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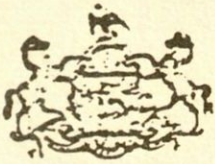
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COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM

204 LABOR & INDUSTRY BUILDING
HARRISBURG, PENNSYLVANIA 17120
TEL: 717-787-6293



To Governor Dick Thornburgh and
Members of the Pennsylvania General Assembly

On behalf of the Board of Trustees of the Pennsylvania State Employees' Retirement System (SERS), I am pleased to submit this Fifth Annual Report covering the activities and operations of the Retirement System. This report includes financial statements, the investment portfolio, and a plan statement for the Retirement Fund.

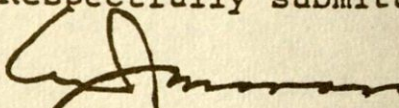
During 1984 the SERS's active membership changed from 117,488 to 115,923, a decrease of 1,565. The number of members and beneficiaries receiving retirement benefits grew to 60,863 at the end of the year. A total of \$383.3 million was paid in benefits in 1984.

Investments produced an income of \$375 million. The Fund had a total rate of return of 9.4% for 1984.

Employer contributions to the Retirement System were current as of December 31, 1984. An independent audit for the year 1983 was completed, the results of which are included. The financial records for the year 1984 are currently under examination.

If you require any further information, please contact Acting Executive Director John R. Brosius at (717) 787-6780.

Respectfully submitted,



William J. Moran
Acting Chairman

The State Employees' Retirement System

The Pennsylvania State Employees' Retirement System (SERS), established in 1923, is one of the nation's oldest statewide retirement plans for public employees. With over 176,000 members and over \$4.7 billion in assets, SERS also ranks among the largest statewide public plans. A brief overview of the major elements of the plan follows.

The SERS is administered by an independent Board of Trustees. Investments of the Fund are governed by provisions of the Retirement Code, Fiscal Code, and the Board's Investment Policy. The assets and liabilities of the plan are subject to annual actuarial valuations, and the plan is funded in accordance with a recognized actuarial cost method specified in the Retirement Code. The financial records of the SERS are audited annually by an independent certified public accountant.

Membership in SERS is mandatory for most state employees. Elected officials and certain appointed officials may join at their option. For retirement purposes, employees of many independent agencies are defined as "state employees." All member agencies are listed at the end of this report.

The SERS contribution rates are based on gross pay. The basic contribution rate is 5% of gross pay for those in continuous employment since July 21, 1983. For those members employed or re-employed on or after July 22, 1983 the contribution rate is 6.25% of gross pay. These contributions are deposited into an individually identified account and are credited with interest each quarter. A member's own contributions and credited interest vest immediately and are returned upon termination of service if the member is not eligible for other benefits. After each annual actuarial valuation of the liabilities and reserve requirements of the Fund, the employer's contribution rate is set. Currently employers contribute 18.09% of employee payroll quarterly. This is an increase from the previous 15.77% rate for fiscal 1983-84.

The SERS provides annuity benefits at any age in the event of retirement, disability, and death after a member fulfills minimum service requirements of ten (10) years for retirement and death benefits, five (5) years for disability benefits. For members who have attained Normal Retirement Age the minimum service requirement for retirement and death benefits is reduced to three (3) years service. The SERS is a defined benefit plan with benefits based on a member's age, length of service, and final average salary. The basic retirement benefit is two percent (2%) of member's final average salary for each year of service at Normal Retirement Age (age 60 for most employees; age 50 for certain high risk and elected positions). Retirement benefits paid prior to attainment of Normal Retirement Age are actuarially reduced. Members may elect a variety of optional payment plans, but the normal form of benefits is a single-life annuity which is received monthly for life.

Disability benefits provide two percent (2%) of final average salary for each year of service without reduction for age, with a minimum of one-third (1/3) of salary or the basic benefit projected to Normal Retirement Age, if less. A special supplement is provided in the case of work related disability.

Death benefits for members eligible to retire allow for the member's beneficiary to receive the total present value of the member's accrued retirement benefit.

A complete description of the provisions of the plan may be found in the Pennsylvania State Employees' Retirement System Member's Handbook. Copies are available upon request.

The State Employees' Retirement Board

The State Employees' Retirement Board (Board) is an eleven member independent Board of Trustees charged with the administration of the Retirement Code. Six of the eleven members are appointed by the Governor and confirmed by the State Senate to four year terms. Two members are appointed by the President Pro Tempore of the Senate and two by the Speaker of the House, and serve on the Board for the duration of the terms for which they were elected. The State Treasurer serves as a member of the Board, ex-officio. The Retirement Code provides that five members of the Board must be active members of the SERS, and that two of the five must have at least ten years of service. At least one member of the Board must be a retiree. No member may serve more than two full terms. The Chairman of the Board is appointed by the Governor from the members of the Board.

Current Board members are:

Mr. William J. Moran, Acting Chairman
Hon. Anthony B. Andrezeski
Hon. Robert A. Bittenbender
Hon. R. Budd Dwyer
Hon. Stephen F. Freind
Hon. Edward L. Howard
Mr. Charles J. Lieberth
Mr. K. Paul Muench
Hon. James I. Scheiner
(Currently two positions are vacant.)

Members of the Board, employees of the SERS, and agents of the Board stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of the Fund. Subject to restrictions on investments contained in the Retirement Code and the Fiscal Code, the Board has exclusive control and management of the Fund and full power to invest the assets of the Fund. The State Treasurer is the custodian of the Fund.

Board members may be contacted in writing at the following address:

**Pa. State Employees' Retirement Board
Room 204, Labor & Industry Building
Harrisburg, Pennsylvania 17120**

SERS Administrative Staff

Acting Executive Director: John R. Brosius
Assistant Executive Director: Dale H. Everhart
Office of Financial Management: Ray H. Smallen (Acting)
Office of Investments: Gary H. Sipe
Internal Auditor: Leonard M. Knepp

Bureau of Administrative Services: William C. Shupp
Office Services: Robert E. Bowers
Personnel Services: Cynthia A. Smith
Records Management: Ella M. McKee

Division Directors:

Benefits Determination - Susan C. Hostetter
Membership Services - Ruth E. Granoff
Retirement Counseling - Aldo J. Mastrine

Investment Managers:

Aetna Life Insurance Co., Reading, PA
Alliance Capital Management Corp., New York, NY
Analytic Investment Management, Inc., Irvine, CA
Balch, Hardy & Scheinman, Inc., New York, NY
Barrow, Hanley, Mewhinney & Strauss, Inc., Dallas, TX
Corporate Property Investors, New York, NY
F.I.A. Securities Group, Inc., Sacramento, CA
Fred Alger Management, Inc., New York, NY
Glickenhau & Co., New York, NY
JMB Institutional Realty Corp., Chicago, IL
John Hancock, Philadelphia, PA
Mellon Bank, N.A., Pittsburgh, PA
Miller, Anderson & Sherrerd, Bala Cynwyd, PA
Payden & Rygel, Los Angeles, CA
Philadelphia Saving Fund Society, Philadelphia, PA
Prudential Insurance Management Corp., Boston, MA
Security Capital Real Estate Corp., New York, NY
Travelers Investment Management Co., Hartford, CT
Trinity Investment Management Corp., Bellefonte, PA
Trustee & Investors Co., Inc., Boston, MA
Wells Fargo Investment Advisors, San Francisco, CA

