATIONAL INVESTMENTS

In fiscal year 1994, STRS began investing in international equity investments through the use of outside money managers. It is the intent of STRS and the money managers to be fully invested; however, cash and short-term fixed-income investments are held temporarily.

Two international equity swap agreements were contracted in fiscal 1995 with a maturity date in fiscal 1996. In exchange for LIBOR (London Interbank Offered Rate) and a negotiated broker commission, STRS will receive dividends and the difference in the change in the customized Europe, Australia, Far East Index (EAFE) at maturity. Commercial paper equal to the initial exposure of the equity swap has been set aside as security.

The cost and market value of international investments held at June 30, 1995 and 1994 are (in thousands):

	1995		1994	
	Cost	**Market**	**Cost**	**Market**
International stocks	$ 936,060	$ 926.211	$358,528	$358,607
International fixed income	9,767	9,574	16,804	17,320
International currency and liquidity reserves	146,272	142,395	33,851	33,939
EAFE equity swaps	601,875	591,046	302,967	328,419
Total international	$1,693,974	$1,669,226	$712,150	$738,285

10. DERIVATIVES

Equity Swap Agreements — As discussed in Note 9, STRS has entered into two international equity swap agreements. No funds are required as collateral by either party; however, STRS has purchased short-term investments equivalent to the initial exposure which are located in a subcustodial account at the Bank of New York. The market risk of the swap is the same as if STRS owned the underlying stocks that comprise the indexes. The net interest revenues and expenses resulting from these agreements have been recorded in the financial statements. See Note 9 for the related equity swap cost and market values as of June 30, 1995 and 1994.

Forward Contracts — Currency forward contracts are used to specifically hedge yen exposure as a result of the equity swap agreements. Additionally, forward contracts in various currencies were used to transact and hedge direct foreign equity investments that STRS maintains through the use of outside managers. STRS is obligated to deliver the foreign currency at a certain dollar price sometime in the future. To fulfill this obligation at maturity, STRS must obtain the currency in the open market. Before the contract matures, STRS can enter into an offsetting forward contract that nets out the original contract. These events expose STRS to currency market risk, which at times can be volatile. At June 30, 1995 and 1994, outstanding yen forward contracts totaled $115 million, expiring December 18, 1995, and $55 million, expiring December 29, 1994, respectively. Net realized forward currency gains of $2.9 million in 1995 and $0 in 1994 have been appropriately recorded to the financial statements.

Futures — STRS had investments in S&P 500 index futures during the year. Index futures are designed to offer lower-cost and more-efficient alternatives to buying the individual stocks. The market and credit risk of the futures were the same as if STRS had owned the underlying stocks that comprise the index. From February to March 1994, there were futures ranging from $32 million to $57 million, and from July 1994 to March 1995, there were futures ranging from $35 million to $107 million. Net realized gains of $8.2 million in 1995 and $320,000 in 1994 have been properly recorded to net investment gains in the financial statements.

Options — STRS writes option contracts to enhance the return on the stock portfolio. In exchange for a premium, STRS gives the option buyer the right to buy or sell the underlying stock. The option contract specifies the stock price and the expiration date of the option. STRS recognizes income on option transactions on a settlement-date basis which is not materially different than using the trade-date basis. Option income was $57.2 million and $61.5 million in 1995 and 1994, respectively.

11. DEPOSITS

The Treasurer of State has entered into an agreement with a bank that provides STRS with various banking services, provided that STRS maintains compensating balances to cover the costs to the bank in supplying the specified services. For the years ended June 30, 1995 and 1994, such compensating balances averaged approximately $13,305,000 and $17,509,000, respectively. The cost of banking services was approximately $1,288,000 in 1995 and $602,000 in 1994; the increase was primarily a result of international investing.

12. STATE APPROPRIATIONS

From time to time, the legislature of the State has increased benefit payments to retirees. In certain instances, concurrent with the passage of such legislation, a provision for payment of these benefits through future state appropriations has been made. The unrecorded present value of future State appropriations at June 30, 1995 and 1994, for these benefits was approximately $14,755,000 and $18,683,000, respectively.

STRS received approximately $3,035,000 and $3,396,000 from the State for these increased benefits paid for the years ended June 30, 1995 and 1994, respectively. Funding for these increased benefits is on a pay-as-you-go basis by the State.

13. PENSION PLAN

Substantially all STRS employees are required to participate in a contributory retirement plan administered by the Public Employees Retirement System of Ohio (PERS). PERS is a cost-sharing, multiple-employer public employee retirement system. The payroll for employees covered by PERS for the year ended June 30, 1995, was approximately $14,922,000; STRS' total payroll was approximately $15,165,000.

Eligible employees are entitled to a retirement benefit, payable monthly for life, equal to 2.1% of their final average salary for each year of credited service up to 30 years and 2.5% for each year of service over 30 years. Final average salary is the employee's average salary over the highest three years of earnings. Benefits fully vest on reaching five years of service. Vested employees may retire at any age with 30 years of credited service, at age 55 with a minimum of 25 years of credited service, and at age 60 with a minimum of 5 years of service. Employees retiring with less than 30 years of service and under age 65 receive reduced retirement benefits. Benefits are established by State statute.

Employees covered by PERS are required by Ohio statute to contribute 8.5% of their salary to the plan. STRS is required by the same statute to contribute 13.55% of covered payroll; 8.44% is the portion used to fund pension obligations, with the remainder used to fund the health care program for retirees. The total contribution requirement for the year ended June 30, 1995, was approximately $3,290,000, which consisted of $2,022,000 from STRS and $1,268,000 from employees. These contributions represented 13.55% and 8.5% of covered payroll, respectively. There were no changes in actuarial assumptions, benefit provisions, actuarial funding methods or other significant factors for the most recent actuarial study.

The pension benefit obligation and the net assets available for benefits for PERS as a whole, based on the most recent information and actuarial valuations available, is presented below (in thousands):

	December 31, 1993
Pension benefit obligation	$23,239,000
Net assets available for benefits (excluding amounts allocated to health care benefits)	$22,889,000

The pension benefit obligation is a standardized disclosure measure of the actuarial present value of credited projected benefits, excluding health care benefits, adjusted for the effects of projected salary increases and any step rate benefits, estimated to be payable in the future as a result of the employee's service to date. This measure is intended to help users assess each public employee retirement system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and among employers. The total pension benefit obligation does not include projected health care benefits. STRS' contributions represented less than one percent of the total contributions required of all participating entities in PERS.

Historical trend information showing the progress of PERS in accumulating sufficient assets to pay benefits when due is presented in the PERS *Comprehensive Annual Financial Report.*

In addition to pension benefits, PERS provides postemployment health care benefits, in accordance with state statutes, to all employees who retire with 10 or more years of qualifying Ohio service credit and to disability recipients. At December 31, 1994, the plan had approximately 358,000 participants.

A portion of each employer's contribution to PERS is set aside for the advanced funding of postemployment health care. Of the 13.55% of employee payroll contributed by STRS to PERS, 5.11%, or approximately $763,000, was the portion used to fund health care. Statutory rates equal the actuarially determined contribution requirements.

The actuarial present value of accrued postemployment benefits was determined based on the entry age normal method of funding. Significant actuarial assumptions used in the December 31, 1993, valuation (most recent available) were: (a) investment rate of return of 7.75%, (b) no change in the number of active employees, (c) base pay rate increases of 5.25% related to inflation and annual merit pay increases of 0% to 5.1%, and (d) health care increases of 5.25% annually.

The total of PERS' actuarial present value of accrued postemployment benefits as of December 31, 1993, was $7.67 billion. The net assets available for these benefits at that date were $6.19 billion.

14. 10-YEAR HISTORICAL TREND INFORMATION

Ten-year historical trend information designed to provide information about STRS' progress made in accumulating sufficient assets to pay benefits when due is presented on Pages 37-39.

Supplementary Information on Analysis of Funding Progress

1986–1995

(Dollar Amounts in Thousands)

Fiscal Year	Net Assets Available for Benefits*	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
1986 (unaudited)	$10,678,570	$15,980,947	67%	$5,302,377	$3,839,151	138%
1987 (unaudited)	12,589,487	17,600,461	72%	5,010,974	4,133,831	121%
1988	14,258,680	19,324,598	74%	5,065,918	4,380,287	116%
1989 **	16,057,321	21,978,477	73%	5,921,156	4,657,975	127%
1990	17,902,141	23,744,659	75%	5,842,518	4,974,442	117%
1991	19,655,034	25,812,754	76%	6,157,720	5,272,709	117%
1992	21,785,970	28,113,954	77%	6,327,984	5,598,238	113%
1993 ***	24,247,020	31,464,007	77%	7,216,987	5,816,209	124%
1994	26,438,248	34,481,460	77%	8,043,212	6,060,828	133%
1995	28,108,592	36,112,351	78%	8,003,759	6,327,049	127%

The following amounts are in thousands:

* At cost (see Note 1 to financial statements). Excludes assets allocated to the Health Care Reserve Fund.

** In fiscal year 1989, plan benefit provisions were amended to increase the benefit formula. The amendment increased the pension benefit obligation in fiscal 1989 by approximately $608,000.

*** Certain actuarial assumptions used to compute the pension benefit obligation were changed effective July 1, 1993. The effect of these assumption changes was to increase the pension benefit obligation in fiscal 1993 by approximately $789,400.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation 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 provides one indication of STRS' funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of STRS' progress in accumulating assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement system.

The actuarial assumptions used in the computation of the pension benefit obligation are revised periodically based on STRS' experience.

Supplementary Information on Revenues by Source and Expenses by Type

1986–1995
(In Thousands)

Revenues by Source

Fiscal Year	Member Contributions	Employer Contributions	Investment Income	State Appropriations	Other	Total
1986 (unaudited)	$354,011	$604,729	$1,163,976	$6,595	$3,622	$2,132,933
1987 (unaudited)	384,490	614,989	1,798,705	6,142	3,117	2,807,443
1988	396,655	676,536	1,494,435	5,704	3,392	2,576,722
1989 *	423,639	703,773	1,617,196	5,287	3,468	2,753,363
1990	455,264	754,726	1,663,600	4,876	3,934	2,882,400
1991 **	511,269	793,132	1,719,115	4,490	3,841	3,031,847
1992 ***	548,841	862,655	2,294,646	4,099	4,540	3,714,781
1993	564,005	869,862	2,394,523	3,755	5,180	3,837,325
1994	589,186	902,299	2,231,241	3,396	4,805	3,730,927
1995 ****	624,812	956,284	2,340,907	3,035	6,008	3,931,046

Expenses by Type

Fiscal Year	Benefits	Refunds	Administration	Total
1986 (unaudited)	$ 678,202	$19,317	$ 9,449	$706,968
1987 (unaudited)	763,052	17,232	11,245	791,529
1988	845,476	15,526	13,610	874,612
1989	925,557	17,695	16,291	959,543
1990	1,009,464	17,070	20,415	1,046,949
1991	1,131,877	18,088	29,486	1,179,451
1992 ***	1,226,843	17,488	28,956	1,273,287
1993	1,323,643	16,386	35,870	1,375,899
1994	1,403,843	18,235	38,770	1,460,848
1995	1,526,915	21,233	38,926	1,587,074

The following amounts are in thousands:

* Effective July 1, 1988, the member contribution rate was increased to 8.77% from 8.75% of compensation. The effect was an increase in member contributions of $768 for fiscal year 1989.

** Effective July 1, 1990, the member contribution rate was increased to 9.25% from 8.77% of compensation. The effect was an increase in member contributions of $25,309 for fiscal year 1991.

*** Effective July 1, 1991, investment administrative expenses are deducted from gross investment income.

**** Effective July 1, 1994, the member contribution rate was increased to 9.30% from 9.25% of compensation. The effect was an increase in member contributions of $3,164 for fiscal year 1995.

Supplementary Information on Employer Contributions

1986–1995 *(Dollar Amounts in Thousands)*

Fiscal Year	Employer Contributions*	Annual Covered Payroll	Employer Contributions as Percentage of Annual Covered Payroll
1986 (unaudited)	$604,729	$3,839,151	15.75%
1987 (unaudited)	614,989	4,133,831	14.88%
1988	676,536	4,380,287	15.45%
1989	703,773	4,657,975	15.11%
1990	754,726	4,974,442	15.17%
1991	793,132	5,272,709	15.04%
1992	862,655	5,598,238	15.41%
1993	869,862	5,816,209	14.96%
1994	902,299	6,060,828	14.89%
1995	956,284	6,327,049	15.11%

* Employer contributions included payments under voluntary retirement incentive plans.

Supplementary Information on Investment Summary

Year Ended June 30, 1995 *(In Thousands)*

Investment Category	Carrying Value as of June 30, 1994	Purchases and Accretions	Sales, Redemptions and Accruals	Carrying Value as of June 30, 1995	Market Value as of June 30, 1995
SHORT TERM:					
Commercial paper	$ 304,119	$23,499,808	$22,964,392	$ 839,535	$ 839,535
Government notes	158,209	388,934	486,529	60,614	60,490
Repurchase agreements		1,775,500	1,751,500	24,000	24,000
Total short-term	462,328	25,664,242	25,202,421	924,149	924,025
FIXED INCOME:					
Guaranteed mortgages	4,215,769	984,950	717,967	4,482,752	4,552,866
U.S. government and governmental agencies	4,771,642	2,900,086	3,124,565	4,547,163	5,167,194
Corporate bonds	2,822,282	913,331	1,242,387	2,493,226	2,529,346
Canadian bonds	667,286	595	318,731	349,150	360,592
Municipal bonds	1,645		245	1,400	1,539
Total fixed income	12,478,624	4,798,962	5,403,895	11,873,691	12,611,537
COMMON AND PREFERRED STOCK	11,411,307	5,105,417	4,065,949	12,450,775	14,595,050
REAL ESTATE:					
Participating mortgages	205,688	1,594	44,438	162,844	170,011
Multitenant properties	566,045	581,662	40,057	1,107,650	1,011,084
Joint ventures	366,783	95,072	76,426	385,429	338,444
Sale-leasebacks	265,595		15,607	249,988	240,860
Separate accounts	176,033	25,982	53,076	148,939	335,516
Real estate investment trusts	62,547	99,138	162	161,523	157,956
Other	66,276		6,271	60,005	59,496
Total real estate	1,708,967	803,448	236,037	2,276,378	2,313,367
VENTURE CAPITAL	19,868	6,211	947	25,132	31,462
INTERNATIONAL	712,150	9,011,389	8,029,565	1,693,974	1,669,226
Total investments	$26,793,244	$45,389,669	$42,938,814	$29,244,099	$32,144,667

Supplementary Information on Administrative Expenses

Years Ended June 30, 1995 and 1994

	1995	1994
PERSONNEL:		
Salaries and wages	$10,427,023	$ 9,595,837
Retirement contributions	1,381,877	1,277,836
Benefits	1,740,987	1,992,229
Total personnel	13,549,887	12,865,902
PROFESSIONAL AND TECHNICAL SERVICES:		
Computer support services	11,261,779	11,836,319
Health care services	555,757	411,232
Actuary	292,745	446,640
Auditing	179,602	97,231
Legal	187,384	233,054
Total professional and technical services	12,477,267	13,024,476
COMMUNICATIONS:		
Postage and courier services	1,478,250	1,445,283
Printing and supplies	1,878,363	1,998,260
Telephone	342,582	315,685
Total communications	3,699,195	3,759,228
OTHER EXPENSES:		
Equipment repairs and maintenance	1,338,457	1,309,220
Building utilities and maintenance	577,723	785,880
Transportation and travel	386,443	416,251
Equipment rental	2,465,701	2,555,298
Depreciation	3,187,691	2,875,636
Insurance	263,948	253,593
Memberships and subscriptions	94,181	85,598
Retirement study commission	148,180	170,844
Miscellaneous	737,725	668,013
Total other expenses	9,200,049	9,120,333
TOTAL ADMINISTRATIVE EXPENSES	$38,926,398	$38,769,939

Note: Above amounts do not include Investment Department administrative expenses which are deducted from investment income.

Supplementary Information on Cash Receipts and Disbursements

Years Ended June 30, 1995 and 1994
(In Thousands)

	1995	1994
CASH BALANCE		
Beginning of year	$ 16,805	$ 32,545
ADD RECEIPTS:		
Member contributions	613,865	581,964
Employer contributions	945,603	904,653
Miscellaneous contributions	9,404	8,561
Interest, rent and dividends	1,383,525	1,359,528
Investments sold or matured	43,723,359	36,177,625
Total cash receipts	46,675,756	39,032,331
LESS DISBURSEMENTS:		
Benefit payments	1,532,515	1,411,209
Administrative expenses	41,080	43,258
Investments purchased	45,093,856	37,571,813
Refunds	21,233	18,235
Fixed asset purchases	3,412	3,556
Total cash disbursements	46,692,096	39,048,071
CASH BALANCE		
End of year	$ 465	$ 16,805

Actuary's Certification Letter

BUCK CONSULTANTS
Xerox Centre
55 West Monroe Street Suite 1700
Chicago, Illinois 60603

November 1, 1995

The Retirement Board
State Teachers Retirement System of Ohio
275 East Broad Street
Columbus, Ohio 43215

Ladies and Gentlemen:

This report presents the results of the annual actuarial valuation of the assets and liabilities of the State Teachers Retirement System of Ohio (STRS) as of July 1, 1995, prepared in accordance with Section 3307.20 of Chapter 3307 of the Ohio Revised Code. The valuation takes into account all of the promised benefits to which members are entitled, including pension and survivor benefits.

The valuation was based on the same actuarial assumptions and methods which were adopted by the Board for use in the July 1, 1993 valuation, including a valuation interest rate of 7-1/2% per annum compounded annually.

The valuation was also based on membership data which was reported to us by STRS. While we did not verify the data at its source, we did review it for reasonableness. The membership data was reported in a revised format from the Legacy computer system. The data was provided in more detail than provided in previous years and more accurately reflects the employment status of members as of the valuation date.