Fund Custodian:

The State Treasurer Hon. R. Budd Dwyer

Agent Bank and Trust Accounting Services:

First Pennsylvania Bank, N.A., Philadelphia, PA

Investment Policy and Evaluation:

Wilshire Associates, Santa Monica, CA
Ronald A. Karp Associates, Inc., Summit, NJ

Consulting Actuary:

Huggins & Co., Inc., Philadelphia, PA

Independent Auditor:

Coopers & Lybrand, Philadelphia, PA (1982 through 1984)

Medical Counsel:

Mark Berger, M.D. and Stanley Goldman, M.D., P.C., Harrisburg, PA

1984 Investment Highlights

During 1984 the fund made changes as follows:

- . Increased the percentage of real estate investments from 3% to 8%.
- . Hired an additional equity manager.
- . Established an Extended Equity Index Fund and a Bond Index Fund.
- . Hired a short to intermediate term bond manager.
- . Hired and funded four real estate group trusts.
- . Hired three managers for the option writing program.
- . Legislative authority was granted to provide for venture capital investing.

Act 95, Section 4 enacted by the General Assembly of the Commonwealth of Pennsylvania became effective on June 29, 1984. This legislation enables the Board to invest in limited partnerships, separate accounts, and venture capital. The Act provides in part for the following:

Venture capital - Venture capital investments made through limited partnerships and through separate accounts shall be limited to not more than 1% of the book value of the total assets of the fund. A venture capital investment shall be made only if such investment will enhance the general welfare of this Commonwealth and its citizens through economic development and meets the standard of prudence set forth in subsection (1). An investment shall be deemed a venture capital investment if it results in the acquisition of equity interests or a combination of debt and equity interests in a business which is expected to grow substantially in the future and in which the expected return on investment is to come predominantly from an increase in value of the equity interest.

Limited partnerships and separate accounts - The Board may invest in any investments authorized in this section by becoming a limited partner in partnerships that will hold such investments or by participating in separate accounts of any insurance company authorized to do business in this Commonwealth. In either case the liability of the fund shall be limited to the amount of the investment.

Act 95 will provide the Board with the opportunity to earn investment returns greater than stocks and bonds by providing financing for relatively small, rapidly growing companies that do not have access to public or credit oriented institutional funding.

Investment in venture capital is considered a prudent method of diversifying a large pension portfolio. Allocation of public pension assets to venture capital is also seen as a way of directing business investment to a particular geographic region.

1984 Highlights

Operations

Early Retirement Window

Act 95 of 1984 provides for an early retirement incentive between July 1, 1985 and June 30, 1986. Those members with at least 30 years of credited state and school service who are at least 53 years of age may retire during this "window" with no reduction in the pension for early retirement. It further provides for an early retirement window for those members with at least 30 years of credited state and school service who are at least 50 but not more than 53 years of age with a lower than normal reduction in the member's annuity due to early retirement. The reduction is 1/4% for each month the effective date of retirement precedes the attainment of age 53.

Cost-of-living adjustment

Effective July 1, 1984 Act 95 also provided for the payment of a cost-of-living adjustment to eligible benefit recipients who commenced the receipt of an annuity on or prior to July 1, 1982. The supplemental monthly annuity consists of one dollar for each year of credited service, two dollars for each year on retirement prior to July 1, 1983, and 2% of the monthly annuity being received on July 1, 1984, with the percentage increase limited to a monthly maximum of \$20.

Additional 1 1/4% member's contribution rate

On July 6, 1984, the Supreme Court of Pennsylvania upheld the Commonwealth Court's opinion declaring Act 31 of 1983 unconstitutional in so far as it pertained to the requiring of an additional 1 1/4 percent employe retirement contribution. SERS has therefore refunded with interest the additional 1 1/4% contribution made to the System by those employes who have been in continuous membership since July 21, 1983. However, the additional 1 1/4% contribution is applicable to those members becoming employed on or after July 22, 1983.

Applied Research Laboratory transfer

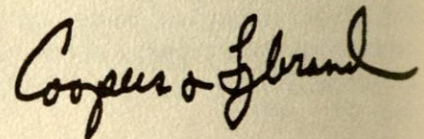
Act 42 of 1984 provided for the transfer into the Retirement System of approximately 250 employes of the Pennsylvania State University (PSU). Current employes of the Applied Research Laboratory at PSU were retroactively enrolled in the System. Further, other members of the System with previously rendered Applied Research Laboratory service may now purchase that service credit.

Board of Directors
Commonwealth of Pennsylvania
State Employees' Retirement System:

We have examined the statements of net assets available for plan benefits and of accumulated plan benefits of the Commonwealth of Pennsylvania State Employees' Retirement System as of December 31, 1983 and 1982 and the related statements of changes in net assets available for benefits for the years then ended.

Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation of securities owned at December 31, 1983 and 1982 by correspondence with the Pennsylvania State Treasury Department, the custodian of such securities.

In our opinion, the financial statements referred to above present fairly the financial status of the Plan as of December 31, 1983 and 1982, and the changes in its financial status for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.



1900 Three Girard Plaza
Philadelphia, Pennsylvania
May 31, 1984

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
AND ACCUMULATED PLAN BENEFITS
December 31, 1983 and 1982

ASSETS	<u>1983</u>	<u>1982</u>
	(\$ Thousands)	
Investments	\$4,216,488	\$3,505,537
Contributions receivable:		
From Commonwealth	127,088	178,647
From employes	6,062	4,644
Accrued investment income receivable	46,400	42,840
Other receivables	6,765	565
Cash	<u>31</u>	<u>39</u>
	4,402,834	3,732,272
LIABILITIES AND NET ASSETS AVAILABLE FOR PLAN BENEFITS		
Accounts payable and accrued expenses	<u>(6,425)</u>	<u>(1,961)</u>
Net assets available for plan benefits	<u>\$4,396,409</u>	<u>\$3,730,311</u>
ACCUMULATED PLAN BENEFITS		
Actuarial present value of accumulated plan benefits:		
Vested benefits:		
Participants currently receiving payments	2,001,762	1,806,648
Other participants	<u>2,281,752</u>	<u>2,046,360</u>
		3,853,008
Nonvested benefits	<u>103,200</u>	<u>100,812</u>
Total actuarial present value of accumulated plan benefits	<u>\$4,386,714</u>	<u>\$3,953,820</u>

The accompanying notes are an integral
part of the financial statements.

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS

for the years ended December 31, 1983 and 1982

	<u>1983</u>	<u>1982</u>
	(\$ Thousands)	
Additions:		
Contributions:		
Commonwealth	\$ 393,336	\$ 365,969
Employes	135,841	121,589
Other	20,474	17,550
Investment income, net of direct investment expenses of \$1,957 in 1983 and \$958 in 1982	320,961	311,637
Net realized and unrealized appreciation of investments	<u>167,305</u>	<u>446,401</u>
	<u>1,037,917</u>	<u>1,263,146</u>
Deductions:		
Benefit payments	368,962	347,127
Administrative expenses	<u>2,857</u>	<u>2,935</u>
	<u>371,819</u>	<u>350,065</u>
Net additions	666,098	913,081
Net assets available for plan benefits:		
Beginning of year	<u>3,730,311</u>	<u>2,817,230</u>
End of year	<u>\$4,396,409</u>	<u>\$3,730,311</u>

The accompanying notes are an integral
part of the financial statements.