Currently, of the total contribution rate of 23.3% from employers and members, 2% is dedicated to the health care fund with 21.3% remaining for pension and survivor benefits. The valuation indicates that the contribution rate of 21.3% is sufficient to provide for the payment of the promised pension and survivor benefits, while reducing the funding period of the deficiency by 1.2 years from last year's funding period (i.e., reduced from 30.5 years to 29.3 years).

The valuation indicates that for the fiscal year 1994-95 the actuarial experience of STRS was favorable and generated net actuarial gains of $739 million. The Board elected to use $42 million of the actuarial gain to fund the supplemental benefit payments to retirees to be made during December 1995 and to transfer $652 million to the health care stabilization fund. The remaining $45 million reduced the funding period by 0.2 years.

Our report which follows describes the detailed results of the valuation as of July 1, 1995.

Respectfully submitted,

Kim M. Nicholl

Kim M. Nicholl, F.S.A.
Consulting Actuary

Statement of Actuarial Assumptions and Methods

Financing Objective: To establish contributions as a level percentage of active member payroll which, when invested, will be sufficient to provide specified benefits to STRS members and retirees.

Interest Rate: 7.5% per annum, compounded annually. (Adopted 1993)

Death After Retirement: According to the 1983 Group Annuity Mortality Table (Projection 1992–Scale H), with no setback in age for males and one year set forward in age for females. Special mortality tables are used for the period after disability retirement. (Adopted 1993)

Future Expenses: The assumed interest rate is net of the anticipated future administrative expenses of the fund.

Actuarial Cost Method: Projected benefit method with level percentage entry age normal cost and open-end unfunded accrued liability. Gains and losses are reflected in the accrued liability.

Asset Valuation Method: A three-year moving market average value of assets that spreads the difference between the actual investment income and the expected income (based on the valuation interest rate) over a period of three years. (Adopted 1993)

Payroll Growth: 5% per annum compounded annually. (Adopted 1993)

Separations From Active Service: Representative values of the assumed rates of separation and annual rates of salary increase are as follows (adopted 1993):

				Superannuation			
Age	**Withdrawal**	**Death**	**Disability**	**30 Years, Service Retirement**	**25–29 Years, Service Retirement**	**Under 25 Years, Service Retirement**	**Salary Increase**
				MEN			
20	.0684	.0004	—	—	—	—	.0925
30	.0524	.0005	.0003	—	—	—	.0725
40	.0236	.0008	.0009	—	—	—	.0525
50	.0120	.0026	.0054	.2588	—	—	.0405
55	.0122	.0027	.0077	.2381	.0495	—	.0375
60	.0130	.0043	—	.2846	.0675	.0765	.0350
65	.0130	.0091	—	.4399	.3600	.2565	.0325
70	—	.0139	—	.4140	.3600	.3150	.0325
				WOMEN			
20	.0453	.0002	—	—	—	—	.0925
30	.0479	.0003	.0005	—	—	—	.0725
40	.0198	.0005	.0012	—	—	—	.0525
50	.0119	.0012	.0048	.2588	—	—	.0405
55	.0101	.0019	.0070	.2588	.0900	—	.0375
60	.0093	.0030	—	.3002	.1305	.1440	.0350
65	.0098	.0035	—	.4658	.3600	.2970	.0325
70	—	.0052	—	.4140	.3150	.2700	.0325

Schedule of Member Valuation Data

1986–1995

Active Members

Valuation Date	Number	Annualized Salaries (in thousands)	Annual Average Pay	% Increase in Average Pay
1986	149,428	$3,788,137	$25,351	6%
1987	150,607	4,074,129	27,051	7%
1988	152,200	4,336,723	28,494	5%
1989	153,830	4,624,119	30,060	5%
1990	157,650	4,941,916	31,347	4%
1991	160,012	5,237,832	32,734	4%
1992	162,898	5,509,947	33,825	3%
1993	165,711	5,742,577	34,654	2%
1994	167,770	5,986,084	35,680	3%
1995	166,623	6,110,218	36,671	3%

Schedule of Retirees and Beneficiaries

1986–1995

Retirees and Beneficiaries

Valuation Date	Number	Annual Allowances (in thousands)	% Increase in Annual Allowances	Average Annual Allowances
1986	60,960	$ 588,110	12%	$ 9,647
1987	62,819	640,566	9%	10,197
1988	64,957	713,028	11%	10,977
1989	66,453	773,339	8%	11,637
1990	68,739	854,536	10%	12,432
1991	70,583	938,137	10%	13,291
1992	72,599	1,029,952	10%	14,187
1993	74,230	1,120,770	9%	15,099
1994	77,405	1,230,671	10%	15,899
1995	83,136	1,434,032	17%	17,249

Summary of Accrued and Unfunded Accrued Liabilities

1986–1995
(Dollar Amounts in Thousands)

Valuation Date	Aggregate Accrued Liabilities*	Valuation Assets	Assets as % of Accrued Liabilities	Unfunded Accrued Liabilities (UAL*)	Annual Active Member Payroll	UAL as % of Annualized Salaries
1986	$17,309,201	$10,895,158	63%	$6,414,042	$3,788,137	169%
1987	19,291,792	12,911,072	67%	6,380,720	4,074,129	157%
1988	21,372,968	14,613,182	68%	6,759,786	4,336,723	156%
1989	23,618,688	16,407,002	69%	7,211,686	4,624,119	156%
1990	25,883,339	18,242,453	70%	7,640,885	4,941,916	155%
1991	28,109,360	20,094,849	71%	8,014,512	5,237,832	153%
1992	30,800,238	22,536,343	73%	8,263,895	5,509,947	150%
1993	34,488,976	26,259,447	76%	8,229,529	5,742,577	143%
1994	36,871,809	28,543,410	77%	8,328,399	5,986,084	139%
1995	39,987,175	31,416,677	79%	8,570,498	6,110,218	140%

*Based on the actuarial method used for funding purposes, which is different from the standard measure of the pension benefit obligation prescribed by Governmental Accounting Standards Board Statement No. 5.

Solvency Test

1986–1995
(Dollar Amounts in Thousands)

Aggregate Accrued Liabilities For:

Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets (1)	(2)	(3)
1986	$2,637,764	$ 6,490,306	$ 8,181,130	$10,895,158	100%	100%	22%
1987	2,900,598	7,079,880	9,311,314	12,911,072	100%	100%	31%
1988	3,153,950	7,932,553	10,286,465	14,613,182	100%	100%	34%
1989	3,446,312	8,618,907	11,553,469	16,407,002	100%	100%	38%
1990	3,729,945	9,576,506	12,576,887	18,242,453	100%	100%	39%
1991	4,076,990	10,440,584	13,591,787	20,094,849	100%	100%	41%
1992	4,434,876	11,506,994	14,858,368	22,536,343	100%	100%	44%
1993	4,798,350	12,869,723	16,820,903	26,259,447	100%	100%	51%
1994	5,158,561	14,025,124	17,688,124	28,543,410	100%	100%	53%
1995	5,533,684	16,745,090	17,708,401	31,416,677	100%	100%	52%

Summary of Benefit and Contribution Provisions

ELIGIBILITY FOR MEMBERSHIP

Immediate.

SERVICE RETIREMENT

Eligibility
Age 60 with five years of service, or age 55 with 25 years of service, or 30 years of service regardless of age.

BENEFITS

Greater of (i) 2.1% of final average salary for the three highest paid years, multiplied by years of total Ohio service credit except that for years of Ohio contributing service credit in excess of 30, a calculation percentage of 2.5% will apply; or (ii) $86 multiplied by years of service credit, and adjusted by the following percentage:

Attained Age	or	Years of Ohio Service Credit	% of Base Amount
58		25	75%
59		26	80%
60		27	85%
61			88%
		28	90%
62			91%
63			94%
		29	95%
64			97%
65		30 or more	100%

Annual salary is subject to a limit of $200,000 under Section 401(A)(17).

Maximum benefit — The lesser of: (a) 100% of average annual salary for three highest paid years; or (b) the limit as established by Section 415 of the Internal Revenue Code. Minimum benefit — The sum of the annuity provided by: (a) the member's contribution with interest, (b) a pension equal to the annuity, and (c) an additional pension of $40 multiplied by the number of years of prior and military service.

Effective July 1, 1994, member contributions are credited with 6% interest compounded annually.

OPTIONAL FORMS OF BENEFIT

Option 1 — 100% joint and survivorship. Reduced retirement allowance payable to the member and continuing for life to the member's sole beneficiary (named at retirement) after the member's death.

Option 2 — A joint and survivorship annuity payable during the lifetime of the member, with the member's sole beneficiary (named at retirement) to receive some other portion of the member's annuity after the member's death.

Option 3 — The member's reduced retirement allowance provided under Option 1 or Option 2 is to be paid for life to the member's sole beneficiary (named at retirement) after the member's death. In the event of the death of the sole beneficiary or termination of marriage between the retiree and sole beneficiary, the retiree may elect to return to a single lifetime benefit equivalent, available for an actuarially computed charge as determined by the Retirement Board. In the case of termination of marriage, the election may be made with the written consent of the beneficiary or by court order.

Option 4 — A life annuity payable during the lifetime of the member with a guarantee that, upon the member's death before the expiration of a certain period, the benefit will continue for the remainder of such period to the beneficiary. Joint beneficiaries may receive the present value of any remaining payments in a lump-sum settlement. If all beneficiaries die before the expiration of the certain period, the present value of all payments that remain are to be paid to the estate of the beneficiary last receiving benefits.

Option 5 — A plan of payment established by the Retirement Board combining any of the features of Option 1, 2, and 4.

Summary of Benefit, Contribution Provisions (cont.)

DISABILITY RETIREMENT/ALLOWANCE

Disability Retirement

Eligibility — Membership before July 30, 1992, and election of the benefit, completion of five or more years of service, under age 60 and permanently incapacitated for the performance of duty.

Amount — (1) Annuity with a reserve equal to the member's accumulated contributions, plus

(2) The difference between (1) and the greater of 2% of the average salary during the three highest paid years or $86 times total service plus years and months from date of disability to age 60. Maximum allowance is 75% of final average salary. Minimum allowance is 30% of final average salary.

Disability Allowance

Eligibility — Membership after July 29, 1992, or membership before July 30, 1992, and election of this benefit, completion of five or more years of service and permanently incapacitated for the performance of duty.

Amount — The greater of 2.1% of the average salary during the three highest paid years or $86 times total service. Maximum allowance is 60% of final average salary. Minimum allowance is 45% of final average salary. The disability allowance payment terminates at age 65 (or later if payment begins after age 60). After termination af the disability allowance, the member may apply for service retirement.

DEATH AFTER RETIREMENT

Lump-sum payment of $1,000 upon death after service or disability retirement.

SURVIVOR'S BENEFIT

Eligibility
Upon death after at least 1½ years of credit for Ohio service with at least ¼ year of such service in the 2½ years preceding death or upon death of a disability retiree.

Benefits
If member is eligible for retirement, spouse or other sole dependent beneficiary may elect to receive Option 1 benefit in lieu of return of contributions.

If member is not eligible for retirement, certain designated beneficiaries may elect to receive the following benefits in lieu of return of contributions:

Number of Qualified Dependents	% of Average Annual Salary for Three Highest Paid Years	Minimum Annual Benefit
1	25%	$1,152
2	40%	2,232
3	50%	2,832
4	55%	2,832
5 or more	60%	2,832

A minimum benefit of a percentage of final average salary based on years of credited service ranging from 25% with 19 years of service to 60% with 29 years of service.

Qualified beneficiaries are spouse, dependent children and/or dependent parents over age 65.

REFUND OF CONTRIBUTIONS

A member's contributions without interest are refunded upon termination of employment where no other benefit is payable. Upon death after retirement or upon death of a survivor in receipt of benefits, the member's accumulated contributions at retirement, less payments made, are returned to the designated beneficiary.

COST-OF-LIVING BENEFITS

The basic benefit is increased by 3% each year provided the change in the Consumer Price Index equals or exceeds 3%.

HEALTH CARE

Retirees, their spouses and dependents are eligible for a comprehensive medical expense health care plan as may be offered by the Retirement Board and which is subject to changes in terms and conditions from time to time.

CONTRIBUTION

By members:
9.30% of salary effective July 1, 1994.

By employers:
14% of salaries of their employees who are members.

Benefit Expenses by Type

1986–1995
(In Thousands)

Fiscal Year Ended	Service Retirement	Disability Retirement	Survivor Benefits	Supplemental Benefit	Health Care	Other	Total
1986	$ 512,975	$ 41,636	$20,015	$25,289	$ 76,540	$1,747	$ 678,202
1987	562,873	46,941	21,260	35,347	95,367	1,264	763,052
1988	621,379	51,855	23,058	41,298	105,950	1,936	845,476
1989	678,448	57,132	25,171	35,780	126,319	2,707	925,557
1990	774,625	63,174	26,735	36,885	136,563	1,482	1,039,464
1991	822,842	70,150	28,851	38,110	170,583	1,342	1,131,878
1992	897,259	76,378	30,726	28,815	189,784	3,881	1,226,843
1993	985,024	83,888	32,804	32,489	187,318	2,120	1,323,643
1994	1,083,335	92,091	35,198	33,586	157,276	2,357	1,403,843
1995	1,185,066	100,805	37,756	34,567	165,767	2,954	1,526,915

Number of Reporting Employers by Type

1986–1995

Fiscal Year Ended	City School Districts	Local School Districts	County Boards of Education	Exempted Village Districts	Vocational & Technical Schools	Colleges & Universities	County MR/DD Boards	State of Ohio	Total
1986	191	375	87	49	52	34	*	1	789
1987	191	376	87	49	52	34	*	1	790
1988	191	375	86	49	50	36	*	1	788
1989	192	372	85	49	49	37	*	1	785
1990	192	372	85	49	49	37	88	1	873
1991	193	371	85	49	49	37	88	1	873
1992	193	370	85	49	51	35	88	1	872
1993	192	372	81	49	51	35	82	1	863
1994	192	371	81	49	48	38	82	1	862
1995	192	371	80	49	48	38	82	1	861

*County Boards of Mental Retardation and Developmental Disabilities were added as reporting employers in fiscal year 1990.

Selected Funding Information

1986–1995

(Dollar Amounts in Thousands)

As of July 1	Contribution Rate Employee	Contribution Rate Employer	Interest Assumption	Payroll Assumption	Unfunded Accrued Liability*	Funding Period
1986	8.75%	14.00%	7.75%	5.500%	$6,414,042	39.5 Yrs.
1987	8.75%	14.00%	7.75%	5.500%	6,380,720	35.0 Yrs.
1988	8.75%	14.00%	7.75%	5.500%	6,759,786	35.0 Yrs.
1989	8.77%	14.00%	7.75%	5.875%	7,211,686	34.5 Yrs.
1990	8.77%	14.00%	7.75%	5.875%	7,640,885	34.0 Yrs.
1991	9.25%	14.00%	7.75%	5.875%	8,014,512	33.5 Yrs.
1992	9.25%	14.00%	7.75%	5.875%	8,263,895	32.5 Yrs.
1993	9.25%	14.00%	7.50%	5.000%	8,229,529	31.5 Yrs.
1994	9.30%	14.00%	7.50%	5.000%	8,328,399	30.5 Yrs.
1995	9.30%	14.00%	7.50%	5.000%	8,570,498	29.3 Yrs.

*Excluding health care

Number of Members: Active, Inactive, Retirees and Beneficiaries

1986–1995

Fiscal Year Ended	Number of Members Active	Inactive	Retirees & Beneficiaries	Total
1986	149,428	75,496	60,960	285,884
1987	150,607	78,583	62,819	292,009
1988	152,200	81,107	64,957	298,264
1989	153,830	83,633	66,453	303,916
1990	157,650	85,856	68,739	312,245
1991	160,012	88,591	70,583	319,186
1992	162,898	97,718	72,599	333,215
1993	165,711	105,194	74,230	345,135
1994	167,770	115,747	77,405	360,922
1995	166,623	116,177	83,136	365,936

Assumed Rate of Interest and Realized Rate of Return on Assets

1986–1995

Fiscal Year Ended	Interest Assumption	Realized Return on Book Value: Interest, Rent, Dividends	Capital Gains	Total
1986	7.75%	8.85%	3.15%	12.00%
1987	7.75%	8.40%	7.87%	16.27%
1988	7.75%	7.50%	3.93%	11.43%
1989	7.75%	7.72%	3.15%	10.87%
1990	7.75%	7.74%	2.20%	9.94%
1991	7.75%	7.10%	2.09%	9.19%
1992	7.75%	6.62%	4.64%	11.26%
1993	7.75%	5.99%	4.45%	10.44%
1994	7.50%	5.11%	3.65%	8.76%
1995	7.50%	5.45%	2.99%	8.44%

Number of Benefit Recipients by Type

1986–1995

As of July 1	Service Retirement	Disability Retirement	Beneficiaries Receiving Optional Allowances	Survivor Benefits	Total
1986	51,024	3,807	3,054	3,075	60,960
1987	52,430	3,964	3,303	3,122	62,819
1988	54,174	4,113	3,430	3,240	64,957
1989	55,234	4,296	3,569	3,354	66,453
1990	57,016	4,503	3,822	3,398	68,739
1991	58,436	4,643	4,001	3,503	70,583
1992	59,994	4,830	4,274	3,501	72,599
1993	61,515	5,020	4,478	3,217	74,230
1994	63,182	5,217	4,739	4,267	77,405
1995	67,989	5,711	4,941	4,495	83,136

Benefit Recipients Added to and Removed from the Rolls

1995

Fiscal Year Ended	Beginning	Additions	Deletions	Ending
1995*	77,405	9,071	3,340	83,136

*Data not available for fiscal years before 1995.

Average Monthly Allowance by Type

1986–1995

As of July 1	Service Retirement	Disability Retirement	Beneficiaries Receiving Optional Allowances	Survivor Benefits	Average
1986	$ 824	$ 968	$568	$504	$ 804
1987	871	1,027	599	526	850
1988	941	1,081	643	556	915
1989	1,000	1,144	661	581	970
1990	1,070	1,215	699	606	1,036
1991	1,147	1,288	740	637	1,108
1992	1,227	1,359	770	682	1,182
1993	1,304	1,433	803	748	1,258
1994	1,388	1,504	843	707	1,325
1995	1,510	1,603	886	732	1,437

Investment Review

For the fiscal year July 1, 1994 through June 30, 1995

Strong first-half gives way to slower second-half economic growth

The Federal Reserve raised short-term interest rates in early calendar 1994 for the first time in five years to slow the economy and to prevent an inflation outburst. By early 1995, short-term rates were three percentage points higher than in early 1994. The bond market reacted by pushing long-term rates up nearly two percentage points before 1994 ended. In response to the increase in long-term rates, mortgage rates rose by two and one-quarter percentage points.

The Federal Reserve and credit markets' actions, along with the devaluation of the Mexican peso, led to a significant slowdown in U.S. economic growth during the second half of the fiscal year. The Federal Reserve's moves and corresponding rate increases in the credit markets curbed consumer spending, while the Mexican peso devaluation impeded export growth to the U.S.'s third largest export destination. An unwanted buildup of domestic inventories resulted. Real gross domestic product registered gains of only 2.7 percent in the first quarter of 1995 and 1.3 percent in the second quarter — strikingly slower than the 4.6 percent growth rate recorded during the first six months of the fiscal year.

Meanwhile, consumer prices crept up toward a 3.0 percent growth rate in delayed response to the heady economic growth of the prior year and a half. (During fiscal 1994, consumer prices rose just 2.6 percent.) But the increase in consumer prices headed downward at the end of fiscal 1995 as a result of slower economic growth.

The 30-year Treasury bond yield also began to move down after reaching a weekly high of 8.1 percent in mid-November. By the end of the fiscal year, the 30-year bond yielded 6.6 percent. Mortgage rates followed the 30-year bond, reaching a rate of 7.5 percent from a high of 9.25 percent during the fiscal year. The Federal Reserve had held short-term rates steady at 6.0 percent for about five months by fiscal year-end.

Inflation will likely improve throughout fiscal 1996. But a return to slightly-above-trend economic growth over that period will probably prevent the Federal Reserve from significantly cutting interest rates — raising the threat of further moderate rate increases and more inflation pressure later in 1996. Economic growth should be supported by a return to stronger export growth and an improvement in residential investment from increased home-building. Personal consumption should increase early in the fiscal year before slowing to a longer-term sustainable pace. Meanwhile, government purchases should continue to fall off due to a renewed focus from both Republicans and Democrats on balancing the budget without raising taxes. Any prospect for significant interest-rate cuts by the Federal Reserve will rest on real federal budget deficit reductions.

Fixed-income returns higher than benchmark

Low interest rates in fiscal 1993 produced strong economic growth that led to an increase in rates in fiscal 1994. Interest rates continued to rise in the first half of fiscal 1995, moving above 8.0 percent on the 30-year Treasury bond. The abrupt change in rates during late 1994 and early 1995 helped slow the economy during the second half of the fiscal year. As a result, bond yields again moved downward.

STRS took advantage of the increase in interest rates during the first part of the fiscal year by adding duration and, thus, increasing the portfolio's price sensitivity to changes in interest rates. New purchases included $174 million of securities for the secular bond portfolio, which was set up in 1989 to take advantage of declining bond yields over the long term.

While interest rates generally fell in the second half of fiscal 1995, the portfolio's longer-than-market duration outperformed the benchmark Lehman Brothers Aggregate Bond Index. The fixed-income portfolio's duration was only slightly longer than the market's duration at the end of the fiscal year. During that period, the Lehman bond index had a total return of 12.6 percent, up from -1.3 percent the prior year. This index closely resembles the universe of investment alternatives of the fixed-income portfolio. The performance of the STRS fixed-income portfolio surpassed this benchmark, but STRS performance reports follow the industry convention of reporting on a calendar-year basis. This report appears on Page 56.

The net results of trading during the fiscal year included a reduction in the duration of the portfolio, shorter average maturities and lower yields — all achieved while maintaining a quality level of AAA. In addition, the share of the total fund allocated to this area was reduced to 40.6 percent at cost from 46.6 percent at cost in fiscal 1994. Using the book value of sales and maturities as a measure, turnover of the fixed-income portfolio fell to 47 percent from 57 percent the prior year.

Equity portfolio shows excellent results

In fiscal 1995, the Standard & Poor's Composite Index of 500 Stocks (S&P 500) had a total return of 26.1 percent. The Dow Jones Industrial Average, which represents many cyclical companies, returned 29.2 percent. The performance of STRS equities continued to compare favorably with both indexes during the year.

Both indexes traded in relatively narrow ranges during the first half of fiscal 1995, before registering huge increases during the second half. Moving into 1995, the stock market began discounting the peak in year-over-year earnings growth of the cyclical sectors. Cyclical earnings were projected to slow because of only moderate improvements in foreign economies, an aging domestic economy and the Federal Reserve's past interest-rate increases. With the financial markets increasingly uncertain about the cyclical sectors, noncyclical growth-oriented groups, such as technology stocks, moved into the forefront. By fiscal year-end, the stock indexes had reached a high plateau.

To lessen the risks inherent in relying on a single approach to stock portfolio management, STRS has divided its equity holdings into groups that use complementary approaches to stock selection. The valuation portfolio makes heavy use of computer-driven models to select stocks with low market valuations and strong balance sheets. The industry index portfolio concentrates on individual stock selection and is indexed to the percentage weightings of 25 industry groupings of the S&P 500. The small-company portfolio pursues opportunities in companies that are smaller than most of those in the major indexes. The growth portfolio selects stocks principally for earnings growth prospects and market valuation, while the passive index portfolio exists to get pure market exposure by matching the names and weightings of the S&P 500 to the greatest extent possible.

STRS kept the share of total assets allocated to stocks and other equities during the fiscal year level with that of fiscal 1994. At the end of fiscal 1995, 42.6 percent of assets at cost were in stocks and other equities. During fiscal 1994, new statutes allowed STRS to make a broader array of investments to diversify risk. One change raised the share of assets that can be invested in stocks to 50 percent from 35 percent. Another change permitted investment in foreign stocks and bonds up to 10 percent of total assets. By the end of fiscal 1995, 5.8 percent of total assets at cost resided in the international portfolio — up from 2.6 percent in fiscal 1994.

Performance in the international arena was significantly behind the domestic bond and stock markets. The STRS benchmark hybrid index, consisting of 75 percent of the MSCI Europe Australia Far East (EAFE) Index for developed markets and 25 percent of the MSCI Emerging Market Free (EMF) Index, rose 1.6 percent for the fiscal year. The international portfolio should reach 9 percent of total assets at cost during fiscal 1996 in anticipation of improving foreign economies. About half of the expected 9 percent share will be managed by outside money managers.

STRS common stock holdings, grouped by economic sector, are shown in the schedule of investments starting on Page 72. The excellent performance of the equity portfolio is shown on Page 56.

Finally, the liquidity reserves portfolio, which exists to meet STRS' liquidity needs for investment opportunities and provides a stable store of value when there is uncertainty in other investment asset categories, saw its share of total investment assets move up to 3.2 percent from 1.7 percent at the end of fiscal 1994. The share rested near the midpoint of the 0 percent to 6 percent policy range.

Real estate assets match market index
The real estate recovery gathered steam in fiscal 1995 after a long downcycle that ended the prior fiscal year. Though there was little change in vacancy rates, growth of new construction slowed dramatically, ending the fiscal year up only 3.5 percent from the prior fiscal year. Excluding the effects of inflation, growth of new public and private construction in real dollar terms was slightly negative during the fiscal year.

STRS spent approximately $690 million on new real estate investments during the fiscal year, resulting in the real estate portfolio's share of total investment assets at cost moving up to 7.8 percent from 6.4 percent the prior fiscal year. Investment performance was strong in fiscal 1995 on both an absolute and relative basis. The leading industry index, Russell-NCREIF, showed a robust 7.9 percent return; the total return for STRS real estate closely matched the return of that index. More information concerning real estate performance is on Page 56.

Total fund returns again significantly exceed long-term goals
The annualized rate of return for the total STRS fund was 0.4 percent at year-end 1994 (STRS performance is calculated on a calendar-year basis for adequate comparison with other performance publications). The rate of return over the fiscal 1995 period was a significantly stronger 17.2 percent. The rate of return for the five-year period ending Dec. 31, 1994, was 8.6 percent, falling slightly above the middle of the 8 percent to 9 percent absolute long-term return goal and well above the relative hybrid index of industry benchmarks which rose by 7 percent.

The relative performance of STRS portfolios compared to industry benchmarks also continued to fare well. For the five years ending in 1994, the equities portfolio surpassed the S&P 500 performance, but was below that of the Dow Jones Industrial Average. The same comparisons apply to the three-year period. The new international portfolio's return outgained its hybrid EAFE/EMF benchmark by nearly one and a half percentage points during 1994. Fixed-income investments continue to exceed the Lehman bond index by nearly a full percentage point over the five-year period and by about three-quarters of a point over the three-year span. Real estate investments outperformed the Russell-NCREIF index by more than three percentage points in the past five years and five percentage points in the past three years.

The total return on STRS investment assets over the preceding five-year period exceeded the rate of inflation by five and three-quarters percentage points. Over the three-year period, the return on STRS investment assets has exceeded the inflation rate by better than four percentage points.

Investment Performance

(Total returns, annualized)

1-YEAR RETURNS (1994)			
ASSET CATEGORY	**STRS RETURN**	**INDEX NAME**	**INDEX RETURN**
EQUITIES	**1.08%**	Standard & Poor's 500 Dow Jones Industrials SEI Public Median*	1.32% 4.99% (0.10%)
INTERNATIONAL	**5.65%**	EAFE/Emerging	4.20%
FIXED INCOME	**(1.59%)**	Lehman Aggregate	(2.91%)
REAL ESTATE	**7.12%**	NCREIF Property (FRC)	6.73%
TOTAL FUND	**0.36%**	S&P/Lehman/FRC/EAFE** Inflation (GDP Deflator) SEI Public Median*	(0.08%) 2.26% (1.10%)

3-YEAR RETURNS (1992–1994)			
ASSET CATEGORY	**STRS RETURN**	**INDEX NAME**	**INDEX RETURN**
EQUITIES	**8.22%**	Standard & Poor's 500 Dow Jones Industrials SEI Public Median*	6.29% 9.67% 7.20%
FIXED INCOME	**5.25%**	Lehman Aggregate	4.59%
REAL ESTATE	**4.13%**	NCREIF Property (FRC)	0.90%
TOTAL FUND	**6.54%**	S&P/Lehman/FRC/EAFE** Inflation (GDP Deflator) SEI Public Median*	4.88% 2.22% 6.10%

5-YEAR RETURNS (1990–1994)			
ASSET CATEGORY	**STRS RETURN**	**INDEX NAME**	**INDEX RETURN**
EQUITIES	**9.08%**	Standard & Poor's 500 Dow Jones Industrials SEI Public Median*	8.70% 10.27% 8.70%
FIXED INCOME	**8.50%**	Lehman Aggregate	8.50%
REAL ESTATE	**2.62%**	NCREIF Property (FRC)	(0.42%)
TOTAL FUND	**8.60%**	S&P/Lehman/FRC/EAFE** Inflation (GDP Deflator) SEI Public Median*	7.03% 2.88% 8.00%

STRS Long-Term Policy Objective (5 Years)

EQUITIES: 8%–10%   FIXED INCOME: 6%–7%   REAL ESTATE: 8%–9%   TOTAL FUND: 8%

* SEI Public Funds consist of 14 funds with a median size of $5.4 billion. STRS is a $32 billion fund. The median fund has an average commitment to stocks of 49%.

** A hybrid of equity, fixed income, international and real estate yardsticks.

Summary of Investment Assets

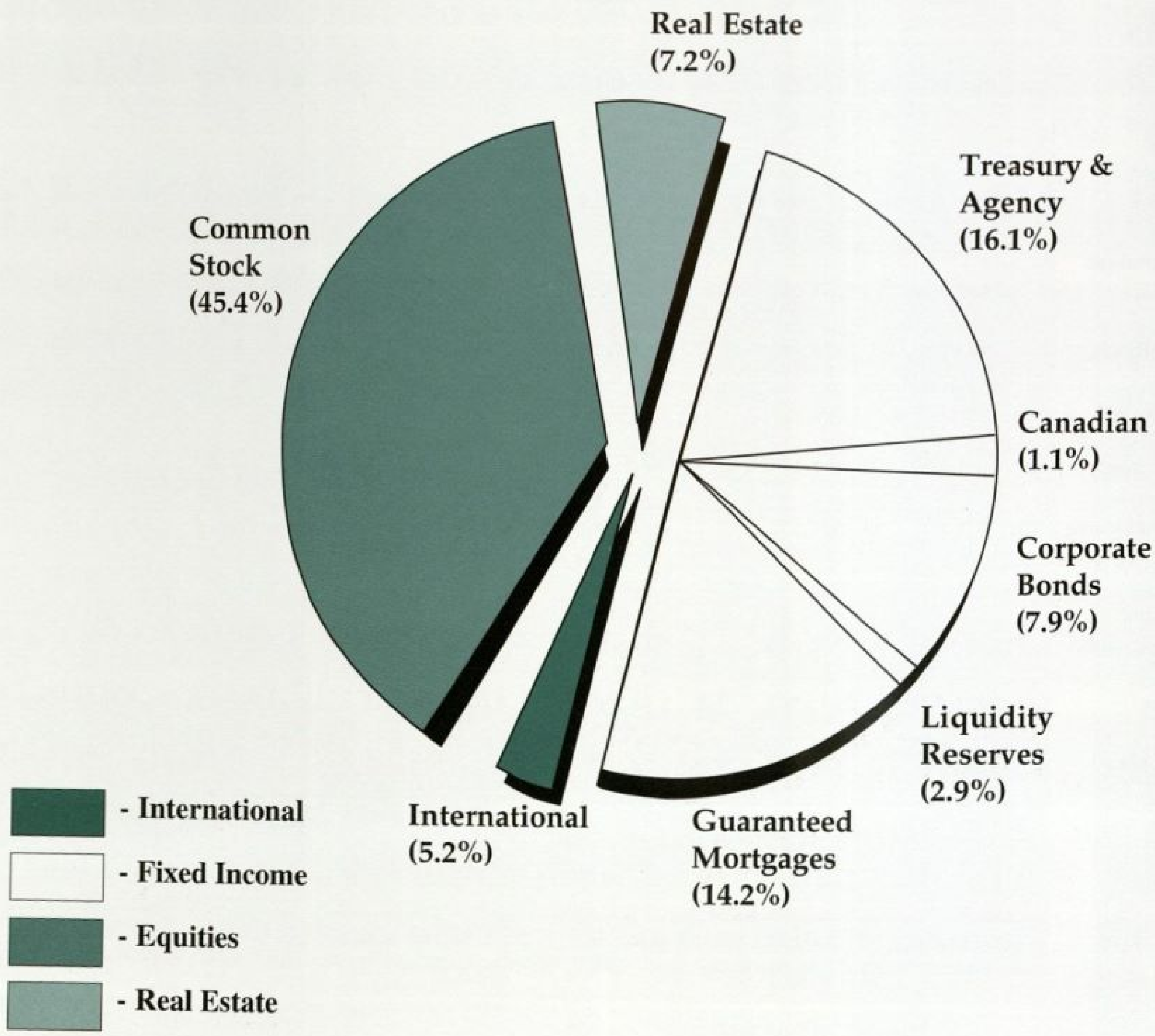
As of June 30, 1995, 1994 and 1993

(Dollar Amounts in Thousands)

	1995			1994			1993		
	Book Value	Market Value	%	Book Value	Market Value	%	Book Value	Market Value	%
Short Term	$ 924,149	$ 924,025	2.9%	$ 462,328	$ 460,203	1.7%	$ 2,470,455	$ 2,485,573	9.2%
Fixed Income									
Guaranteed Mortgages	$ 4,482,752	$ 4,552,866	14.2	$ 4,215,769	$ 4,137,146	15.1	$ 3,729,960	$ 3,833,329	14.2
U.S. Government & Agencies	4,547,163	$ 5,167,194	16.1	4,771,642	4,907,937	17.9	4,482,817	5,320,588	19.8
Corporate Bonds	2,493,226	2,529,346	7.9	2,822,282	2,813,377	10.3	2,700,127	2,832,466	10.5
Canadian Bonds	349,150	360,592	1.1	667,286	663,656	2.4	790,959	833,566	3.1
Municipal Bonds	1,400	1,539	0.0	1,645	1,748	0.0	1,895	2,180	0.0
Total Fixed Income	$11,873,691	$12,611,537	39.3	$12,478,624	$12,523,864	45.7	$11,705,758	$12,822,129	47.6
Equity									
Common and Preferred Stock	$12,450,775	$14,595,050	45.4	$11,411,307	$11,933,544	43.6	$ 8,482.848	$ 9,875,312	36.7
Real Estate	2,276,378	2,313,367	7.2	1,708,967	1,699,858	6.2	1,838,348	1,734,713	6.4
Venture Capital	25,132	31,462	0.0	19,868	26,758	0.1	22,353	26,468	0.1
Total Equity	$14,752,285	$16,939,879	52.6	$13,140,142	$13,660,160	49.9	$10,343,549	$11,636,493	43.2
International	$ 1,693,974	$ 1,669,226	5.2	712,150	738,285	2.7	0	0	0.0
Total Investments	$29,244,099	$32,144,667	100.0%	$26,793,244	$27,382,512	100.0%	$24,519,762	$26,944,195	100.0%

Investment Distribution

By Market Value as of June 30, 1995



Investment Objective and Policy

(Effective May 19, 1995)

GENERAL POLICY STATEMENT

Introduction

The State Teachers Retirement System of Ohio is governed by a board of nine members with broad statutory powers. The investment function is vested in the board as set forth in Section 3307.15 of the Ohio Revised Code. Section 3307.15 of the Ohio Revised Code requires the board to "... adopt in regular meeting, policies, objectives or criteria for the operation of the investment program. Amendments and additions to the policy shall be adopted in regular meeting. ..." These policies and regulations are adopted under this authority.