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

1. Description of the System:

The State Employees' Retirement System (System) is a contributory defined benefit plan providing retirement, death and disability benefits. Information about the plan agreement, including the vesting and benefit provisions, is contained in the pamphlet, Pennsylvania State Employees' Retirement System Handbook. Copies of this pamphlet are available from the Pennsylvania State Employees' Retirement System. The majority of employees contributed to the plan at a rate of 5% of their gross pay until July 1983 at which time the contributions was increased to 6.25% of their gross pay.

A number of Commonwealth employe associations commenced suit against the Commonwealth contesting the legality of the increase. The lower courts ruled in favor of the employe associations and the Commonwealth filed an appeal with the Pennsylvania State Supreme Court, which has not rendered its decision on the appeal. In the event of an adverse outcome, management of the System does not expect remedies, if any, against the System to be material. No liability has been accrued in the accompanying financial statements for this litigation.

The Commonwealth contributes a percentage of gross pay that is necessary on an actuarial basis to provide the plan with assets sufficient to meet the benefits to be paid to plan members. According to the retirement code, all obligations of the plan will be assumed by the Commonwealth, should the plan terminate.

2. Significant Accounting Policies:

Marketable securities are stated at fair value. Temporary investments are valued at cost which closely approximates market. Securities traded on a national securities exchange are valued at the last reported sales price on the last day of business of each plan year. Securities which were not traded on the last day of the plan year or which were not traded on a national securities exchange are valued by the plan advisor based on similar securities sales. Mortgages are valued by the mortgage advisors using a discounted cash flow method. Real estate is stated at appraised value at December 31, 1983.

Investment income is recorded as earned on the accrual basis.

Continued

2. Significant Accounting Policies, continued:

The change in unrealized appreciation or depreciation of the plan's investments is reflected in the statements of changes in net assets available for plan benefits.

Contributions by the Commonwealth are designed so that when combined with investment earnings and employe contributions will provide normal cost on a current basis. The unfunded actuarial accrued liability is composed of two parts: one part is to be funded over 30 years from July 1, 1969, and the other part over 30 years from July 1, 1974. The accrued liability for supplemental allowances is composed of three parts: one part is to be funded over 20 years from July 1, 1969, the second part over 20 years from July 1, 1974, and the third over 20 years from July 1, 1979, on the basis of level payments for each part.

Purchases and sales of investments are reflected on a settlement-date basis. Realized gains or losses on sales of investments are determined on a specific identification or average cost basis, depending upon the type of investment.

3. Significant Actuarial Information:

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the plan's provisions to the service employes have rendered to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employes or their beneficiaries, (b) beneficiaries of employes who have died, and (c) present employes or their beneficiaries.

Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employe service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money through discounts for interest and the probability of payment by means of decrements such as for death, disability, withdrawal, or retirement between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 1983 and 1982 are as follows:

Continued

NOTES TO FINANCIAL STATEMENTS, Continued

3. Significant Actuarial Information, continued:

Cost method	- Unit credit actuarial cost method
Asset valuation	- Unrealized gains and losses on investments are recognized over a 5 year period
Mortality:	
Superannuation (normal retirement) and early retirement	- The 1971 Group Annuity Mortality Table
Disability	- Modifications of the 1963 Railroad Retirement Board Mortality among Totally Disabled Annuitants
Assumed rate of return on investments	- 9% in 1983 and 9-1/2% in 1982
Terminations and retirement age	- Based on actual SERS experience between 1975 and 1980

4. Investments:

A summary of investments held at December 31, 1983 and 1982 is as follows:

	<u>1983</u>	<u>1982</u>
	(\$ Thousands)	
U.S. Government and agency obligations	\$ 881,051	\$ 634,822
Corporate bonds and notes	250,011	740,233
Common and preferred stock	1,875,649	1,267,579
Mortgages	282,038	313,538
Temporary investments	809,195	549,365
Real estate	118,544	-
	<u>\$4,216,488</u>	<u>\$3,505,537</u>

During 1983 and 1982, the plan's investments (including investments bought, sold, as well as held during the year) appreciated

Continued

NOTES TO FINANCIAL STATEMENTS, Continued

4. Investments, continued:

in fair value by \$167,305 and \$446,401, respectively as follows:

Net Appreciation (Depreciation) in Fair Value

	<u>1983</u>	<u>1982</u>
	(\$ Thousands)	
Investment at fair value as determined by quoted market price or the plan advisor:		
United States		
Government securities	\$ (36,933)	\$ 98,718
Corporate bonds and notes	2,220	128,369
Common and preferred stocks	<u>201,173</u>	<u>159,685</u>
	166,460	386,772
Investments at estimated fair value:		
Mortgages	(4,300)	59,629
Real estate	<u>5,145</u>	<u>-</u>
	<u>\$ 167,305</u>	<u>\$ 446,401</u>

5. Accumulated Employees' Contributions (\$ Thousands):

At December 31, 1983 and 1982 accumulated employees' contributions amounted to approximately \$1,173,000 and \$1,083,000, respectively. Interest is calculated quarterly on accumulated employees' contributions and credited to the employees' accounts at a rate of 4% per annum.

Funding Status

The following values are taken from the most recent actuarial valuation prepared by the actuary and are expressed as present values as of December 31, 1983, in millions of dollars. These amounts were calculated in accordance with the actuarial cost method defined in the Retirement Code, current mortality, salary, and experience tables, and a 5 1/2% interest assumption as specified in the Retirement Code.

Value of benefits payable to current retirees and beneficiaries	\$2,535	
Liability on account of active members	8,275	
Accounts payable	<u>6</u>	
Total Reserves and Liabilities		<u><u>\$10,816</u></u>
Actuarial Value of Assets	\$4,256	
Present Value of Future Contributions:		
Member contributions(1)	\$1,716	
Employer normal contributions(2)	1,611	
Accrued liability contributions(3)	2,905	
Supplemental annuity contributions(4)	258	
Special State Police & Enforcement Officer Contributions	<u>70</u>	
	<u>\$6,560</u>	
Total Assets		<u><u>\$10,816</u></u>

- (1) Present value of contributions that current active members will make.
- (2) Present value of the normal contributions employers will make on behalf of current active members. Normal contributions are those necessary to fund the pension plan, exclusive of the accrued liability.
- (3) Present value of the contributions necessary to pay off the accrued liabilities of the pension plan. The liability is comprised of two parts. Two billion dollars is being funded over 30 years from July 1, 1969; the remainder is being funded over 30 years from July 1, 1974.
- (4) Present value of the contributions necessary to fund the cost of living increases granted in 1969, 1974, and 1979. These liabilities are being funded over separate 20 year periods.

Investment Policy

The State Employees' Retirement Board adopted a formal Statement of Investment Policy in 1979 which has been revised to reflect and incorporate legislative changes governing investments.

The purpose of the Statement is to formalize the Board's investment objectives, policies, and procedures, to establish guidelines for the investment of the assets of the Fund, and to define the duties and responsibilities of the various entities involved in the investment process.

The major elements of the Statement are:

- . As fiduciaries, the Board will exercise that degree of judgment, skill, and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence, who are familiar with such matters, exercise in the management of their own affairs in investment matters;
- . Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Board's policy favors investments which have a positive impact on the economy of Pennsylvania;
- . The Fund's overall investment objective is to provide a Total Rate of Return, over full economic cycles, which exceeds the return of a fully diversified market portfolio within each asset class. The Board seeks to meet this objective within acceptable risk parameters through adherence to a policy of diversification of investments by type, industry, quality, and geographic location;
- . The Board contracts with highly qualified investment advisors and counselors to provide expert, professional judgment in all investment decisions;
- . Guidelines are established for each category of assets used by the Fund's investment advisors to provide a framework for monitoring quality, diversification, and liquidity;
- . An annual Investment Plan is prepared to control the allocation of funds during the year among investment advisors and categories of assets;
- . All records of investment transactions are available for public inspection at the offices of the State Employees' Retirement System.

Investment Objectives

To assure an adequate accumulation of reserves in the Fund at the least cost to the citizens of the Commonwealth and to provide some protection against the erosion of principal by inflation, the minimum total return objectives of the Fund, including income and both realized and unrealized gains and losses, over full economic cycles, are:

- A. Achieve and maintain State Employees' Retirement Fund in excess of Accrued Benefit Liability.
- B. Achieve a Real Total Rate of Return (as measured by the GNP Implicit Price Deflator). Achieve an Absolute Total Rate of Return not less than the actuarial investment return assumption (currently 5 1/2%).
- C. Achieve in Equity Securities (Common Stock, Convertible Preferred Stock, and Convertible Bonds) a total return that exceeds the total return of the Standard and Poor's 500 Stock Composite Index.
- D. Achieve in Fixed Income Securities, exclusive of residential and commercial mortgages, but including mortgage-backed securities, a total return that exceeds the total return of the Lehman Government/Corporate Bond Index.
- E. Achieve in residential mortgage investments a total return superior to the total return of the Salomon Brothers Mortgage Pass-Through Security Total Rate of Return Index. Commercial mortgage investment return should be competitive with the total return on similar institutional portfolios and on other fixed income investments.
- F. Achieve in Equity Real Estate Investments a total return that is competitive with market returns for similar types of real estate investments.
- G. Achieve in Short-Term Securities relative performance better than U.S. Treasury Bills (90 days).
- H. Achieve returns greater than are available from publicly traded stocks and bonds through investment in qualified venture capital firms.

Total return includes income and both realized and unrealized gains and losses and is computed on market value.

The Board seeks to meet these objectives within acceptable risk parameters through adherence to a policy of diversification of investments by type, industry, investment manager style, and geographical location.

Investment Performance

During 1984, the State Employees' Retirement Fund investments increased in value from \$4.2 billion to \$4.7 billion. The growth resulted from investment income, changes in asset market values, and net realized and unrealized gains and losses, totalling \$368 million, and also from net contributions (employer and employee contributions minus benefit and administrative payments) of \$158 million.

The Fund realized a 9.4% Total Rate of Return in 1984. For the last three years the Total Rate of Return for the Fund has significantly exceeded inflation as measured by the GNP Implicit Price Deflator and the actuarial investment return assumption.

Exhibit A compares the Rates of Return of Investment for the most recent five year period. Exhibit B provides a Summary of Assets by Investment Manager at December 31, 1984 together with the diversification of the Fund's assets. Exhibit C is a three-year asset mix comparison.

Exhibit A

State Employees' Retirement Fund Rates of Return by Type of Investment December 31, 1984

<u>Type of Investment</u>	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>
Equities	4.1	20.5	19.1	(3.1)	27.6
S & P 500 Index	6.1	22.6	21.5	(5.3)	32.4
Bonds	14.6	9.1	36.1	5.6	(3.9)
Shearson/Lehman Bond Index	15.0	8.0	31.1	7.3	3.1
Short-Term Securities	10.2	8.9	12.0	---	---
U.S. Treasury Bills	9.8	8.6	10.7	14.1	11.6
Total Fund	9.4	13.0	27.8	0.9	5.3
Inflation - GNP Implicit Price Deflator	3.8	4.2	6.0	8.9	10.2
Actuarial Investment Return	5.5	5.5	5.5	5.5	5.5

STATE EMPLOYEES' RETIREMENT FUND
 Summary of Assets by Investment Manager
 December 31, 1984
 Dollar Values in Millions

Exhibit B

% Of Fund	Investment Managers	Total Assets Market Value	Equities	Bonds	Mortgages & Mtge-Backed Securities	Real Estate	Cash Short-Term (1)
2.8%	Fred Alger	\$ 131.0	\$ 126.4	\$ ---	\$ ---	\$ ---	\$ 4.6
6.3%	Alliance-Equity	299.7	276.3	---	---	---	23.4
2.4%	Barrow Hanley	112.3	103.2	---	---	---	9.1
3.5%	Glickenhau	167.3	143.5	---	---	---	23.8
1.2%	Mellon-Special Equity	55.1	53.6	---	---	---	1.5
2.2%	Trinity	105.0	103.2	---	---	---	1.8
2.8%	Trustee & Investors	135.1	133.8	---	---	---	1.3
9.4%	Wells Fargo S&P 500	444.5	443.0	---	---	---	1.5
2.6%	Wells Fargo Ext. Equity	121.4	121.4	---	---	---	---
9.8%	Mellon - Bond Index Fund	466.6	---	460.1	---	---	6.5
13.3%	Miller, Anderson & Sherrerd	629.7	---	341.6	212.4	---	75.7
10.8%	Payden & Rygel	512.6	---	507.7	---	---	4.9
8.6%	Philadelphia Saving Fund Society	407.6	---	---	293.6	51.4	62.6
1.9%	Aetna	89.5	---	---	---	89.5	---
1.1%	Corporate Property Investors	53.0	---	---	---	53.0	---
0.6%	F.I.A. Associates	30.0	---	---	---	30.0	---
1.0%	John Hancock	47.0	---	---	---	47.0	---
0.6%	JME Institutional Realty	30.5	---	---	---	30.5	---
1.1%	Prudential	50.6	---	---	---	50.6	---
0.6%	Security Capital	30.0	---	---	---	30.0	---
---	Analytic Investment Mgmt.(2)	1.3	---	---	---	---	1.3
---	Balch, Hardy & Scheinman (2)	1.7	---	---	---	---	1.7
---	Travelers Invt. Mgmt. (2)	.2	---	---	---	---	.2
17.4%	Treasury	823.7	---	---	---	---	823.7
---	Investment Manager Cash in Transit	1.9	---	---	---	---	1.9
100%	TOTAL	\$4,747.3	\$1,504.4	\$1,309.4	\$506.0	\$382.0	\$1,045.5
	PERCENT	100%	31.7%	27.6%	10.7%	8.0%	22.0%

(1) Short-term investments managed by the State Treasurer except for Aetna, Hancock, and Prudential.

(2) The values reported for options managers do not reflect a liability of \$2.1 million which represents the market value of outstanding options contracts.