In addition to the investment function, Section 3307.15 of the Ohio Revised Code also sets forth the fiduciary responsibility of the board and other fiduciaries in discharging their duties with respect to the fund. Section 3307.01(U) of the Ohio Revised Code defines a fiduciary, and Section 3307.14 of the Ohio Revised Code lists specific items a fiduciary shall and shall not do. This objective and policy statement incorporates and is subject to all of the above-mentioned Sections of the Ohio Revised Code.

STAFF AND BOARD

Participation in the affairs of any public body demands high personal integrity and conduct. This is especially true when funds of others are involved. Members of the board and staff must discharge their responsibilities without prejudice or favor, avoiding at all times any conduct that could create or appear to create a conflict of interest.

Staff members shall carry out the duties and responsibilities delegated by the board in the best interest of members of the system and in accordance with the code of ethics of the Association for Investment Management and Research. No staff member shall engage in any activity in his official position or in a personal investment program that will in any way create a conflict of interest.

ORGANIZATION

Investment Committee

An investment committee is established and consists of all nine members of the board. The investment committee is empowered to advise the board in all investment matters.

Investment Advisors/Consultants

The board shall employ competent, well-qualified organizations to assist in carrying out its fiduciary responsibility. Duties of the investment advisors/consultants shall include but not be limited to:

1. Preparation of long-term investment objectives, review of these objectives at least annually and recommendation for changes in the objectives as required.

2. Monitoring performance of the investment program.

3. Availability to counsel with in-house staff, executive director, or members of the board.

4. Participation in bimonthly meetings of the investment committee.

5. Review and advise on detailed investment criteria for all investments.

6. Review of annual investment plan.

7. Performance of such other duties as may be provided by contract.

Executive Director

The executive director shall have authority to amend this Investment Objective and Policy on an emergency basis to prudently preserve or enhance the assets of the system.

Investment Objective and Policy (cont.)

Deputy Executive Director of Investments
The deputy executive director of Investments shall have the following responsibilities:

1. Supervise activities of the in-house staff.

2. In cooperation with the investment advisor and the executive director, formulate an annual investment plan.

3. Make recommendations to the executive director and board concerning periodic modification of the annual investment plan.

4. Assure that the equity portfolios comply with established parameters and risk levels.

5. Supervise execution of orders to buy and sell securities (including options) seeking always to maintain reasonable costs for such services.

6. Report in required detail to the executive director, and the investment committee and/or the board on all activities of the investment staff.

OBJECTIVES, GUIDELINES AND POLICIES: TOTAL FUND

Objectives
In many if not most instances, payments from the pension fund are the major sources of income to retirees and a principal protection against the contingencies of death and disability for active workers. Therefore, the basic policy of the board is preservation of the capital investment and realization of sufficient return to secure and facilitate payment of the statutory benefit requirements of the system to its beneficiaries. In this connection, it is recognized that the fund will achieve some protection against erosion of principal value through inflation if the actuarially assumed interest rate is achieved.

Each 1 percent increase in investment return will finance benefit improvements in the range of 10 percent to 15 percent, or will allow a similar reduction in contributions. Such gain may also be used to reduce the actuarial debt of the plan. Therefore, maximization of return, from both current income and capital appreciation consistent with the overall risk parameters described below, is an important objective. With strict adherence to statutory investment limitations and restrictions, the board sets a total return objective of 8 percent per annum. This is a long-term (5- to 10-year) objective, and this total return objective, as well as other return objectives, is based on a premium over inflation by assuming a long-term inflation rate of 3.75 percent. The objectives should be pursued consistently with prudent management and at the minimal level of market risk necessary to accomplish them.

The fund does not have a capital return or income return objective separate from the total return objective. However, it is anticipated that for the total account there will be income yield over a long-term period which is equal to capital growth because of the utilization of fixed income and real estate assets.

The board anticipates that contributions and income to the pension fund will exceed disbursements for the foreseeable future. Therefore, there is no special need for liquidity in the portfolio, other than that deemed necessary to accomplish investment objectives and strategies.

Restrictions
The investment standards set forth in Section 3307.15 of the Ohio Revised Code are incorporated by reference and made a part of this policy. The board and other fiduciaries shall discharge their duties with respect to such funds solely in the interest of the participants and beneficiaries. It is the intent of the board to give consideration to investments that enhance the general welfare of Ohio provided such investments offer quality return and safety comparable to other investments currently available to the board. Also, the board will give equal consideration to investments that involve minority-owned and minority-controlled firms and firms owned and controlled by women.

Asset Class/ Asset Mix	Policy Ranges at Cost	Targeted Normal Weightings at Cost
Cash Equivalents	0% – 6%	2%
Fixed Income	22% –50%	35%
Equities	40% – 50%	46%
Real Estate	6% – 12%	9%
International	4% – 10%	8%
		100%

The risk level of the pension fund should be considerably less than that of the stock market as a whole, but may be somewhat more than that of the bond market by itself. Using volatility as a proxy for risk, and assuming the volatility level of the stock market (defined to be the Standard & Poor's 500 Average) is 1.0, the bond market approximately 0.6, and the short-term cash equivalents 0.0, a volatility level of about 0.9 is considered acceptable for the fund as a whole. This means that, in a downward stock market, the total pension fund should not fall by more than 90 percent of the decline in the stock market. This should protect the beneficiaries from any undue risk.

The policy asset mix ranges and the "targeted normal weighting" for the major asset classes are listed below. The investment staff has the authority to operate within the policy ranges for each asset class. The "targeted normal weights" were derived based on each asset's long-term (5- to 10-year) expected rate of return and volatility.

OBJECTIVES, GUIDELINES AND POLICIES: FIXED INCOME

BONDS

Objective

For the publicly-traded bond sector of the portfolio, a total return of 6 percent to 7 percent, averaged over five to 10 years, is desired. Should conditions change in the bond market so as to make this objective unattainable without undue risk, it will be the responsibility of the investment advisor to recommend to the board a revised figure.

Restrictions

It is the responsibility of the investment advisor to review and recommend changes in specific criteria for bond investments and to review such criteria at least annually with the investment committee and/or the board. The purpose of the criteria is to provide assets of reasonable quality and marketability. It is not a substitute for prudent portfolio management nor will it ensure superior performance. Undue risks are to be avoided, particularly those of lower-than-average quality. An average rating of between A and Aa should be the minimum maintained in the publicly-traded sector of the bond portfolio, considering obligations of the U.S. Treasury and related agencies as Aaa. Fixed-income purchases, including exchanges, shall meet the following criteria in addition to statutory requirements. All bond, note, pass-through security, trust certificate, debenture, Canadian, or medium-term note purchases shall:

1. Be issues of at least $50 million par value.
2. Be made with the intent of creating positions of at least $1 million.
3. Not exceed 15 percent of any one issue except for U.S. Treasury, related agencies, and other U.S. Government guaranteed securities.
4. At time of purchase, be rated A- or higher, or meet statutory coverage ratios.

The publicly traded bond sector of the portfolio will have a volatility level between 80 percent and 150 percent of the Lehman Aggregate Bond Index.

Derivatives may be used in management of the fixed-income portfolio as long as the underlying security is suitable for the portfolio. The use of leverage is prohibited. Treasury note and Treasury bond futures, options thereon, or over-the-counter (OTC) options on Treasury securities may be used to manage the volatility of the fixed income portfolio. All strategies must be of a hedging or positioning nature rather than speculative. Underlying exposure of fixed-income derivatives cannot exceed 5 percent of total STRS assets. Any security whose value is derived from an instrument which is not permitted under this policy for the fixed-income portfolio is prohibited.

Variations of fixed income exchanges and possible environments under which they can be considered are limitless. General criteria may be too restrictive to allow portfolio enrichment and not specific enough to avoid poor judgment. However, the following is required:

1. All bond exchanges are to be documented by the investment staff at time of execution as to specific details of price and yield, and objectives of the individual exchange.

2. The investment advisor will review these periodically with the staff as to reasonableness and adequacy to the overall investment plan and current outlook and report to the board thereon.

3. The turnover ceiling shall be 150 percent of marketable bond assets. Turnover is defined as the total book value of sales and maturities as a percent of beginning book value.

4. A portfolio measurement will be made showing incremental advantage or disadvantage obtained through exchange activity.

Negotiated private placements shall be limited to 15 percent of assets invested in bonds and shall be purchased only when there is significant additional return (defined as approximately 50 basis points over the current yield rate of publicly-traded bonds of similar quality) as an offset for the limited marketability of privately-placed bonds.

The following foreign credits may be purchased under this section provided they do not exceed 2 percent of total assets:

1. Sovereign credits (excluding Canadians) rated AA- or better.

2. Bonds of a United States subsidiary traded or issued in the foreign market, provided they are guaranteed by the United States parent company.

3. State of Israel bonds (not rated) not to exceed $10 million.

MORTGAGES

Objective

The board agrees with the desirability of contributing to the economic growth of the state of Ohio by encouraging home ownership and will promote this objective within the limits of fiduciary responsibility. It is the policy of the board to make regular investments in Ohio single-family FHA/VA residential mortgages whenever the yield on such instruments equals or exceeds the yield currently available on recently offered corporate bonds rated Aaa and it is consistent with current investment strategy.

Restrictions

Mortgages shall be limited to 20 percent of total assets. Mortgage securities issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and the Federal National Mortgage Association (FNMA) shall be purchased and managed under the "Bonds" section of this Investment Objective and Policy. The primary emphasis of the mortgage and mortgage-related securities portfolio will continue to be government-guaranteed mortgages.

Any collateralized mortgage obligation (CMO) or structured note whose price (under analysis at time of consideration) would change by more than 30% under a parallel shift in the yield curve of plus or minus 200 basis points is prohibited. A CMO that has an expected negative duration is also prohibited. Any CMO that conforms with the volatility levels described above is considered an appropriate investment for the mortgage portfolio and is not defined as a derivative.

Categories

1. Guaranteed project mortgages on such facilities as apartments, nursing homes, and elderly housing shall be purchased without location restrictions. Construction loans guaranteed by the United States government shall be restricted to Ohio locations.

Construction loans guaranteed by the United States government that convert to permanent loans can be purchased without location restrictions.

2. Mortgage-backed securities

   a. **Mortgage-backed bonds:** The board may purchase bonds that are collateralized by Ohio single-family mortgages. The bond shall be rated Aa or better, and the mortgage pool shall be at least 150 percent of the amount of the outstanding bond.

   b. **Pass-through securities:** The board may invest in pass-through securities that are backed by Ohio single-family mortgages or Ohio commercial mortgages, provided that: (a) the minimum pass-through certificate is $5 million; (b) private mortgage insurance is provided on any conventional mortgage with a loan-to-value ratio greater than 80 percent; and (c) the selling institution is Ohio-based and has a net worth exceeding $5 million.

   c. **Fixed-rate commercial mortgages:** The board may invest in fixed-rate commercial mortgages in order to enhance the existing government-guaranteed mortgage portfolio or to facilitate sales of existing real estate investments. The loan-to-value ratio of such commercial mortgages shall not exceed 90 percent unless that portion of the loan greater than 90 percent is insured. No more than 10 percent of the total portfolio shall be invested in fixed-rate commercial mortgages.

OBJECTIVES, GUIDELINES AND POLICIES: CASH EQUIVALENTS

Objectives

It is the board's policy to use cash equivalents to provide some protection against downward market movements and to assist in the overall return objectives. Because of the size of both the bond and equity sectors of the portfolio, and because of the essentially long-term nature of the fund, the board does not expect that major moves will be made into or out of cash reserves.

Restrictions

Under normal circumstances, a reserve of 6 percent of the value of the total fund shall be considered the maximum limit. It will be the responsibility of the investment advisor, together with the deputy executive director of Investments, to recommend any modification of this position.

Positions should not exceed $60 million in one obligor of commercial paper, certificates of deposit, or bankers' acceptances.

Investments may be made in commercial paper, Treasury obligations, certificates of deposit, bankers' acceptances, or repurchase agreements, with the responsibility resting with the investment staff as to selection of the specific instrument at any given point in time.

1. Any commercial paper purchased by the system shall have a maturity of not more than 270 days and shall be rated P-1 by Moody's Investors Service, Inc. and/or A-1 by Standard & Poor's Corporation.

2. Certificates of deposit and bankers' acceptances shall be purchased on those banks affiliated with the largest 100 U.S. bank holding companies in terms of assets with short-term debt ratings of P-1 and/or A-1, and the 20 largest bank holding companies in Ohio.

Repurchase agreements shall be collateralized by U.S. Treasury or related agency securities with a market value in excess of funds advanced.

OBJECTIVES, GUIDELINES AND POLICIES: EQUITIES

Objectives

For the equity sector of the portfolio, a total return objective of 8 percent to 10 percent, averaged over a period of five to 10 years, is desired. Should the investment advisor believe

Investment Objective and Policy (cont.)

attainment of this objective at any time is not possible without undue risk, it is his responsibility to recommend to the board a revised figure. In today's market, the board believes an 8 percent to 10 percent average return objective over a five-year period is prudent and realistic, within the volatility guidelines. The board recognizes that there is a level of risk associated with an 8 percent to 10 percent total equity return objective. This should be sought with the minimum risk necessary. The equity portfolio should reduce nonmarket risk by being diversified.

Restrictions

The statutes limit the State Teachers Retirement System to a 50 percent-of-assets position in common and preferred stocks. It is the board's policy to maintain an investment in common stocks in the approximate range of 40 percent to 50 percent of assets. The amount invested at any time is determined by the long-term objectives established by the board in conjunction with the investment advisor and by the annual investment plan and its periodic modifications.

The function of a pension plan is to provide for long-term investment positions, and therefore it is not the policy of the board to be engaged in purchase and sale of common stocks on the basis of temporary market swings or other speculative factors. The risk of the equity portfolio has been defined as a volatility level no greater than 15 percent more than that of the Standard & Poor's 500, with a range between 1.0 and 1.15 (from equality with the stock market to a level 15 percent higher). Under normal circumstances, the volatility level of the stock sector should average slightly above 1.0.

No more than 6 percent of assets of the system invested in the equity sector may be invested in equities of any one corporation. The board shall not generally take a position constituting more than 5 percent of the outstanding equity of a corporation (except investments approved under the "Venture Capital" section).

No more than 5 percent of the assets of the system may be invested in equities in small companies. Small companies generally include companies that have less than $0.4 billion in market capitalization.

All American depository receipts and foreign stocks legal under division (D)(4) of Section 3307.15 of the Ohio Revised Code are eligible for purchase under this Section.

Derivatives may be used in management of the equity portfolio as long as the underlying security is suitable for the portfolio. The use of leverage is prohibited. Derivatives may be used to adjust the exposure to the equity market or to individual securities in the equity portfolios. The derivatives are futures on the S&P 500 Index, options or options on futures on the S&P 500 Index, and options on the S&P 100 Index, S&P Midcap Index, and individual stocks or baskets as well as unleveraged equity linked notes. Strategies permitted must be of a hedging or positioning nature rather than speculative. Underlying exposure of equity derivatives cannot exceed 10 percent of total STRS assets.

Quality Standards & Portfolio Construction

Equity portfolios are invested in securities selected from a universe of investments legal under Section 3307.15 of the Ohio Revised Code. The investment style of individual portfolios follow STRS guidelines, as described in the annual investment plan, and are monitored based on appropriate portfolio characteristics and risk levels. Stocks are selected for each portfolio based on a set of criteria appropriate for each style. The board's investment advisor/consultant must review each equity portfolio to measure the degree of compliance with STRS established parameters and risk levels. The advisor/consultant must report the results to the board at least annually.

OBJECTIVES, GUIDELINES AND POLICIES: INTERNATIONAL INVESTMENTS

[Division (D)(12) of Section 3307.15 of the Ohio Revised Code]

Objectives

It is the board's policy to invest in international investments in order to diversify the investment portfolio. A total return objective of 8 percent to 10 percent per year over a 5- to 10-year period is expected on these assets. The primary emphasis will be on international equity securities.

Restrictions

International investments shall be not more than 10 percent of total assets. It is the board's policy to maintain an exposure in international investments in the range of 4 percent to 10 percent. The staff will select and the board will monitor all outside money management firms used for international investments. Internal management of international assets will also be utilized. International assets will be a diversified portfolio including both developed and emerging countries. It is anticipated that the total international portfolio exposure to emerging markets normally will be no greater than 30 percent. Currencies generally will be unhedged except in cases of extreme under- or overvaluation.

Derivatives may be used in management of both the internal and external international portfolios as long as the underlying security is suitable for the portfolios. The use of leverage is prohibited. Derivatives may be used to adjust the exposure to countries or markets, to individual securities, or to currencies in the portfolios. All strategies must be of a hedging or positioning nature rather than speculative. Underlying exposure of derivatives for international investments cannot exceed 5 percent of total STRS assets.

OBJECTIVES, GUIDELINES AND POLICIES: VENTURE CAPITAL

Objectives

The chief objective of venture capital investments is to provide an attractive risk adjusted rate of return to benefit the STRS membership. Venture capital possesses a long-term investment horizon, illiquidity, and a high standard deviation (high risk). For these reasons, expected financial returns must exceed those of other asset classes for venture capital involvement to be worthwhile for STRS. Venture capital returns are expected to approximate 15 percent annually during the 1990s. In addition to the higher expected financial returns, venture capital can provide ancillary benefits to the state of Ohio in the form of new jobs, increased research and development, and new taxes.

Restrictions

Venture capital investments are permitted under Section 3307.15(D)(5) of the Ohio Revised Code. Direct investments are allowed provided the entity has one-half of its assets within the state or more than one-half of its employees are employed in Ohio or its principal office is located within the state. Investments in venture capital limited partnership funds are also permitted. Fund managers must agree to use "best efforts" to make investments in Ohio-based small businesses. The aggregate amount of these Ohio-based investments must be at least equal to the board's investment in the fund.