Three-Year Asset Mix Comparison (\$ Millions)
Dollar Values in Millions

<u>Year</u>	<u>Total Assets Market Value</u>	<u>Equity</u>	<u>Bonds</u>	<u>Mortgages & Mortgage-Backed Securities</u>	<u>Real Estate</u>	<u>Cash Short-Term</u>
1984	\$4,747 100%	\$1,504 32%	\$1,309 27%	\$506 11%	\$382 8%	\$1,046 22%
1983	\$4,214 100%	\$1,883 45%	\$ 899 21%	\$489 12%	\$134 3%	\$809 19%
1982	\$3,505 100%	\$1,282 37%	\$1,146 32%	\$528 15%	---	\$549 16%

SERS
Administrative Budget Summary

State Employees' Retirement Fund	Administrative Expense (000's Omitted)		
	Proposed <u>1985-86</u>	Authorized <u>1984-85</u>	Actual <u>1983-84</u>
Personnel Expense	\$2,469	\$2,353	\$1,943
Number of full-time positions	98	94	82
Benefits Administration and Operational Expenses:			
State Treasury	\$ 317	\$ 291	\$ 370
Actuarial Services	114	118	93
Auditor General	52	52	35
Comptroller's Operations	54	52	49
Commonwealth Central Services and Other Contracted Services	95	77	46
Postage and Printing	229	224	172
Legal Services	173	170	403
Data Processing	378	585	235
Office Expense	144	129	117
Independent Audit	44	44	44
New Programs and Expansion of Existing Programs			
Conversion of Filing System & Disaster Recovery Plan	348	765	---
Pilot Program - Field Office	265	300	---
New Office Facilities--Rental Relocation and Equipment	<u>275</u>	<u>398</u>	<u>---</u>
Total Operating Expenses	\$2,488	\$3,205	\$1,564
Fixed Assets			
Equipment and furniture	<u>73</u>	<u>72</u>	<u>45</u>
Total State Employees' Retirement Fund	\$5,030	\$5,630	\$3,552
General Fund	Appropriation Amount (000's Omitted)		
National Guard Technician - Employees' Contribution *	\$1,403	\$1,379	\$1,157
Pension Increase for Annuitants	<u>---</u>	<u>8,500</u> **	<u>---</u>
Total General Fund	\$1,403	\$9,879	\$1,157

* This appropriation is the amount necessary to fund the deficiency in employer contributions made by the Federal Government on behalf of civilian technicians of the National Guard who are members of the SERS.

** A supplemental appropriation of -\$2,000,000 is included in the Governor's General Fund's 1985/86 budget request.

Comparative Statistics

Membership in SERS

<u>As of December 31</u>	<u>Active Members</u>	<u>Retirees and Beneficiaries</u>	<u>Total</u>	<u>Ratio Active/Retired</u>
1984	115,923	60,863	176,786	1.9/1
1983	117,488	58,427	175,915	2.0/1
1982	119,548	55,591	175,139	2.2/1
1981	119,724	52,526	172,250	2.3/1
1980	121,973	48,783	170,756	2.5/1
1979	124,812	46,137	170,949	2.7/1
* * * *				
1974	105,521	28,774	134,295	3.7/1

Annualized average rate of increase (decrease) 1979-1984:

Total membership	:	.67%
Active membership	:	(1.39%)
Retirees and beneficiaries	:	5.70%

Benefit payments

<u>Year</u>	<u>Total Benefits Paid(1)</u>	<u>Average Monthly Retirement Benefit</u>
1984	383,314,743	405.58
1983	368,962,111	371.34
1982	343,867,133	361.34
1981	327,431,102	356.06
1980	293,631,679	351.06
1979	258,976,617	345.42

(1) Includes retirement, disability and death benefits and members' withdrawals.

Annualized average rate of increase 1979-1984: 8.16%

Contributions

<u>Year</u>	<u>Employer</u>	<u>Employee</u>
1984	429,776,082	134,133,106
1983	393,335,770	135,841,252
1982	365,969,380	121,589,077
1981	325,687,928	116,283,066
1980	305,547,110	110,531,173
1979	268,143,029	105,480,295

Member Employers

Administrative Office of PA Courts
Aging
Agriculture
Allegheny County Community College
Appalachian Regional Commission
Auditor General

Banking
Berks County Intermediate Unit #14
Bloomsburg University - Kehr Union
Bloomsburg University - Community Activities
Bloomsburg University Store
Bucks County Community College
Bucks County Department of Health
*Bucks County Intermediate Unit #22
Butler County Community College

California University - Student Association
Central Susquehanna Intermediate Unit #16
*Chester County Health Department
Cheyney State College - Student Government Cooperative Assn.
Civil Service Commission
Clarion Manor Intermediate Unit #6
Clarion University - Student Association College
Commerce
Community Affairs
Correction
Crime Commission

Delaware River Joint Toll Bridge Commission (free)
Delaware River Joint Toll Bridge Commission (toll)
Delaware River Port Authority
Delaware Valley Regional Planning Commission

East Stroudsburg University Student Government Association
Edinboro University Services, Inc.
Edinboro University Student Government Assoc.
Education
Environmental Resources
*Erie County Department of Health
Executive Offices

Fish Commission

Game Commission
General Services
Governor's Office

Harrisburg Area Community College
Health
Higher Education Assistance Agency
Historical & Museum Commission
House Appropriations Committee (D)
House Appropriations Committee (R)

*No new entrants in these agencies after 11/27/82, per Act 1982-204.

Member Employer

House of Representatives
House Special Leadership Account (D)

Independent Regulatory Review Commission
Indiana University - Student Cooperative Assn., Inc.
Insurance Department

Joint Legislative Conservation Committee
Joint State Government Commission

Kutztown University Student Government Assoc.

Labor & Industry
Lancaster Lebanon Intermediate Unit #13
Legislative Budget & Finance Committee
Legislative Data Processing
Legislative Reference Bureau
Lehigh County Community College
Lieutenant Governor's Office
Liquor Control Board
Local Government Commission
Lock Haven State College - Student Cooperative Council
Lock Haven Student Co-op Act.
Luzerne County Community College
Luzerne County Intermediate Unit #18

Mansfield University Student Services
Military Affairs
Milk Marketing Board
Millersville University Student Services, Inc.
Montgomery County Community College
Municipal Retirement Board

National Guard Technicians
Northampton County Area Community

Office of Research and Liaison
Office of Attorney General

Pennsylvania Emergency Management Agency
Pennsylvania Housing Finance Agency
Pennsylvania Public Television Network Commission
Pennsylvania Securities Commission
Philadelphia Community College
Port Authority Transit Corporation
Probation & Parole Board
Public School Building Authority
Public School Employes' Retirement System
Public Utility Commission
Public Welfare

Reading Area Community College
Revenue

Senate
Senate Minority Appropriation Committee
Senate Democratic Leader's Expenses
Senate Appropriations Committee (R)
Senate Special Leadership (R)

Member Employer

Shippensburg University Store
Slippery Rock University Co-op. Act.