Total value of venture capital investments is legally limited to 5 percent of total assets. However, due to the limited number of suitable investment opportunities located in Ohio, it is the board's intent to limit venture capital investment to 0.5 percent of STRS total assets. Furthermore, it is the board's intent to generally limit venture capital investment opportunities to Ohio-based limited partnership funds. Proposals for direct investments will usually be referred for review to the venture funds in which STRS has made investments. This formal referral process enables STRS to respond to the financing needs of Ohio small businesses in an efficient and timely manner.

Investment Objective and Policy (cont.)

Potential venture capital limited partnership funds will be analyzed for possible STRS investment. In addition to meeting the legal requirements, underwriting criteria include: experienced general partners, solid track record, fund headquartered in Ohio, Ohio-based investment history, strong community support, and appropriate partnership terms.

The executive director shall report any investment under consideration pursuant to this Section to the investment committee prior to making any legally binding commitment to any such investment.

For investments made under Section 3307.15(D)(5) of the Ohio Revised Code, the investment staff is encouraged to seek board representation on each entity to further enhance the safety and direction of the State Teachers Retirement System's investment.

The deputy executive director, Investments, will inform the board of an individual to serve on a company board and to face election by shareholders of that company. If the named individual is an STRS employee, that individual must sign a letter of agreement with the State Teachers Retirement Board indicating that, should the staff member terminate employment at STRS, resignation from any and all company board seats would occur if the State Teachers Retirement Board so directs. The STRS employee can be reimbursed for actual expenses incurred in serving on a board of directors, but no director's fees will be accepted.

OBJECTIVES, GUIDELINES AND POLICIES: REAL ESTATE

Objectives

It is the board's policy to invest in real estate in order to diversify the investment portfolio and to provide a means of insulating assets of the system against the effects of inflation. Consequently, real estate investments will be acquired to provide a real return commensurate with investment risk, coupled with an annual increase in cash flow. Cash-on-cash yield at purchase shall be a key objective of the portfolio. The opportunity for increasing cash flows during ownership shall be present as evidenced by percentage leases, cost of living clauses, short-term leases with limited renewal provisions, or a combination of the above. Long-term appreciation shall also be a factor in determining real estate selection, but shall be secondary to cash-on-cash yield and arrangements for securing increased cash flows for the dominant portion of the portfolio. A total return objective of 8 percent to 9 percent per year over a 5- to 10-year period is expected on these assets.

Restrictions

Real estate investments shall be not more than 12 percent of total assets. It is the board's policy to maintain an investment in real estate in the range of 6 percent to 12 percent of assets.

Diversification:

1. **Property Type:** High quality properties that are relatively general purpose will provide both investment security and maximum equity growth potential. Five such categories of property are:

   a. Office buildings;

   b. Multitenant retail properties such as community shopping centers and regional malls;

   c. Distribution centers, warehouses, and industrial parks;

   d. Multifamily housing;

   e. Specialty — limited to 2 percent of book value of total assets. The specialty category includes, but is not limited to, timberland, farmland, senior living and hotels.

2. **Geographical:** The portfolio will be diversified across eight regions as defined by the National Council of Real Estate Investment Fiduciaries. The maximum book value for any one of these regions will be 25 percent of the real estate portfolio. The one exception will be the East North Central Region which includes Ohio. This sector will have a 35 percent book value limit. When properties located within Ohio

offer quality, return, and safety comparable to properties outside Ohio, the Ohio investment will be given preference. The investment staff shall pursue an active plan to achieve this objective.

3. **Financing Structure:** New real estate investments will include equity-type structures such as direct ownership, participating mortgages, joint ventures, co-ownership, separate accounts, and real estate securities. The staff will search for innovative ways to approach structuring new real estate investments to enhance STRS' total investment strength.

4. **Minimum-Maximum Size Guidelines:** The minimum size for real estate investments will be generally $10 million for properties within Ohio and $15 million for properties outside Ohio. The maximum investment amount for an individual property will be limited to approximately 1 percent of total assets.

PROCEDURES

Due Diligence
The real estate investment management process will be subject to a number of procedures to safeguard assets of the system. New investments will have the following documentation:

1. A building and systems evaluation by a qualified engineering firm in the case of an existing building;

2. A review of plans and specifications by an architectural firm in the case of developmental properties;

3. An appraisal by an independent third-party appraisal firm;

4. An environmental review by a qualified consultant in accordance with the Environmental Policy described below;

5. A financial analysis including, but not limited to, holding period internal rate of return, initial yield and sensitivity to critical assumptions;

6. Legal review and approval of appropriate documents.

Real estate investments will be subject to the requirements of an Environmental Policy as reviewed by the board's real estate consultant. The policy will ensure that STRS will be prudent and diligent in its investments so as not to invest in property on which hazardous materials are present on or so near the property in such form and quantities as to cause STRS concern about its potentially significant legal or economic liability. The policy will also address potential investments in terms of wetlands, endangered species, or any other environmental issue that would potentially have a material impact on the value of the property or STRS liability.

Valuations
Portfolio performance will be calculated on a quarterly basis, while individual properties will be valued annually. A combination of internal valuations and external appraisals will be used on a rotating basis. The sale-leaseback portion of the portfolio will be valued on an internal basis with a random sample of external appraisals each year to validate the internal methodology. Each multitenant property will be valued internally each year, with an independent external appraisal no less than every third year. The methodology used in the internal valuations shall be reviewed by the board's real estate consultant.

Performance
Real estate investment performance will be reported to the board on a quarterly basis. A reporting format and appropriate benchmarks will show performance according to income and total return, including realized and unrealized increases in market value. Two real estate indexes shall be used as benchmarks to evaluate performance: The Russell-NCREIF Property Index and Evaluation Associates Fund Performance Index.

Board Consultant
The role of the real estate consultant is specifically outlined in the contract scope of services. The scope of services includes, but is not limited to, the following:

Investment Objective and Policy (cont.)

1. Report to the board on a semiannual basis regarding the investment performance of the system's real estate portfolio.

2. On a semiannual basis, review and comment on the annual real estate strategy prepared by the investment staff.

3. Review, on an annual basis, the five-year real estate strategy prepared by the staff.

4. Review biennially, the general internal management of real estate and its efficiency, with the objective of completing an overall operational audit including items such as writedown methodology.

5. Review certain predefined property specific transactions.

Real Estate Investment Committee (REIC)
A committee composed of a combination of internal staff and external industry professionals will review proposed transactions before recommendation to the deputy executive director of Investments, and the executive director. Transactions to be reviewed by the REIC include new acquisitions, dispositions from the existing portfolio, and significant modifications in existing deal structures. The following transactions will not be subject to REIC review prior to executive director approval:

1. Ancillary purchases, sales or exchanges valued at less than 20 percent of the total property value;

2. Release of mortgage security as long as the loan-to-value ratio remains below 80 percent;

3. Transactions allowed under existing investment documents (i.e., conversion options, loan prepayments, etc.);

4. Sales of sale-leaseback properties when the sale price exceeds the book value of the investment or where the investment amount is less than $1.5 million;

5. Temporary mortgage restructurings, which limit the restructuring to no more than four years and revert back to original terms.

Board Review
The board adopts policy and monitors performance with the assistance of the real estate consultant. These responsibilities include review of the following documents:

1. Investment objective and policy;

2. Long-term real estate strategy;

3. Annual investment plan;

4. Individual transactions outside policy and/or strategy;

5. Monthly investment activity reports;

6. Semiannual performance reports from the consultant.

PROCEDURES

Long-Term Objectives
The investment advisor shall recommend long-term (5- to 10-year) objectives for the total plan and for each segment of the portfolio. These long-term objectives, many of which are incorporated into this policy, shall be reviewed by the investment committee and/or the board at least annually. The objectives shall incorporate statements of investment criteria for both publicly-traded bonds and stocks, as recommended by the investment advisor and approved by the board.

Annual Investment Plan
In February of each year, or at such other time as the board may designate, an annual investment plan shall be developed by the investment committee.

This plan shall be based upon recommendations of the Investment Department and the investment consultant, with approval of the executive director. The annual investment plan shall be based upon the following:

1. The long-term objectives set forth by the board, on recommendation of the investment consultant.

2. Estimated monthly cash flow for the ensuing year.

3. General economic outlook for the short and long term.

4. Expected relative values of various investment instruments (i.e. stocks vs. bonds, etc.).

5. Short- and long-term interest rates.

6. Expected levels of public and private financing.

7. Such other factors as seem indicated.

The annual investment plan will serve as a guide for the investment staff in its day-to-day operation. Any substantial deviations from the plan are to be fully justified in writing.

The annual investment plan will be reviewed bimonthly by the staff and any indicated modifications or changes recommended. The plan as modified will become the operational plan for the investment staff until subsequent modification.

Reporting
The investment committee shall be furnished with the following reports:

Monthly Reporting
1. Monthly activity report that includes:

   a. Common stocks:
      (1) Summary of the equity markets
      (2) Common stock performance comparisons
      (3) Top 20 holdings
      (4) Purchases and sales during the month
      (5) Portfolio diversification — past, present and planned
      (6) Status of special projects
      (7) International;

   b. Fixed income:
      (1) Summary of fixed income markets
      (2) Summary of trading markets
      (3) Exchange summary;

   c. Real estate;

   d. Cash flow;

   e. Performance;

2. Portfolio summary, classified by asset type;

3. Investment purchases and sales, year-to-date.

Semiannual Reporting
All exposure in derivatives for all asset classes.

Proxy Voting
The State Teachers Retirement Board believes that common stock proxies are valuable and should be voted in the best interest of the members and retirees. To this end, the Retirement Board shall maintain stock proxy voting policies and the staff and all outside managers will use them as guides in meeting the fiduciary responsibility of the State Teachers Retirement Board in voting common stock proxies. Common stock proxies may be executed by the executive director, the deputy executive director of Administration, the deputy executive director of Investments or outside money managers.

Ohio Investments
It is the policy of the board to give consideration to investments that enhance the general welfare of the state and its citizens provided the funds are invested solely in the interest of participants and beneficiaries. This goal will be pursued to the greatest extent possible within the limits of fiduciary responsibility and Section 3307.15 of the Ohio Revised Code. Preference will be given to Ohio investments offering competitive returns at risk levels comparable to similar investments currently available to the board.

Investment Objective and Policy (cont.)

To meet this objective, an Ohio investment plan, incorporating all provisions of the STRS Investment Objective and Policy Statement, shall be maintained and implemented by the investment staff. This plan shall set forth procedures to assure that a special effort will be made by the investment staff to examine and evaluate all legal investment opportunities in the state and, where policy objectives are met, to acquire such investments.

Broker-Dealers

Purchases and sales of publicly-traded securities shall be executed with broker-dealers from a list reviewed by the investment committee. The list shall be limited, as practicable, to 65 firms plus those in the Ohio and emerging firms sublist. Selection shall be based on an evaluation by the investment staff as to financial soundness, underwriting capabilities, research services, execution capabilities and other factors required by the staff to fulfill its assigned investment responsibilities. Specific transactions will be directed to the broker on that list most capable of providing brokerage services necessary to obtain both the best available price and the most favorable execution.

The board shall give equal consideration to minority-owned and controlled firms and to firms owned and controlled by women. The board shall be proactive in its intent to include firms that have an operating office located in Ohio, minority-owned and controlled firms, and firms owned and controlled by women.

Each firm listed shall file with the State Teachers Retirement Board on an annual basis such evidence of financial responsibility as required by the board. This information shall include, but not be limited to, an audited financial statement.

When stocks are purchased during an underwriting, allocations may be made to dealers not on the approved list provided the managing underwriter is so listed. Bond purchases may be made either at underwriting or in the secondary market from any firm holding membership in the National Association of Securities Dealers.

When entering into real estate transactions, the board shall give equal consideration to Ohio firms providing associated professional services, minority-owned and controlled firms, and firms owned and controlled by women.

Security Lending

The board may operate a security lending program to enhance the income of the fund. The program must be operated by a bank trustee under the direction of the Treasurer of State and each security lent must be fully collateralized. Results of the program must be reported to the board annually.

Measurement

The primary goal of the fund shall be to achieve the absolute return targets described in the "Total Fund" section of this policy. However, a secondary measurement objective of the board is to relate the fund's performance to various indexes. The relative measurement of the total fund shall be made against a hybrid index consisting of weightings from cash equivalents, equity, fixed income, real estate, and international indexes.

Relative measurement of performance shall be made on a quarterly and annual basis. The primary time period for such comparisons shall be three years, although 1-, 5-, and 10-year comparisons shall also be examined.

The benchmark against which investment return of the publicly-traded bond sector will be measured is the Lehman Aggregate Bond Index and the GNP Deflator. The primary time period for such comparisons shall be three years, although 1-, 5- and 10-year comparisons shall also be examined.

The equity portfolio shall be compared against the Standard & Poor's 500 Average, and the SEI State Plan Median Fund. The board's objective is to match or exceed performance of the yardsticks, subject to the volatility level expressed in the "Total Fund" Section of this policy. The primary time period for such comparisons shall be three years, although 1-, 5- and 10-year comparisons shall also be examined.

The international equity portfolio shall have as its benchmark a composite index, consisting of 75 percent of the Morgan Stanley's Capital Markets Europe Australia Far East Index (EAFE) and 25 percent of the Morgan Stanley Emerging Markets Free Index. The board's objective is to match or exceed performance of this composite index. The primary time period for such comparisons shall be three years, although 1-, 5- and 10-year comparisons shall also be examined.

In addition, the board and its investment advisors/consultants will maintain a performance monitoring system for individual asset categories and total fund.

Security Valuation

Valuation of investments for purposes of complying with Section 3307.15 of the Ohio Revised Code shall be the total of:

1. Par value of all bonds, notes, certificates of indebtedness, and mortgages.
2. Cost of all preferred stocks, common stocks, and productive real estate.

Market valuation of investments shall be the total of:

1. The closing price on the principal registered stock exchange for all common and preferred stocks so listed.
2. The last sale or, if not available, final bid as reflected by NASDAQ for common and preferred stocks not listed on a registered stock exchange.
3. The current value as determined by a qualified independent service for all bonds, notes, and certificates of indebtedness.
4. Amortized book value for commercial paper, certificates of deposit, repurchase agreements and other short-term investments with a maturity of 270 or fewer days.
5. Real estate valued through a combination of independent appraisals and in-house valuations. Methodology underlying internal valuations will be reviewed by the real estate consultant. REIT shares are valued at closing prices on the appropriate stock exchange.
6. The most recent valuation for pooled venture capital and direct venture capital.
7. Guaranteed mortgages assigned an estimated value based upon the most recent posted rate for new Veteran's Administration or Federal Housing Administration guaranteed mortgages.
8. International investments are valued by the subcustodian using relevant closing market prices and exchange rates.

Schedule of Investments

As of June 30, 1995

COMMON STOCKS	SHARES	TOTAL COST	TOTAL MARKET
Aerospace/Defense			
AAR Corporation	594,300	$ 7,719,242	$ 10,623,112
Boeing Company	1,914,800	78,416,947	119,914,350
EG &G, Inc.	2,658,959	42,798,476	44,537,563
General Dynamics Corporation	23,096	1,095,015	1,024,885
Lockheed Martin Corporation	84,868	3,198,087	5,357,292
Loral Corporation	367,427	14,162,791	19,014,347
McDonnell Douglas Corporation	43,728	905,959	3,356,124
Northrop Grumman	17,867	621,268	931,317
Raytheon Corporation	685,613	45,123,283	53,220,709
Rockwell International Corporation	2,315,003	61,307,303	105,911,387
TRW, Inc.	23,804	1,282,133	1,901,344
United Technologies Corporation	46,206	2,347,358	3,609,844
Totals		$ 258,977,862	$ 369,402,274
Airlines			
AMR Corporation	2,234,696	$ 132,578,665	$ 166,764,189
Delta Air Lines, Inc.	18,700	991,970	1,379,125
Southwest Airlines Company	53,300	1,520,009	1,272,537
USAir Group, Inc.	21,458	150,206	249,449
Totals		$ 135,240,850	$ 169,665,300
Apparel/Textiles			
Brown Group, Inc.	1,031,100	$ 29,943,119	$ 23,457,525
Delta Woodside Industries, Inc.	516,700	5,632,207	3,939,837
Fruit of the Loom, Inc.	228,300	6,549,797	4,822,837
Liz Claiborne, Inc.	30,551	1,041,605	649,209
National Service Industries, Inc.	18,551	468,699	535,660
Nike, Inc. Cl-B	17,332	1,336,901	1,455,888
Reebok International, Ltd.	32,044	972,823	1,089,496
Russell Corporation	592,883	12,151,394	17,045,386
Springs Industries Cl-A	6,532	236,716	243,317
Stride Rite Corporation	18,882	364,215	193,541
V. F. Corporation	23,963	1,188,844	1,288,011
Warnaco Group, Inc.	300,000	4,333,545	6,000,000
Worldtex, Inc.	305,666	2,727,729	1,795,788
Totals		$ 66,947,594	$ 62,516,495
Auto/Truck Manufacturers			
Chrysler Corporation	825,627	$ 34,091,676	$ 39,526,893
Daimler-Benz AG (ADR)	630,000	28,599,600	29,058,750
Ford Motor Company	1,857,345	48,379,082	55,256,014
General Motors Corporation	666,166	25,467,655	31,226,531
Navistar International Corporation	27,198	728,957	411,370
PACCAR, Inc.	14,559	769,668	680,633
Totals		$ 138,036,638	$ 156,160,191

Auto Parts Manufacturers	SHARES	TOTAL COST	TOTAL MARKET
Allen Group, Inc.	1,682,300	$ 30,869,068	$ 49,838,137
Bandag, Inc. Cl-A	396,300	20,025,014	22,688,175
Bandag, Inc. Cl-B	110,900	5,267,592	6,931,250
Cooper Tire & Rubber Company	31,168	719,144	759,720
Dana Corporation	34,644	701,456	991,684
Eaton Corporation	87,055	4,507,506	5,060,072
Echlin, Inc.	21,647	599,985	752,233
Genuine Parts Company	46,271	1,640,054	1,752,514
Goodyear Tire & Rubber Company	54,533	1,816,144	2,242,670
Myers Industries, Inc.	375,550	6,495,009	5,398,531
Snap-on, Inc.	15,879	563,066	615,311
SPX Corporation	5,138	90,525	58,445
Standard Products Company	165,625	3,483,929	3,602,344
Tower Automotive Company	260,000	2,952,800	2,730,000
Totals		$ 79,731,292	$ 103,421,086