State
State Employes' Retirement System
State Ethics Commission
State Police
State System of Higher Education
State Tax Equalization Board
Susquehanna River Basin Commission

Transportation
Treasury
Turnpike Commission

University of Pittsburgh
West Chester University Intra-Collegiate Government
Westmoreland County Community College
Williamsport Area Community College

MORTGAGES AND MORTGAGE BACKED SECURITIES

ISSUE MATURITY MARKET VALUE

PHILADELPHIA MORTGAGES

Philadelphia Saving Fund Society -
in-state and out-of-state residential mortgages

ISSUE	MATURITY	MARKET VALUE
FEDERAL HOME LN MTG	04/01/08	1,998,179
FEDL HOME LN MTG ASSN	10/01/10	3,427,707
FEDERAL HOME LN MTG	03/01/08	3,029,046
FEDERAL HOME LOAN MTG	08/01/09	6,860,142
FEDERAL HOME LOAN MTG	09/01/09	4,887,372
FEDL HOME LN MTG CORP	09/01/07	4,398
FEDERAL HOME LN MTG	08/01/04	10,368,472
FEDL HOME LN MTG	12/01/03	1,910,490
FEDERAL HOME LN MTG	06/01/09	2,951,216
FEDERAL HOME LOAN MTG	01/01/09	2,327,999
FEDL HOME LOAN MTG	12/01/08	4,154,859
FEDL NATL MTG ASSN	01/01/12	8,951,067
FEDERAL NATL MTG ASSN	01/01/12	39,815,066
FEDERAL NATL MTG ASSN	11/01/08	4,346,543
FEDERAL NATL MTG ASSN	12/01/08	3,584,996
FEDERAL NATL MTG ASSN	09/01/07	2,652,330
FEDERAL NATL MTG ASSN	12/01/07	1,567,445
FEDL NATL MTG ASSN	09/01/07	6,582,194
FEDL NATL MTG ASSN	03/01/10	3,221
FEDERAL NATL MTG ASSN	01/01/10	19,685,807
FEDL NATL MTG ASSN	06/01/09	14,723,143
FEDL NATL MTG ASSN	12/01/09	9,427,000
FEDL NATL MTG ASSN	08/01/08	5,039,861
FEDERAL NATL MTG ASSN	06/01/11	14,487,444
FEDERAL HSG ASSN VA SJN	11/01/08	587,902
FEDERAL HSG ASSN SJN FAM	03/01/09	580,993
SEARS MTG SECS CORP MTG	11/01/15	11,522,793
SEARS MTG SECS CORP MTG	11/01/12	6,626,109
SEARS MTG SECS CORP	04/01/17	14,801,799

TOTAL \$ 212,364,363
\$ 505,982,409

REAL ESTATE MARKET VALUE

Philadelphia Real Estate Pooled Fund*	\$ 51,431,313
FIA Profile Fund I	30,000,000
JMB Temporary Real Estate Pooled	30,533,771
Aetna Separate Account #50 Participating Mortgage	23,381,919
Aetna Separate Account #87	20,929,417
Aetna Closed End Fund	40,594,830
Aetna Short Term Investment Fund #136	4,601,127
Corporate Property Investors	53,030,600
Prudential IIA Separate Account	20,000,000
Prudential -PRACE	20,119,135
Prudential -MORTISA	10,417,909
John Hancock Mutual Life Real Estate Investment	47,016,900
Security Capital Smith Barney Real Estate Fund	30,000,000
	\$ 382,116,921

SHORT TERM INVESTMENTS

S E R S FUND	\$1,043,629,849
CASH	1,900,000
MANAGER CASH IN TRANSIT	-----
	\$ 1,045,446,620

* Philadelphia Saving Fund Society - Commercial Participating Mortgages

COMMON STOCKS

SHARES MARKET VALUE

ABBOTT LABS	44600.00	1862050
ACME CLEVELAND CORP	2000.00	26000
ADVANCED MICRO DEVIC	135800.00	4008100
AETNA LIFE & CAS CO	368000.00	1343200
AHMANSON H F & CO	210200.00	5644026
AIR PRODS & CHEMS IN	27900.00	1283400
ALBERTO CULVER CO	1300.00	29912
ALBERTSONS INC	12200.00	353800
ALCAN ALUM LTD	182200.00	5238250
ALEXANDER & BALDWIN	24000.00	858000
ALLIED CORP	166250.00	5735826
ALLIS CHALMERS CORP	7600.00	376200
ALLTEL CORP	5100.00	29962
ALUMINUM CO AMER	15000.00	361976
AMAX INC	180200.00	6667400
AMERADA HESS CORP	24800.00	403000
AMERICAN BRANDS INC	78000.00	1901250
AMERICAN BROADCASTIN	20300.00	1304275
AMERICAN CAN CO	10900.00	669125
AMERICAN CONTL CORP	8700.00	439360
AMERICAN CYANAMID CO	50000.00	308260
AMERICAN ELEC PWR IN	17900.00	895000
AMERICAN EXPRESS CO	68200.00	1440726
AMERICAN FAMILY CORP	194624.00	6946478
AMERICAN GENERAL CO	46000.00	1069500
AMERICAN HOME PRODS	24000.00	827000
AMERICAN HOSP SUPPLY	127300.00	8428650
AMERICAN INFROM TECH	127400.00	3662750
AMERICAN INTL GROUP	37400.00	2870460
AMERICAN MED INTL IN	28750.00	1822343
AMERICAN MTRS CORP	78166.00	1532840
AMERICAN NAT RES CO	38300.00	134050
AMERICAN NAT INS CO	47650.00	1866337
AMERICAN STD INC	111000.00	3857750
AMERICAN STORES PFD	14475.00	439678
AMERICAN STORES PFD	0.56	27
AMERICAN STORES CO N	0.02	1
AMERICAN TEL&TELEG C	46364.00	1814160
AMERIFIN	367100.00	7158450
AMF INC	4900.00	175174
AMR INC	9400.00	136300
AMR CORP	289500.00	9662062
AMSTOD INDS INC	146900.00	6308762
ANDREW CORP	31700.00	1164975
ANALOG DEVICES INC	12000.00	283600
ANHEUSER BUSCH COS I	3500.00	124250
ANTHEM ELECTRS INC	17700.00	1283250
APPLE COMPUTER INC	60000.00	795000
ARCHER DANIELS MIDLA	22200.00	646575
ARKLA INC	172449.00	3988087
ARMCO INC	225500.00	3777126
ARMSTRONG RUBR CO	23900.00	239026
ARMSTRONG WORLD	18000.00	335260
ARY IN INDS INC	9000.00	302626
ASA LTD	22500.00	441662
ASARCO INC	3300.00	168912
ASSOCIATED DRY GOOD	10300.00	195700
ATLANTA GAS LT CO	28100.00	1440126
ATLANTIC RICHFIELD C	20000.00	784097
AUTOMATIC DATA PROCE	177900.00	784097
AVERY INTL INC	12700.00	453300
AVON PRODS INC	20000.00	640000
BAKER INTL CORP	30500.00	687187
BALL CORP	83800.00	1393175
BANK BOSTON	3900.00	176500
BANK OF AMERICA	14100.00	572812
BANKAMERICA CORP	6900.00	274275
BANKERS TRUST N Y CO	18000.00	690876
BAIRD C R INC	99800.00	5464050
BAIRD C R INC	5100.00	114750
BASSETT FURNITURE	5900.00	264475
BASSETT TRAVENOL LABS	7700.00	100526
	53400.00	700875