Banks	SHARES	TOTAL COST	TOTAL MARKET
Banc One Corporation	150,852	$ 3,510,986	$ 4,864,977
Bank of Boston Corporation	39,380	928,722	1,476,750
BankAmerica Corporation	2,312,100	94,547,556	121,674,262
Bankers Trust of New York Company	30,668	2,109,798	1,901,416
Barnett Banks, Inc.	36,225	1,550,899	1,861,059
Bank Of New York	69,500	2,297,670	2,806,062
Boatmen's Bancshares, Inc.	47,136	1,354,604	1,661,544
Chase Manhattan Corporation	68,323	1,784,805	3,211,181
Chemical Banking Corporation	94,120	2,885,701	4,447,170
Citicorp	2,267,842	92,214,944	131,251,356
CoreStates Financial Corporation	53,500	1,442,778	1,852,437
First Chicago Corporation	31,068	1,106,499	1,860,196
First Fidelity Bancorporation	29,290	1,238,849	1,728,110
First Interstate Bancorp	28,501	1,250,059	2,287,205
First Union Corporation	62,877	2,599,849	2,845,184
Fleet Financial Group, Inc.	50,989	1,638,628	1,892,967
KeyCorp	89,299	2,845,240	2,801,756
Mellon Bank Corporation	54,076	1,584,310	2,250,913
Mercantile Bancorporation, Inc.	906,750	13,439,397	20,401,875
Morgan (J.P.) & Company, Inc.	1,878,844	112,211,738	131,753,935
NationsBank Corporation	100,253	4,104,743	5,376,067
National City Corporation	55,900	1,512,706	1,642,062
NBD Bancorp, Inc.	59,995	1,846,230	1,919,840
Norwest Corporation	117,268	2,741,586	3,371,455
PNC Bank Corporation	87,378	2,466,113	2,304,595
Regions Financial Corporation	454,500	10,581,035	16,873,312
Republic New York Corporation	1,012,900	43,039,843	56,722,400
Shawmut National Corporation	44,762	947,882	1,426,789
SunTrust Banks, Inc.	46,734	2,008,873	2,722,255
U.S. Bancorp	37,079	921,752	892,232
Wachovia Corporation	64,634	2,412,066	2,310,666
Wells Fargo & Company	219,396	25,677,941	39,546,129
Wilmington Trust Company	250,000	7,261,600	7,062,500
Totals		$ 448,065,409	$ 587,000,657

	SHARES	TOTAL COST	TOTAL MARKET
Beverages			
Anheuser-Busch Companies, Inc.	96,340	$ 5,171,888	$ 5,479,337
Brown-Forman Corporation Cl-B	20,862	594,481	696,269
Coca Cola Company	1,629,547	80,955,646	103,883,621
Coors (Adolph) Company Cl-B	513,581	7,936,936	8,409,889
PepsiCo, Inc.	1,199,722	38,528,697	54,587,351
Seagram Company, Ltd.	138,922	3,970,470	4,810,174
Totals		$ 137,158,118	$ 177,866,641
Chemicals			
ARCO Chemical Company	909,100	$ 39,206,699	$ 41,250,412
Air Products & Chemicals, Inc.	1,445,600	53,871,256	80,592,200
Dow Chemical Company	1,756,300	102,155,594	126,234,062
duPont (El) deNemours & Company	194,808	8,831,865	13,393,050
Eastman Chemical Company	30,497	1,149,212	1,814,571
Ecolab, Inc.	23,568	461,993	577,416
Ferro Corporation	560,000	17,944,614	14,840,000
First Mississippi Corporation	7,447	76,201	254,129
FMC Corporation	2,213,507	105,393,498	148,858,346
Fuller (H.B.) Company	213,300	7,544,201	7,892,100
Goodrich (B.F.) Company	9,627	403,448	516,248
Grace (W.R.) & Company	34,720	1,348,222	2,130,940
Hercules, Inc.	47,148	1,073,233	2,298,465
Lawter International, Inc.	548,933	6,469,788	6,587,196
Loctite Corporation	341,700	11,305,784	15,547,350
Lyondell Petrochemical Company	1,469,600	32,578,293	37,658,500
Mallinckrodt Group, Inc.	1,878,535	58,074,504	66,687,992
Monsanto Company	44,467	2,673,085	4,007,588
Nalco Chemical Company	3,394,637	112,089,846	123,479,921
OM Group, Inc.	200,000	2,800,000	5,700,000
PPG Industries, Inc.	79,168	2,192,759	3,394,328
Praxair, Inc.	1,857,412	36,078,389	46,203,123
Quaker Chemical Corporation	432,500	7,242,469	7,028,125
Rohm & Haas Company	25,230	1,386,519	1,384,496
RPM, Inc.	566,250	3,512,602	11,254,219
Schulman (A.), Inc.	607,000	7,078,066	17,451,250
Stepan Company	485,800	7,591,676	8,319,325
Union Carbide Corporation	56,413	1,079,813	1,889,835
Witco Corporation	2,007,200	56,746,011	64,732,200
Totals		$ 688,359,640	$ 861,977,387
Chemicals — Specialty			
Avery Dennison Corporation	527,900	$ 13,106,464	$ 21,116,000
Betz Laboratories, Inc.	1,441,400	68,609,841	65,223,350
Binks Manufacturing Company	146,934	3,674,343	3,728,450
Crompton & Knowles Corporation	898,000	18,090,849	12,684,250
Engelhard Corporation	35,655	899,552	1,528,708
Great Lakes Chemical Corporation	26,541	1,858,478	1,599,095
Hanna (M.A.) Company	537,550	9,191,903	13,976,300
IMC Global, Inc.	574,000	22,241,914	31,067,750
Morton International, Inc.	1,804,672	50,575,925	52,786,656
Scotts Company	444,300	7,225,660	9,719,062
Sigma Aldrich Corporation	1,205,100	43,035,796	59,200,537
Totals		$ 238,510,725	$ 272,630,158

	SHARES	TOTAL COST	TOTAL MARKET
Ashland Coal, Inc.	664,100	$ 17,339,127	$ 17,764,675
Cabot Oil & Gas	500,000	9,182,455	6,875,000
Coastal Corporation	668,200	21,423,053	20,296,575
Eastern Enterprise, Inc.	8,542	230,469	255,192
Enron Corporation	866,024	24,395,779	30,419,093
ENSERCH Corporation	24,669	477,424	422,457
Mapco	286,000	15,852,217	16,588,000
Panhandle Eastern Corporation	55,509	1,198,267	1,353,032
Santa Fe Energy Resources	33,415	338,989	317,442
Totals		$ 90,437,780	$ 94,291,466
Telecommunications			
Andrew Corporation	13,800	$ 179,851	$ 798,675
Totals		$ 179,851	$ 798,675
Amdahl Corporation	42,508	$ 397,386	$ 472,901
Apple Computer, Inc.	43,363	1,980,980	2,013,691
Ceridian Corporation	15,973	255,836	589,004
Cisco Systems, Inc.	92,000	3,148,138	4,651,796
Compaq Computer Corporation	91,728	1,625,118	4,150,692
Cray Research, Inc.	655,815	16,792,494	15,985,491
Data General Corporation	671,572	6,560,793	6,463,880
Digital Equipment Corporation	4,562,000	147,058,637	185,901,500
Gerber Scientific, Inc.	817,100	10,026,544	13,686,425
International Business Machines Corp.	1,276,200	87,769,765	122,515,200
Silicon Graphic Corporation	402,500	16,082,197	16,049,687
Sun Micro Systems, Inc.	39,083	1,237,768	1,895,525
Tandem Computers, Inc.	42,213	513,162	680,685
Unisys Corporation	60,756	659,606	660,722
Totals		$ 294,108,424	$ 375,717,199
Computer Services			
Automatic Data Processing, Inc.	52,601	$ 2,482,587	$ 3,307,288
Computer Associates, Inc.	62,251	1,858,919	4,201,943
Computer Sciences Corporation	129,168	6,008,218	7,346,430
Totals		$ 10,349,724	$ 14,855,661
Computer Software			
Autodesk, Inc.	17,860	$ 397,270	$ 767,980
Cabletron Systems, Inc.	18,000	937,120	958,500
Cheyenne Software Corporation	426,500	4,100,311	7,996,875
First Data Corporation	40,800	1,996,548	2,320,500
Legent Corporation	130,000	3,590,005	5,687,500
Lotus Development Corporation	16,042	411,320	1,022,678
MacNeal-Schwendler Corporation	577,600	7,049,287	8,086,400
Microsoft Corporation	704,000	42,252,575	63,624,000
Novell, Inc.	2,789,974	50,909,649	55,626,501
Oracle Systems Corporation	158,643	1,909,859	6,127,586
Progress Software Corporation	110,600	4,438,255	5,751,200
Shared Medical Systems Corporation	8,536	219,832	342,507
System Software Associates, Inc.	835,000	14,056,920	16,700,000
Totals		$ 132,268,951	$ 175,012,227

	SHARES	TOTAL COST	TOTAL MARKET
Construction			
Centex Corporation	11,662	$ 386,423	$ 329,452
Crane Company	205,438	5,345,022	7,447,128
Fluor Corporation	606,800	24,982,131	31,553,600
Insteel Industries, Inc.	117,382	622,251	880,365
Jacobs Engineering Group	1,070,500	24,785,179	23,551,000
Kaufman Broad Home Corporation	11,276	188,410	163,502
Lawson Products, Inc.	457,400	11,704,812	12,121,100
Masco Corporation	324,958	7,366,016	8,773,866
Morrison Knudsen Corporation	1,539,403	23,543,673	10,390,970
Owens Corning Fiberglas Corporation	15,923	586,943	587,161
Pulte Corporation	10,180	297,129	285,040
Sherwin-Williams Company	339,212	11,621,062	12,084,428
Wolohan Lumber Company	478,090	7,351,871	5,617,558
Totals		$ 118,780,922	$ 113,785,170
Containers			
ACX Technologies, Inc.	277,600	$ 5,760,513	$ 11,589,800
Ball Corporation	10,931	364,978	381,219
Bemis Company, Inc.	499,236	9,475,805	12,980,136
Blessings Corporation	400,000	2,942,402	5,000,000
Crown Cork & Seal, Inc.	32,760	1,204,838	1,642,095
Sealed Air Corporation	497,000	710	21,868,000
Totals		$ 19,749,246	$ 53,461,250
Cosmetics/Toiletries			
Alberto-Culver Company Cl-A	756,500	$ 15,589,041	$ 19,479,875
Alberto-Culver Company Cl-B	7,101	169,138	214,805
Avon Products, Inc.	289,650	14,104,396	19,406,550
Church & Dwight Co., Inc.	292,700	7,808,037	6,073,525
Clorox Company	20,425	1,020,882	1,332,731
Colgate-Palmolive Company	733,100	41,425,133	53,607,938
Gillette Company (The)	164,198	4,131,606	7,306,811
International Flavors & Fragrances, Inc.	44,103	1,655,887	2,194,124
Procter & Gamble Company (The)	354,408	19,284,835	25,473,075
Totals		$ 105,188,955	$ 135,089,434
Diversified			
Alco Standard	17,809	$ 768,114	$ 1,422,494
AlliedSignal, Inc.	105,166	2,221,755	4,679,887
Corning, Inc.	3,413,221	107,963,616	111,782,988
Dial Corporation	2,002,948	43,021,675	49,572,963
Hanson P/C (ADR)	4,701,500	88,176,117	82,276,250
ITT Corporation	39,717	2,767,487	4,666,748
Loews Corporation	1,052,600	93,221,180	127,364,600
Minnesota Mining & Manufacturing Co.	158,254	8,362,726	9,079,823
Ogden Corporation	16,131	410,342	352,866
Teledyne, Inc.	2,066,993	42,578,002	50,641,329
Teledyne, Inc. Series E	44,850	530,446	655,931

	SHARES	TOTAL COST	TOTAL MARKET
Tenneco, Inc.	1,996,700	94,206,342	91,848,200
Textron, Inc.	32,945	1,576,837	1,914,928
U.S. Industries	235,075	3,276,815	3,202,897
Whitman Corporation	339,969	5,221,170	6,586,899
Totals		$ 494,302,624	$ 546,048,803
Drugs			
A. L. Pharmaceuticals, Inc.	350,000	$ 5,361,630	$ 6,562,500
ALZA Corporation	4,079,869	87,285,542	95,366,938
American Home Products Corporation	498,838	37,246,139	38,597,590
Amgen, Inc.	50,489	2,834,101	4,061,234
Bristol-Myers Squibb Company	943,252	57,000,728	64,259,043
Eli Lilly & Company	109,025	6,178,887	8,558,463
ICN Pharmaceutical	705,168	15,644,138	11,106,396
Merck & Company, Inc.	468,175	18,588,317	22,999,097
Pfizer, Inc.	928,500	49,859,093	85,538,063
Schering-Plough Corporation	2,615,624	73,722,079	115,414,409
Upjohn Company	64,770	1,985,545	2,436,971
Warner-Lambert Company	50,488	3,458,279	4,360,901
Totals		$ 359,164,478	$ 459,261,605
Electric Power			
American Electric Power Company, Inc.	68,922	$ 2,364,026	$ 2,420,885
Baltimore Gas & Electric Company	424,214	9,899,724	10,605,350
Carolina Power and Light Company	59,839	1,628,919	1,810,130
Central & South West Corporation	70,171	2,128,266	1,841,989
CINergy Corporation	54,420	1,273,683	1,428,525
Consolidated Edison Company of New York	87,336	2,030,990	2,576,412
Detroit Edison Company	54,860	1,776,730	1,618,370
Dominion Resources, Inc.	61,665	2,582,209	2,250,772
DPL, Inc.	400,000	8,105,520	8,850,000
Duke Power Company	76,471	2,927,174	3,173,546
Eastern Utilities Associates	500,000	12,443,176	11,312,500
Entergy Corporation	1,836,925	54,350,483	44,315,816
FPL Group, Inc.	269,864	9,822,388	10,423,497
General Public Utilities	43,000	1,297,988	1,279,250
Houston Industries, Inc.	48,513	2,175,986	2,043,610
Ipalco Enterprises	146,800	4,639,350	4,679,250
KU Energy	232,000	6,221,350	6,467,000
New England Electric Company	371,300	12,279,918	12,809,850
Niagara Mohawk Power Corporation	52,954	987,887	774,452
NIPSCO Industries	150,000	4,519,988	5,100,000
Northern States Power Company	24,767	1,065,073	1,142,378
Ohio Edison Company	56,808	1,243,829	1,285,281
Pacific Gas & Electric Company	161,272	5,268,937	4,676,888
PacifiCorp	1,129,748	19,983,804	21,182,775
PECO Energy Company	740,200	19,247,304	20,448,025
Pinnacle West Capital Corporation	990,700	21,480,729	24,272,150
PP&L Resources	900,000	18,162,013	17,550,000
Public Service Enterprise Group, Inc.	292,247	8,286,485	8,109,854
SCANA Corporation	200,000	4,369,500	4,475,000
SCEcorp	166,559	3,629,148	2,852,323
Southern Company	238,352	4,665,092	5,333,126

	SHARES	TOTAL COST	TOTAL MARKET
TECO Energy	380,000	7,919,550	8,360,000
Texas Utilities Company	608,240	20,729,154	20,908,250
Unicom Corporation	79,652	2,651,492	2,120,734
Union Electric Company	238,195	8,718,253	8,872,764
Totals		$ 290,876,118	$ 287,370,752
Electrical Equipment			
Duracell International	911,600	$ 39,215,543	$ 39,426,700
Emerson Electric Company	1,507,600	81,416,592	107,793,400
General Electric Company	6,306,132	208,234,968	355,508,191
Grainger (W.W.), Inc.	19,127	1,120,994	1,123,711
Honeywell, Inc.	50,073	1,724,236	2,159,398
Hubbell, Inc.	183,225	9,296,652	10,352,212
Raychem Corporation	805,700	25,900,583	30,818,025
Thomas & Betts Corporation	7,012	450,806	479,445
Westinghouse Electric Corporation	130,521	1,764,160	1,908,870
Totals		$ 369,124,534	$ 549,569,952
Electronics			
American Power Converter Company	2,640,000	$ 47,524,342	$ 60,390,000
AMP, Inc.	78,238	2,153,263	3,305,555
Applied Material	31,100	1,785,945	2,694,037
Arrow Electronics, Inc.	570,000	22,387,112	28,357,500
GTI Corporation	500,000	12,305,527	9,625,000
Harris Corporation	14,764	473,821	762,191
Hewlett-Packard Company	630,072	36,783,127	46,940,364
Intergraph Corporation	17,170	200,395	191,016
Measurex Corporation	455,400	8,504,856	13,832,775
Motorola, Inc.	3,426,694	168,437,423	230,016,835
National Semiconductor Corporation	40,961	674,623	1,136,668
Octel Communications Corporation	593,400	14,860,449	17,356,950
Perkin-Elmer Corporation	1,736,379	49,993,477	61,424,407
Sun Television & Appliances	255,600	2,875,500	1,917,000
TCA Cable TV	175,000	3,727,050	4,725,000
Tektronix, Inc.	11,373	283,393	560,120
Zenith Electronics Corporation	12,231	88,397	90,204
Totals		$ 373,058,700	$ 483,325,622
Environmental			
Browning-Ferris Industries, Inc.	2,166,637	$ 62,423,677	$ 77,998,932
Johnson Controls, Inc.	15,022	650,724	848,743
Laidlaw, Inc.	105,380	927,325	1,001,110
Mid-American Waste Systems, Inc.	567,500	5,966,871	2,766,562
Millipore Corporation	10,406	373,579	702,405
Safety-Kleen Corporation	21,467	440,307	346,155
Thermo Electron	450,000	12,521,248	18,112,500
Tyco International, Ltd.	27,980	1,120,760	1,510,920
WMX Technologies, Inc.	2,095,679	58,041,828	59,464,892
Zurn Industries, Inc.	4,708	151,144	94,160
Totals		$ 142,617,463	$ 162,846,379