8800 INTL INC	10000.00	COMMERCIAL TEL ED TECH	18000.00
BEATRICE FOODS CO	9700.00	COMPUTER SCIENCES INTL	18400.00
SECTION DICKINSON & C	7500.00	COMPUTER SERVICES COMP	19400.00
BEVERLY HUNTER	4300.00	CONSERVATION CORP	19400.00
BELL & HOWELL CO	24726	CONAGRA INC	47900.00
BELL ATLANTIC CORP	20000.00	CONQUEST	20200.00
BELLSOUTH CORP	36600.00	CONSOLIDATED FOODS C	20200.00
BEMIS INC	111600.00	CONSOLIDATED NAT GAS	221100
BENEFICIAL STI CORP	8100.00	CONSONANTIAL PAPERS	53000.00
BETHLEHEM STEEL CORP	187000.00	CONTINENTAL CORP	18000.00
BLACK & DECKER MFG C	122200.00	CONTINENTAL TEL CORP	18000.00
BLACK H & R INC	128400.00	CONTROL DATA CORP DE	44300.00
BOEING CO	86000.00	CONWOOD CORP	10000.00
BOISE CASCADE CORP	119600.00	COOPER INDS INC	16000.00
BORDEN INC	10300.00	COORS ADOLPH CO	12100.00
BORG WARNER CORP	109500.00	CORNING GLASS WKS	57600.00
BOSTON EDISON CO	183300.00	COX COMMUNICATIONS I	123300.00
BOWATER INC	20000.00	CPC INTL INC	17900.00
BRIGGS & STRATTON CO	127600.00	CRANE CO	3637.00
BRISTOL MYERS CO	5000.00	CROSS & TRECKER CORP	4300.00
BROWN & SHARPE MFG C	60400.00	CROSS A T CO	100000.00
BROWN FORMAN DISTILL	1100.00	CROWN CORK & SEAL IN	6000.00
BROWN GROUP INC	9100.00	CROWN ZELLERBACH COR	226260
BROWNING FERRIS INDS	202578	CSX CORP	55500.00
BRUNSWICK CORP	1805600	CULLINANE CORP	252000
BUCKYRUS ERIC CO	48800.00	CUMMINS ENGINE INC	3174862
BURLINGTON INDS INC	9000.00	DANA CORP	5866818
BURLINGTON NORTHERN IN	7000.00	DART & KRAFT INC	1679425
BURROUGHS CORP	104400.00	DATA GEN CORP	8900.00
CABOT CORP	91400.00	DATAPoint CORP	8800.00
CAMCO INC	29000.00	DAYTON HUDSON CORP	35300.00
CAMPBELL SOUP CO	45000.00	DEERE & CO	24700.00
CAMPBELL	17400.00	DELTA AIR LINES DEL	46200.00
CAPITAL CITIES COMMJ	11900.00	DENNY'S INC	6400.00
CAPITAL HLDG CORP DE	4700.00	DETROIT EDISON CO	60400.00
CARNATION CO	9300.00	DIAMOND SHAMROCK COR	351800.00
CARTER HAWLEY HALE S	12200.00	DIGITAL EQUIP CORP	14700.00
CATERPILLAR TRACTOR	12600.00	DIGITAL SWITCH CORP	7000.00
CATERPILLAR	135400.00	DILLARD DEPT STORES	12400.00
CBI INDS INC	98700.00	DISNEY WALT PRODTNS	22000.00
CBS INC	180900.00	DOLLAR GEN CORP	29000.00
CELANESE CORP	51500.00	DOME MINES LTD	129700.00
CENTEL CORP	32900.00	DOMINION RES INC VA	14100.00
CENTEX CORP	6900.00	DONNELLY R R & SONS	286100.00
CENTRAL & SO WEST CO	33700.00	DOW CHEM CO	23700.00
CERTAIN TEED CORP	24000.00	DOW JONES & CO INC	989475
CESSNA AIRCRAFT CO	200000.00	DRESSER INDS INC	59260
CHAMPION INTL CORP	461740.00	DU PONT E I DE NEMOU	5672700
CHAMPION SPARK PLUG	13200.00	DUCOMMAN INC DEL	691260
CHARTER MED CORP	20000.00	DUKE POWER CO	2322900
CHASE MANHATTAN CORP	120000.00	DUN & BRADSTREET COS	9648436
CHEMICAL NEW YORK CO	68400.00	EAGLE PITCHER INDS IN	822600
CHESEBROUGH PONDS IN	13000.00	EASTERN GAS&FUEL ASS	213726
CHEVRON CORP	223800.00	EASTMAN KODAK CO	9437186
CHICAGO PNEUMATIC TO	1700.00	EATON CORP	621562
CHICAGOAN WESTN TRAN	165400.00	ECHLIN MFG CO	190960
CHRYSLER CORP	209200.00	ECKERD JACK CORP	2256875
CHUBB CORP	7500.00	EDWARD A G INC	1585712
CHURCHES FRIED CHICKE	6000.00	EMERSON ELEC CO	4886860
CIGNA CORP	28700.00	EMERY AIR FIGHT CORP	2787200
CINCINNATI MILACRON	8400.00	ENELHARD CORP	126100
CIPHER DATA PRODS IN	30000.00	ENSERCH CORP	99900.00
CITICORP	372200.00	ENTEX INC	19800.00
CITIZENS & SOUTHERN GA	1700000.00	ESTERLINE CORP	911250
CITY INVESTING CO	6700.00	EX CELL O CORP	6000.00
CLARK EQUIPMENT CO	9600.00	EYXON CORP	328700.00
CLOROX CO	2800.00	F M C CORP	31600.00
CLUETT PEABODY & CO	2600.00	FEDERAL CO	23000.00
CNA FINL CORP	21100.00	FEDERAL EXPRESS CORP	110300.00
COASTAL CORP	15000.00	FEDERAL PAPER BRD IN	3606350
COASTAL	2499.00	FEDERATED DEPT STORE	480900
COCA COLA CO	48800.00	FIDUCIARY GROWTH ASST	913762
COHERENT INC	63000.00	FIRESTONE TIRE&RUBBE	4856594
COLECO INDS INC	5200.00	FIRST CHICAGO CORP	806000
COLEMAN INC	2200.00	FIRST INTST BANCORP	352987
COLGATE PALMOLIVE CO	29900.00	FIRST MISS CORP	666600
COLLINS & AIKMAN COR	3700.00	FIRST PA CORP	506875
COLUMBIA GAS SYS INC	54000.00	FIRST TENN NATL CORP	33000
COMBINED INTL CORP	1100000.00	FLEETWOOD ENTERPRISE	2423662
COMBUSTION ENGR INC	59400.00	FLEXI VAN CORP	298760
COMMERCE CLEARING HS	43000.00		
442500			
286300			
24726			
530000			
2801200			
68576			
273276			
292260			
8650926			
30117400			
2992500			
6783975			
4826662			
666925			
3919037			
6925600			
2615800			
1456000			
2639700			
18700			
282100			
202578			
1805600			
271000			
100828			
3821478			
4906800			
5186960			
692260			
529760			
317550			
827050			
773737			
395900			
1028900			
286226			
4197400			
2392500			
10921386			
4177937			
1237662			
157637			
766676			
522000			
3875000			
10273714			
108900			
660000			
6769200			
2014800			
437126			
6993750			
33576			
4118100			
6884400			
393760			
188826			
1184612			
176400			
660000			
14422750			
986750			
608750			
141787			
276000			
78050			
675200			
423750			
74970			
3043900			
1166560			
63050			
59300			
743762			
142450			
1836000			
4193750			
1876100			
2859500			