Exploration/Drilling	SHARES	TOTAL COST	TOTAL MARKET
BJ Services	74,700	$ 9,207,357	$ 10,799,425
Burlington Resources, Inc.	48,500	1,984,814	1,788,437
Helmerich & Payne, Inc.	9,132	275,848	269,394
McDermott International, Inc.	19,359	519,200	467,036
Production Operators Corporation	90,000	2,054,655	2,835,000
Totals		$ 14,041,874	$ 16,159,292

Financial Services

American Express Company	88,581	$ 4,597,431	$ 6,647,480
America General Corporation	80,895	1,812,901	2,730,206
Beneficial Corporation	19,312	659,194	849,728
Countrywide Credit, Inc.	462,500	6,984,478	9,712,500
Dean Witter, Discovery & Co.	63,359	2,179,448	2,977,873
Federal Home Loan Mortgage Corporation	56,882	3,262,373	4,598,137
First USA, Inc.	1,[illegible]3,500	34,176,520	45,861,562
Federal National Mortgage Association	[illegible]4,648	45,999,388	70,369,236
Franklin Resources, Inc.	[illegible]5,000	10,037,460	12,237,500
Household International, Inc.	[illegible],988	931,895	1,731,906
Marsh & McLennan Companies, Inc.	2[illegible],028	175,634,068	172,555,146
MBNA Corporation	[illegible],997	7,869,492	11,643,649
Merrill Lynch & Company, Inc.	[illegible],820	2,496,055	3,718,050
Salomon, Inc.	[illegible],216	1,604,308	1,653,792
Transamerica Corporation	[illegible],254	1,479,342	1,704,045
Travelers Group, Inc.	[illegible],908	29,302,825	38,714,725
U.S. Trust Corporation	[illegible],000	5,039,976	7,200,000
Totals		$ 334,067,154	$ 394,905,535

Food Producers

Archer Daniels Midland Company	2,836,817	$ 45,881,753	$ 52,835,717
Campbell Soup Company	93,411	3,852,988	4,577,139
Chiquita Brands International, Inc.	300,000	4,936,478	4,200,000
ConAgra, Inc.	93,542	2,699,711	3,262,277
CPC International, Inc.	1,734,200	84,404,521	107,086,850
Dean Foods Company	1,428,250	34,030,512	39,991,000
General Mills, Inc.	59,669	3,216,692	3,065,495
Heinz (H.J.) Company	94,167	3,633,747	4,178,661
Hershey Foods Corporation	29,101	1,367,284	1,607,830
Kellogg Company	85,802	5,308,532	6,124,118
Pioneer Hi-Bred International	34,199	1,255,538	1,436,358
Quaker Oat Company	51,744	1,778,263	1,688,148
Ralston Purina Group	38,707	1,457,421	1,974,057
Sara Lee Corporation	181,313	4,123,244	5,167,420
Savannah Foods & Industries, Inc.	283,900	5,615,533	3,122,900
Smucker (J.M.) Company	84,800	2,051,313	1,876,200
Smucker (J.M.) Company Cl-B	919,700	19,338,014	18,508,962
Tootsie Roll Industries, Inc.	155,888	5,989,498	10,795,244
Unilever N.V.	59,732	6,864,645	7,772,626
Universal Foods Corporation	627,200	19,111,998	20,305,600
Wm. Wrigley Jr. Company	43,444	1,599,821	2,014,715
Totals		$ 258,517,506	$ 301,591,317

	SHARES	TOTAL COST	TOTAL MARKET
Food Retailers			
Albertson's, Inc.	94,453	$ 2,372,484	$ 2,798,170
American Stores Company	1,461,842	38,080,624	41,114,306
Bruno's, Inc.	29,129	226,756	338,625
Fleming Companies	13,759	417,874	364,613
Giant Food. Inc.	22,267	514,759	631,826
Great Atlantic & Pacific Tea Co., Inc.	624,900	17,845,236	16,481,737
Hannaford Brothers Company	269,400	4,234,695	7,677,900
Kroger Company	1,214,400	17,457,012	32,637,000
Ruddick Corporation	517,600	6,536,772	10,740,200
Smith's Food & Drug Centers, Inc.	309,100	6,320,567	6,104,725
Stop & Shop Companies, Inc.	1,597,300	40,112,442	40,930,812
Supervalu, Inc.	26,655	869,877	776,327
Sysco Corporation	2,338,999	64,545,123	69,000,470
Vons Companies	437,300	7,427,481	8,800,662
Winn-Dixie Stores, Inc.	28,022	1,787,056	1,607,762
Totals		$ 208,748,758	$ 240,005,135
Furniture/Appliances			
Armstrong World Industries, Inc.	13,854	$ 453,331	$ 694,432
Bassett Furniture Industries, Inc.	5,300	163,625	148,400
Black & Decker Corp.	275,600	5,931,345	8,509,150
LADD Furniture, Inc.	170,266	4,490,088	2,213,458
Maytag Company	39,887	636,614	638,192
Newell Companies, Inc.	58,822	1,161,857	1,433,786
Premark International	784,970	30,412,536	40,720,319
Rubbermaid, Inc.	59,821	1,901,381	1,660,033
Stanhome, Inc.	310,900	10,340,523	10,259,700
Stanley Works	16,764	663,152	634,937
Whirlpool Corporation	26,264	1,209,608	1,444,520
Totals		$ 57,364,060	$ 68,356,927
Insurance Companies			
Aetna Life & Casualty Company	804,651	$ 36,997,730	$ 50,592,432
Alexander & Alexander Services, Inc.	15,339	378,315	366,219
Allmerica Property & Casualty Companies	475,500	8,167,834	10,520,438
American International Group, Inc.	553,467	40,121,160	63,095,238
AVEMCO Corporation	300,000	4,718,738	5,212,500
Chubb Corporation	1,642,180	119,670,837	131,579,673
CIGNA Corporation	1,005,000	55,614,936	78,013,125
Cincinnati Financial Corporation	159,810	4,535,868	8,949,360
Citizens Corporation	486,100	8,677,782	8,202,938
Gallagher (Arthur S.) and Company	296,200	6,205,678	10,774,275
General Re Corporation	31,623	3,589,837	4,233,529
Hartford Steam	559,100	23,516,138	24,810,063
Hilb, Rogal & Hamilton Company	534,900	7,163,322	6,686,250
Jefferson-Pilot Corporation	18,773	792,420	1,027,822
Lincoln National Corporation	1,535,148	55,920,871	67,162,725
NYMAGIC, Inc.	445,500	7,780,466	7,072,313
Ohio Casualty Corporation	374,000	11,295,074	11,781,000
Providian Corporation	37,684	950,291	1,366,045
SAFECO Corporation	410,512	21,793,841	23,578,988
St. Paul Companies, Inc.	31,542	1,317,350	1,553,444
TIG Holdings	1,250,000	26,250,000	28,750,000

	SHARES	TOTAL COST	TOTAL MARKET
Torchmark Corporation	1,095,330	57,249,636	41,348,708
Transatlantic Holdings	574,400	31,467,379	37,336,000
UNUM Corporation	28,800	1,445,769	1,350,000
USLIFE Corporation	8,528	304,295	343,252
USF&G Corporation	3,695,966	48,090,414	60,059,448
Totals		$ 584,015,981	$ 685,765,785
Machinery/Equipment			
Ametek, Inc.	983,200	$ 12,615,734	$ 17,697,600
Briggs & Stratton Corporation	10,610	373,766	366,045
BWIP Holdings	892,200	14,774,680	16,505,700
Cascade Corporation	595,200	4,841,995	9,523,200
Caterpillar, Inc.	75,536	2,370,752	4,853,188
Cincinnati Milacron, Inc.	1,972,600	43,176,275	53,260,200
Cooper Industries, Inc.	3,073,700	106,069,673	121,411,150
Cummins Engine Co., Inc.	13,132	542,831	572,884
Deere & Company	31,291	1,731,647	2,679,292
Dover Corporation	21,297	1,021,377	1,549,357
Duriron Company, Inc.	590,150	8,960,288	13,278,375
Foster Wheeler Corporation	1,218,200	24,703,691	42,941,550
General Signal Corporation	1,873,814	58,850,765	74,484,107
Giddings & Lewis, Inc.	12,715	289,624	227,281
Goulds Pumps, Inc.	1,653,200	38,691,001	35,957,100
Harnischfeger Industries, Inc.	550,119	10,382,980	19,047,870
Harsco Corporation	270,000	11,260,456	14,242,500
Illinois Tool Works, Inc.	42,058	1,411,405	2,313,190
Ingersoll-Rand Company	1,427,147	42,141,762	54,588,373
Kaydon Corporation	759,900	17,169,658	22,607,025
Keystone International, Inc.	3,091,230	73,483,589	60,665,389
Lincoln Electric Company	455,000	13,650,000	13,650,000
NACCO Industries	2,836	139,334	169,806
Pall Corporation	43,328	901,498	964,048
Parker Hannifin Corporation	27,054	546,777	980,708
Stewart & Stevenson	912,000	30,560,430	33,174,000
Timken Company	1,244,339	40,219,964	57,395,136
Trinova Corporation	936,000	21,066,269	32,760,000
Varity Corporation	13,630	512,403	599,720
Watts Industries, Inc.	10,000	212,500	250,630
Totals		$ 582,673,124	$ 708,715,424
Media			
Capital Cities/ABC, Inc.	57,580	$ 3,164,654	$ 6,218,640
CBS, Inc.	23,000	1,008,171	1,541,000
Comcast Corporation Cl-A	71,300	1,503,881	1,323,541
Cox Communications Cl-A	2,234,420	31,787,762	43,291,888
Tele-Communications, Inc.	1,367,093	29,621,184	32,041,926
Time Warner, Inc.	439,329	16,121,813	18,122,321
Totals		$ 83,207,465	$ 102,539,316
Medical Supplies/Services			
Abbott Laboratories	2,546,674	$ 89,230,613	$ 103,140,297
Allergan, Inc.	24,697	601,140	669,906
Bard (C.R.), Inc.	19,466	559,672	583,980

	SHARES	TOTAL COST	TOTAL MARKET
Bausch & Lomb, Inc.	1,018,300	48,811,611	42,259,450
Baxter International, Inc.	103,389	2,225,772	3,760,775
Becton Dickinson & Company	28,270	1,107,070	1,646,728
Beverly Enterprises, Inc.	30,512	366,215	377,586
Biomet, Inc.	43,013	577,936	666,702
Boston Scientific	55,518	1,040,050	1,769,636
Columbia/HCA Healthcare Corporation	923,509	37,581,213	39,941,764
Community Psychiatric Centers	2,143,281	21,716,415	24,111,911
Dentsply International	1,045,000	35,440,232	37,620,000
Foundation Healthcare, Inc.	300,000	8,862,955	8,137,500
Johnson & Johnson	239,102	9,808,709	16,139,385
Manor Care, Inc.	21,511	484,710	626,508
Medex, Inc.	282,500	3,298,072	3,531,250
Medtronic, Inc.	42,672	1,802,015	3,291,078
Physician Corporation of America	995,000	22,153,453	13,556,875
St. Jude Medical, Inc.	17,462	634,872	875,283
Sybron International Corporation	563,800	19,932,859	22,481,525
Tenet Healthcare	61,776	669,255	888,030
U.S. Healthcare, Inc.	286,000	9,662,562	8,758,750
U.S. Surgical Corporation	1,524,002	32,365,575	31,623,042
United Healthcare, Inc.	61,400	2,816,725	2,540,425
Totals		$ 351,749,701	$ 368,998,386
Metals & Mining			
Alcan Aluminium, Ltd.	1,108,443	$ 25,585,747	$ 33,668,956
Aluminum Company of America	1,535,600	51,470,342	76,971,950
Asarco, Inc.	1,535,585	41,681,078	46,835,343
Barrick Gold	130,324	3,611,271	3,290,681
Cyprus Amax Minerals Company	1,052,476	31,019,144	29,995,566
Echo Bay Mines, Ltd.	41,533	496,149	373,797
Homestake Mining Company	51,239	848,989	839,039
Inco, Ltd.	2,141,180	51,114,452	60,488,335
Newmont Mining Corporation	1,016,039	40,069,260	42,546,633
Phelps Dodge Corporation	26,240	1,157,012	1,548,160
Placer Dome, Inc.	88,743	2,081,980	2,318,411
Reynolds Metals Company	22,310	1,109,915	1,154,543
Santa Fe Gold	40,913	513,119	496,070
Totals		$ 250,758,458	$ 300,527,484
Natural Gas			
Columbia Gas	1,609,000	$ 38,048,605	$ 51,085,750
Consolidated National Gas	1,726,340	64,109,803	64,737,750
NICOR, Inc.	20,701	513,461	556,339
NorAm Energy Corporation	45,614	383,015	296,491
ONEOK, Inc.	9,927	194,764	212,190
Pacific Enterprises	31,152	730,448	763,224
Peoples Energy Corporation	12,964	405,554	335,444
Sonat, Inc.	1,608,968	32,003,647	49,073,524
Southwest Gas Corporation	416,800	6,582,827	5,939,400
Williams Companies	1,854,564	54,048,030	64,677,920
Totals		$ 197,020,154	$ 237,678,032

	SHARES	TOTAL COST	TOTAL MARKET
Office Equipment			
Moore Corporation, Ltd.	37,110	$ 731,470	$ 821,059
Pitney-Bowes, Inc.	1,102,755	43,324,338	42,180,379
Xerox Corporation	38,711	3,063,997	4,538,865
Totals		$ 47,119,805	$ 47,540,303
Oil — Domestic			
Amerada Hess Corporation	34,460	$ 1,864,158	$ 1,684,233
Amoco Corporation	607,600	29,280,267	40,481,350
Ashland Oil, Inc.	22,348	636,509	784,974
Atlantic Richfield Company	822,100	78,058,008	90,225,475
Diamond Shamrock, Inc.	477,500	11,519,056	12,295,625
Kerr-McGee Corporation	18,088	791,859	972,230
Louisiana Land & Exploration Company	10,750	402,413	425,969
Murphy Oil	1,600,000	68,833,096	65,600,000
Occidental Petroleum Corporation	6,777,224	137,291,379	155,028,999
Oryx Energy Company	36,049	754,703	495,674
Pennzoil Company	17,036	936,153	802,822
Phillips Petroleum Company	1,058,839	28,748,252	35,338,752
Sun Company, Inc.	3,437,105	103,116,181	94,090,749
Ultramar Corporation	1,425,900	36,120,711	36,003,975
Union Texas Petroleum	1,760,300	38,845,958	37,186,338
Unocal Corporation	3,223,800	70,505,154	89,057,475
USX-Marathon Group	6,950,791	130,018,751	137,278,122
Valero Energy Corporation	575,000	11,207,822	11,643,750
Totals		$ 748,930,430	$ 809,396,512
Oil — International			
Broken Hill Proprietary Company, Ltd.	928,950	$ 41,131,442	$ 45,866,906
Chevron Corporation	242,352	5,154,602	11,239,074
Exxon Corporation	4,442,800	270,653,588	313,772,750
Mobil Corporation	549,190	41,078,853	52,722,240
Royal Dutch Petroleum Corporation	774,749	85,145,417	94,422,534
Texaco, Inc.	2,504,800	155,269,545	164,377,500
Totals		$ 598,433,447	$ 682,401,004
Oil — Services			
Baker Hughes, Inc.	3,735,800	$ 70,043,603	$ 76,583,900
Dresser Industries	3,795,661	82,616,323	84,453,457
Halliburton Company	1,041,800	30,974,416	37,244,350
Rowan Companies, Inc.	31,242	292,875	253,841
Schlumberger Ltd.	90,567	4,940,936	5,626,475
Western Atlas International	606,118	24,774,820	26,896,486
Totals		$ 213,642,973	$ 231,058,509
Paper/Forest Products			
Albany International Corporation	667,500	$ 9,293,226	$ 15,936,563
Boise Cascade Corporation	902,396	19,222,348	36,547,038
Bowater, Inc.	135,000	3,118,967	6,058,125
Champion International Corporation	1,286,073	39,186,951	67,036,555
Consolidated Papers, Inc.	333,300	15,391,352	19,206,413
Federal Paper Board Company, Inc.	406,600	9,678,147	14,383,475

	SHARES	TOTAL COST	TOTAL MARKET
Georgia-Pacific Corporation	33,402	2,006,699	2,889,273
International Paper Company	938,800	59,017,885	80,502,100
James River Corporation	30,389	600,311	839,496
Kimberly-Clark Corporation	59,874	2,989,211	3,584,956
Louisiana-Pacific Corporation	41,058	843,081	1,072,640
Mead Corporation	879,500	36,907,532	52,220,313
Mosinee Paper Corporation	312,510	6,615,284	6,718,965
Pentair, Inc.	100,000	3,281,000	4,350,000
Potlatch Corporation	10,886	494,343	454,491
Scott Paper Company	55,254	1,021,609	2,735,073
Stone Container Corporation	27,364	376,967	581,485
Temple-Inland, Inc.	20,644	980,770	983,171
Union Camp Corporation	25,953	1,080,704	1,502,030
Westvaco Corporation	24,880	805,996	1,100,940
Weyerhaeuser Company	76,610	3,062,036	3,610,246
Totals		$ 215,974,419	$ 322,313,348

Photo/Optical

	SHARES	TOTAL COST	TOTAL MARKET
Eastman Kodak Company	1,625,590	$ 61,334,180	$ 98,551,394
Polaroid Corporation	17,424	591,729	710,028
Totals		$ 61,925,909	$ 99,261,422

Printing/Publishing

	SHARES	TOTAL COST	TOTAL MARKET
American Greeting Corporation Cl-A	1,341,031	$ 37,192,302	$ 39,392,786
Belo (A.H.) Corporation	400,000	6,377,319	12,250,000
Deluxe Corporation	30,842	1,230,232	1,021,641
Donnelley (R.R.) & Sons Company	57,743	1,713,584	2,078,748
Dow Jones & Company, Inc.	37,074	1,142,605	1,367,104
Dun & Bradstreet Corporation	1,030,300	52,702,692	54,090,750
Gannett Company, Inc.	1,494,700	70,600,915	81,087,475
Gibson Greetings Corporation	235,000	5,476,581	3,143,125
Harcourt General, Inc.	28,572	894,938	1,214,310
Harland (John H.) Company	11,848	279,034	271,023
Jostens, Inc.	16,919	355,430	359,529
Knight-Ridder, Inc.	1,522,700	87,645,039	86,603,563
McGraw-Hill Corporation	18,337	1,221,566	1,391,320
Meredith Corporation	11,030	192,444	279,886
Nelson Thomas	70,300	1,390,925	1,353,275
New York Times Company	3,745,959	101,542,123	88,030,037
Scripps (E.W.) Company	300,000	7,800,000	9,675,000
Times Mirror Company Cl-A	3,703,973	81,622,834	88,432,355
Tribune Company	1,200,556	62,466,550	73,684,125
Washington Post Company Cl-B	412,100	94,582,289	107,558,100
Totals		$ 616,429,402	$ 653,284,152

Professional Services

	SHARES	TOTAL COST	TOTAL MARKET
Block (H & R), Inc.	1,325,254	$ 50,001,942	$ 54,335,414
Interpublic Group of Companies, Inc.	28,009	863,603	1,050,338
Service Corporation International	331,149	9,256,444	10,472,587
Unifirst Corporation	512,200	6,169,814	6,914,700
Totals		$ 66,291,803	$ 72,773,039

Railroads	SHARES	TOTAL COST	TOTAL MARKET
Burlington Northern, Inc.	33,207	$ 1,549,795	$ 2,104,494
Conrail, Inc.	145,171	5,498,100	8,075,137
CSX Corporation	1,184,800	77,275,057	89,008,100
Norfolk Southern Corporation	51,963	3,279,865	3,501,007
Santa Fe Pacific Corporation	55,885	879,723	1,425,068
Union Pacific Corporation	76,406	4,492,230	4,230,982
Totals		$ 92,974,770	$ 108,344,788
Recreation			
Acclaim Entertainment	1,121,200	$ 16,847,137	$ 20,672,685
Bally Entertainment Corporation	17,403	160,098	213,187
Brunswick Corporation	35,442	576,710	602,514
Carnival Corporation	1,004,600	22,449,760	23,356,950
Cross (A.T.) Company Cl-A	297,000	6,498,449	4,417,875
Dave & Buster's	23,600	885,595	469,050
Disney (Walt) Company	193,355	7,843,035	10,731,203
Electronic Arts	229,000	5,242,574	6,211,625
Fleetwood Enterprises, Inc.	16,892	375,826	333,617
Handleman Company	453,250	5,352,643	4,362,531
Hasbro, Inc.	1,063,673	28,891,623	33,771,618
King World Productions, Inc.	739,100	18,897,231	29,933,550
Mattel, Inc.	78,399	1,324,625	2,057,974
Outboard Marine Corporation	7,242	130,652	142,124
Skyline Corporation	4,138	72,936	75,001
Viacom, Inc. Cl-B	105,313	3,702,455	4,883,890
Totals		$ 119,251,349	$ 142,235,394
Restaurant/Lodging			
Bob Evans Farms, Inc.	1,539,233	$ 28,674,333	$ 31,361,872
Cooker Restaurant Corporation	350,000	6,265,881	4,025,000
Darden Restaurants	59,669	715,714	648,900
Hilton Hotels Corporation	17,826	841,398	1,252,277
Luby's Cafeterias, Inc.	10,107	226,402	203,403
Marriott International, Inc.	47,300	1,050,163	1,696,888
McDonald's Corporation	263,646	6,564,170	10,315,150
Promus Hotel Corporation	1,311,496	40,830,543	51,148,344
Ryan's Family Steak Houses, Inc.	19,895	164,621	156,673
Shoney's, Inc.	15,085	334,601	177,249
Wendy's International, Inc.	36,938	300,387	660,267
Totals		$ 85,968,213	$ 101,646,023
Retail — Discount			
Family Dollar Stores, Inc.	2,286,900	$ 39,768,873	$ 33,731,775
K mart Corporation	12,909,796	223,470,410	188,805,767
Rite Aid Corporation	32,815	622,276	840,884
TJX Companies, Inc.	1,927,000	43,865,180	25,532,750
Toys 'R' Us, Inc.	108,871	3,608,907	3,184,477
Value City Department Stores	563,500	8,013,323	4,296,688
Wal-Mart Stores, Inc.	1,654,940	36,557,460	44,269,645
Woolworth Corporation	5,462,000	118,117,387	82,612,750
Totals		$ 474,023,816	$ 383,274,736

	SHARES	TOTAL COST	TOTAL MARKET
Retail — General			
BIC Corporation	300,000	$ 4,930,501	$ 11,775,000
Dayton-Hudson Corporation	26,571	1,355,858	1,906,469
Dillard Department Stores	40,693	1,572,665	1,195,357
Federated Department Stores	3,106,500	67,532,389	79,992,375
May Department Stores Company	92,740	3,571,131	3,860,303
Mercantile Stores Company	13,766	459,452	640,119
Meyer (Fred), Inc.	344,200	12,458,880	9,336,425
Penney (J.C.) Company	87,805	3,407,860	4,214,640
Price/Costco, Inc.	72,271	1,360,710	1,174,404
Sears Roebuck & Company	144,254	4,734,252	8,583,113
Totals		$ 101,383,698	$ 122,678,205
Retail — Specialty			
Blair Corporation	291,400	$ 10,722,046	$ 10,016,875
Borders Group	536,200	7,774,900	7,774,900
Charming Shoppes, Inc.	3,428,500	17,142,500	17,999,625
Circuit City Stores, Inc.	35,765	466,277	1,131,068
CUC International, Inc.	42,800	1,656,189	1,802,950
Edison Brothers Stores, Inc.	118,000	2,819,842	1,416,000
Fabri-Centers of America, Inc.	553,900	9,872,084	11,493,425
Gap, Inc.	54,039	1,871,233	1,884,610
Home Depot, Inc.	616,897	22,438,194	25,138,553
Jacobson Stores, Inc.	116,300	2,675,692	1,250,225
Limited, Inc.	135,325	2,415,546	2,977,150
Long's Drug Stores, Inc.	7,718	264,894	289,425
Lowe's Companies, Inc.	54,862	883,067	1,639,002
Melville Corporation	39,319	1,905,638	1,346,676
Michaels Stores	1,188,090	40,648,651	25,246,913
Musicland Stores Corporation	239,200	4,425,200	2,451,800
Nordstrom, Inc.	30,606	1,095,484	1,266,323
Pep Boys Manny, Moe and Jack	22,719	542,205	607,733
Tandy Corporation	23,787	759,703	1,233,951
Walgreen Company	858,729	37,958,077	43,043,791
Totals		$ 168,337,422	$ 160,010,995
Savings & Loans			
Ahmanson (A.F.) & Company	43,567	$ 769,263	$ 958,474
Golden West Financial Corporation	23,849	924,214	1,123,884
Great Western Financial Corporation	49,043	748,935	1,011,512
Totals		$ 2,442,412	$ 3,093,870
Semiconductors			
Advanced Micro Devices, Inc.	33,893	$ 694,020	$ 1,237,095
Intel Corporation	310,594	10,325,779	19,664,638
Micron Technology	75,700	1,376,832	4,163,500
Texas Instruments, Inc.	33,909	1,676,618	4,539,567
Totals		$ 14,073,249	$ 29,604,800

	SHARES	TOTAL COST	TOTAL MARKET
Steel			
Armco, Inc.	38,627	$ 222,559	$ 260,732
Bethlehem Steel Corporation	34,391	540,957	558,854
Birmingham Steel Corporation	1,324,600	30,466,565	24,339,525
Cleveland-Cliffs, Inc.	585,000	19,633,143	22,522,500
Inland Steel Industries, Inc.	710,100	16,887,075	21,658,050
LTV Corporation	3,000,000	42,586,547	43,875,000
Nucor Corporation	32,352	1,287,725	1,730,832
Oregon Steel Mills, Inc.	609,800	13,091,924	10,442,825
USX-US Steel Group	25,859	658,629	888,903
Worthington Industries, Inc.	1,793,520	26,114,486	36,655,962
Totals		$ 151,489,610	$ 162,933,183
Telecommunications			
DSC Communications	718,922	$ 22,430,766	$ 33,429,873
M/A-Com, Inc.	9,377	70,162	110,180
Northern Telecom Ltd.	1,043,543	32,043,977	38,089,320
Scientific Atlanta, Inc.	27,788	388,097	611,336
Tellabs, Inc.	32,300	1,554,437	1,554,438
Totals		$ 56,487,439	$ 73,795,147
Tobacco			
American Brands, Inc.	75,117	$ 2,874,439	$ 2,985,901
Philip Morris Companies, Inc.	1,211,722	67,949,543	90,121,824
Universal Corporation	610,200	14,639,669	12,814,200
UST, Inc.	327,803	9,429,835	9,752,139
Totals		$ 94,893,486	$ 115,674,064
Transportation — Miscellaneous			
Pittston Services	15,065	$ 381,591	$ 361,560
Totals		$ 381,591	$ 361,560
Trucking & Shipping			
Consolidated Freightways, Inc.	769,639	$ 18,735,009	$ 16,932,058
Federal Express Corporation	20,488	1,119,278	1,244,646
Flat Rock Industries	391,048	10,614,676	11,095,987
Roadway Services, Inc.	14,604	616,021	690,039
Ryder System Company	28,601	711,738	682,849
Yellow Corporation	790,800	20,878,825	14,333,250
Totals		$52,675,547	$44,978,829
Utility — Phone			
AirTouch Communications	1,799,562	$ 45,352,360	$ 51,287,517
ALLTEL Corporation	544,700	15,750,926	13,821,763
Ameritech Corporation	602,980	25,570,604	26,531,120
AT&T Corp.	1,979,634	86,023,960	104,920,602
Bell Atlantic Corporation	162,086	8,144,429	9,076,816
BellSouth Corporation	184,781	9,805,688	11,733,594
GTE Corporation	1,287,735	37,881,535	43,943,957
MCI Communications Corporation	6,044,900	123,909,017	132,987,800
NYNEX Corporation	154,037	6,441,269	6,199,989
Pacific Telesis Group	154,982	4,200,287	4,145,769

	SHARES	TOTAL COST	TOTAL MARKET
SBC Communications	825,092	28,490,730	39,295,006
Sprint Corporation	126,828	3,999,160	4,264,591
Telefonos De Mexico (ADR)	3,772,000	132,020,000	111,745,500
U S West, Inc.	365,298	16,329,547	15,205,529
Totals		$ 543,919,512	$ 575,159,553
Water			
American Water Works Company, Inc.	501,200	$ 10,324,723	$ 15,913,100
Totals		$ 10,324,723	$ 15,913,100
Total Common Stocks		$12,450,775,158	$14,595,049,553

INTERNATIONAL INVESTMENTS

	BOOK VALUE	MARKET VALUE
Stocks	$ 936,059,841	$ 926,211,054
Fixed Income	9,766,796	9,573,888
Currency and Liquidity Reserves	146,272,191	142,394,501
EAFE Equity Swap	601,874,866	591,046,383
Total International	$ 1,693,973,694	$ 1,669,225,826

VENTURE CAPITAL

	BOOK VALUE	MARKET VALUE
Alpha Capital Fund II	$ 280,996	$ 280,996
Blue Chip Capital Fund	2,500,000	2,364,588
Blue Chip Opportunity Fund Ltd.	2,000,000	1,737,271
Brantley Venture Partners II	2,500,000	2,607,100
Brantley Venture Partners III	1,400,000	1,313,394
C. P. Clare Corporation	350	136,786
Cardinal Development Capital Fund	664,832	460,165
Datamedia Corporation	50	15,000
Devonshire Capital Liquidation Trust	90	4,746
Dynamic Materials Corporation	7,619	155,984
Northcoast Fund, L.P.	625,000	502,825
Northwest Ohio Venture Fund	1,000,000	808,282
Palmer Organization	700	542,949
Primus Capital Fund	1,000	530,993
Primus Capital Fund II	1,000	4,575,848
Primus Capital Fund III	2,225,000	2,118,866
Primus Capital Fund III, Preferred	2,225,000	2,118,866
Sagamore Financial Corporation	9,700,000	11,187,500
Total Venture Capital	$ 25,131,637	$ 31,462,159

BONDS

	BOOK VALUE	PAR VALUE	MARKET VALUE
Combined Dedicated Portfolios	$ 191,326,183	$ 358,474,860	$ 242,364,252
Secular Portfolios	666,178,954	4,223,037,000	882,198,403
Agency Bonds	647,674,196	1,583,077,121	749,489,169
U.S. Treasury Bonds	3,041,984,063	3,071,062,000	3,293,142,464
Asset-Backed Bonds	243,676,804	242,646,609	248,760,979
Finance Bonds	1,231,222,085	1,224,980,000	1,251,659,393
Industrial Bonds	592,235,424	596,730,535	598,182,436
Utility Bonds	285,270,288	281,708,914	286,526,299
Yankee Bonds	491,370,961	455,900,000	506,348,149
Total Bonds	$7,390,938,958	$12,037,617,039	$8,058,671,544

GUARANTEED MORTGAGES

	BOOK VALUE	PAR VALUE	MARKET VALUE
Federal Home Loan Mortgage Corp.	$ 658,866,458	$ 653,490,219	$ 664,413,023
Federal National Mortgage Association	822,941,323	808,704,073	815,331,803
Government National Mortgage Assn.	1,146,014,955	1,188,392,053	1,187,553,083
Letter Strips	48,269,146	51,107,510	50,034,895
Planned Amortization Class	982,370,348	1,003,046,269	988,977,738
FHA Insured Project Loans	11,711,606	12,858,315	12,912,370
Total	$3,670,173,836	$3,717,598,439	$3,719,222,912
Single Family Direct:			
FHA 203	$ 65,162,136	$ 65,510,579	$ 69,058,881
FHA 234	743,615	746,791	781,469
FHA 235	2,583,316	2,665,297	2,938,883
GNMA Certificates	5,952,404	6,148,133	6,308,342
VA Vendee Loans	3,292,908	3,357,550	3,505,474
VA 501	49,078,049	50,126,661	52,506,471
Total	$126,812,428	$128,555,011	$135,099,520
Multifamily Direct:			
FHA 207	$ 36,868,645	$ 37,120,907	$ 37,946,419
FHA 220	4,033,598	4,033,598	3,952,926
FHA 221	303,565,077	307,272,917	305,416,358
FHA 231	32,550,852	34,666,833	34,795,092
FHA 232	178,469,151	181,221,565	188,675,758
FHA 236	107,860,142	108,085,405	104,048,148
FHA 245	7,221,026	7,678,691	8,180,754
FHA 296	9,267,528	8,823,933	9,329,827
GNMA Project Loans	5,930,096	5,931,243	6,198,149
Total	$ 685,766,015	$ 694,835,092	$ 698,543,431
Total Guaranteed Mortgages	$ 4,482,752,379	$ 4,540,988,542	$ 4,552,865,863
Total Fixed Income	$11,873,691,337	$16,578,605,581	$12,611,537,407

SHORT-TERM/LIQUIDITY RESERVES

	BOOK VALUE	PAR VALUE	MARKET VALUE
Commercial Paper	$839,535,319	$840,521,000	$839,535,319
Government Notes	60,613,713	60,000,000	60,490,000
Repurchase Agreements	24,000,000	24,000,000	24,000,000
Total Short-term/ Liquidity Reserves	$924,149,032	$924,521,000	$924,025,319

REAL ESTATE

	BOOK VALUE	MARKET VALUE	%
Participating Mortgages	$ 162,844,305	$ 170,010,648	7.3%
Equities	1,107,649,706	1,011,083,754	43.7%
Joint Venture	385,429,474	338,444,172	14.6%
Sale-Leaseback			
Retail Equities	249,988,449	240,860,000	10.4%
Syndications	43,711,539	43,202,427	1.9%
Separate Accounts	148,938,474	335,516,221	14.5%
REITs	161,522,765	157,955,963	6.8%
Purchase Money Mortgages	16,293,130	16,293,130	0.7%
Total Real Estate	$ 2,276,377,842	$ 2,313,366,315	100.0%

Footnotes to Schedule of Investments

1. Explanation of market values:

   A. **Short term/liquidity reserves**: Cash equivalents: because of very short maturities, amortized book value was used for market value. Corporate and government notes: market values were provided by independent sources believed to be reliable.

   B. **Bonds, notes and guaranteed mortages**: Market values were provided by independent sources believed to be reliable. Mortgage values were based on market yields available at the time of evaluation.

   C. **Common and convertible preferred stocks**: Market values were based on the closing prices on the New York Stock Exchange or American Stock Exchange. Securities not listed on those exchanges were priced based on the "Bid Price" or "Last Sale" provided by the National Association of Securities Dealers' NASDAQ System.

   D. **Valuations of real estate**: Sale-lease-backs were valued based on discounting the property's income stream at current market rates; multitenant properties were valued by an alternating schedule of independent MAI appraisals and STRS staff valuations based on discounted cash flow analysis; commingled funds and separate accounts are valued periodically by independent appraisals; REIT shares were valued at closing prices on the appropriate stock exchange. All valuation procedures have been reviewed by the Retirement Board's real estate consultant and financial statement auditors.

   E. **International investments**: All international investments are valued by the subcustodian using relevant closing market prices and exchange rates.

   F. **Other equity investments**: All investments in this category are venture capital investments. Where no market exists for these securities, values were established by valuation committees.

2. The investments listed were purchased by June 30, 1995.

The data included in the Investment Section has been entirely compiled by STRS staff members and has not been audited by an independent party. This report is intended to provide information regarding STRS investments as of June 30, 1995. Financial market changes after that date may significantly affect the reported amounts.