FLUOR CORP	28400.00	418900	K MART	275400.00	9707850
FORD MTR CO DEL	437400.00	19956372	KAISER ALUM & CHEM C	16700.00	229812
FOSTER WHEELER CORP	11800.00	131276	KAISER CEM & GYPSUM	2500.00	42812
FPL GROUP INC	21400.00	967650	KAUFMAN & BROAD INC	4100.00	63550
FRUEHAUF CORP	33900.00	769987	KELLCOO CO	27900.00	1116000
GANNETT INC	29500.00	1386500	KERR MCGEE CORP	62400.00	1739400
GENERAL CINEMA CORP	13400.00	358450	KIMBERLY CLARK CORP	16800.00	800100
GENERAL DYNAMICS COR	76700.00	5261150	KINDER CARE LEARN CT	12000.00	181500
GENERAL ELEC CO	365800.00	20713424	KNIIGHT RIDDER NEWSPP	23600.00	690300
GENERAL FOODS CORP	19100.00	1097212	KROGER CO	16500.00	651550
GENERAL INSTR CORP	41800.00	676000	LANE INC	70000.00	2730000
GENERAL MLS INC	16900.00	859787	LEAR PETE CORP	25000.00	631250
GENERAL MTRS CORP	74980.00	3172777	LEASEWAY TRANSN CORP	34600.00	1020700
GENERAL SIGNAL CORP	396200.00	31052172	LEVI STRAUSS & CO	13398.00	382299
GENESCO INC	10300.00	484100	LIBBEY OWENS FORD CO	4100.00	183987
GENRAD INC	5500.00	30937	LILLY ELI & CO	71800.00	4738800
GENUINE PARTS CO	96000.00	1460626	LIMITED INC	21900.00	591300
GEORGIA PAC CORP	20050.00	638687	LINCOLN NATL CORP IN	15800.00	616200
GERBER PRODS CO	37500.00	937500	LITTON INDS INC	15800.00	2193813
GIFFORD HILL & CO IN	7350.00	181912	LIZ CLAIRBORNE	33816.00	1004700
GILBERT ASSOC INC	15000.00	365626	LOCKHEED CORP	328900.00	14471800
GILLETTE COMPANY	100000.00	2460000	LOWAS & NETTLETON FI	15000.00	4762850
GILLETTE COMPANY	11100.00	629537	LOWAS & NETTLETON MT	700.00	23012
GLOBAL MARINE INC	10600.00	49026	LONE STAR INDS INC	4400.00	114400
GOODRICH B F CO	39700.00	1071900	LORAL CORP	200000.00	5225000
GOODYEAR TIRE & RUBR	344600.00	8958600	LOUISIANA LD & EXPL	10900.00	337900
GOULD INC	16400.00	346450	LOUISIANA PAC CORP	12067.00	263746
GRACE W R & CO	17900.00	711626	LOWENSTEIN M & SONS	7375.00	343869
GRAINGER W W INC	5300.00	304097	LOWES COS INC	13200.00	328700
GREAT ATL & PAC TEA	13500.00	216000	LTV CORP	279700.00	2762037
GREAT WESTN FINL COR	264400.00	8709150	LUBRIZOL CORP	197400.00	4219426
GRUMMAN CORP	269200.00	7030800	LUCKY STORES INC	87100.00	1558912
GTE CORP	98000.00	3900000	N A COM INC	15800.00	304150
GULF & WESTN INDS IN	276500.00	7846887	MAC TRUCKS INC	16410.00	763065
HALLIBURTON CO	400000.00	11400000	MACMILLAN INC	292950.00	11974330
HARCOLEMAN CO DEL	20250.00	804937	MAGIC CHEF INC	20000.00	707500
HARCOURT BRACE JOVAN	6900.00	39837	MANUFACTURERS HANOVE	54000.00	1992400
HARLAND JOHN H CO	18000.00	762000	MARRIOTT CORP	9700.00	734775
HARRIS CORP DEL	14900.00	396028	MARTIN MARIETTA CORP	218650.00	9725474
HARTMAY CORP	4500.00	129250	MASCO CORP	6700.00	574000
HASBRO INDS INC	3255.00	176583	MAY DEPT STORES CO	16800.00	69675
HEILEMAN O BREWING I	9200.00	167550	MCA INC	5100.00	594760
HEINZ H J CO	25200.00	1093800	MCDERMOTT INTL	17700.00	228226
HELENE CURTIS INDS I	18000.00	240000	MCDONALD CORP	13600.00	701362
HELIX TECHNOLOGY COR	159000.00	376000	MCDONNELL DOUGLAS CO	132426.00	8938440
HERCULES INC	169500.00	5741812	MCGRAW EDISON CO	14700.00	1062075
HERSHEY FOODS CORP	11300.00	436462	MCGRAW HILL INC	40800.00	1556500
HEWLETT PACKARD CO	164500.00	5572437	MCI COMMUNICATIONS C	98900.00	4142475
HILTON HOTELS CORP	9600.00	563200	MEAD CORP	284300.00	2132250
HOLIDAY INNS INC	13500.00	590625	MEI CORP	11200.00	385600
HOMESTEAKE MNG CO	18000.00	387000	MELLON BK CORP	5900.00	220512
HONEYWELL INC	17500.00	1109875	MELVILLE CORP	9700.00	453475
HOSPITAL CORP AMER	132233.00	4991795	MERCANTILE BANKSHARE	19130.00	711475
HOUSEHOLD INTL CORP	48600.00	1691650	MERCANTILE STORES IN	20000.00	675000
HOUSTON INDUSTRIES	58100.00	1282250	MERCK & CO INC	5400.00	305100
HOUSTON NAT GAS CORP	52200.00	2127150	MEREDITH CORP	27200.00	2556800
HUGHES TOOL CO	20200.00	272700	MERRILL LYNCH & CO I	6300.00	343350
HUMANA INC	35179.00	826708	MESA PETE CO	183800.00	4982600
HUTTON E F GROUP INC	75000.00	2193750	MGM UA ENTMT CO	24900.00	454426
IC INDS INC	171600.00	4933500	MIDDLE SOUTH UTILS I	17900.00	214800
IDEAL BASIC INDS INC	4700.00	84928	MINNESOTA MNG & MFG	141400.00	1944250
INCO LTD	35200.00	352650	MOBIL CORP	86100.00	6926662
INGERSOLL RAND CO	7200.00	327600	MOHASCOR CORP	291500.00	7906937
INLAND STL CO	8700.00	327500	MONARCH MACH TOOL CO	1200.00	52037
INTEGRATED RES INC	20000.00	202278	MOMLITHIC MEMORIES	48300.00	17700
INTEL CORP	220600.00	8176800	MORGAN J P & CO INC	77800.00	3423200
INTERCO INC	5400.00	325850	MORRISON KNUDSEN INC	60100.00	6287850
INTERFINST CORP	24300.00	605000	MORTON THIKOL INC	10000.00	340000
INTERGRAPH CORP	109200.00	627500	MTV NETWORKS INC	160000.00	4109250
INTERLAKE INC	14100.00	627500	N C N B CORP	200000.00	10638000
INTERNATIONAL FLURS	13400.00	3175200	NABISCO BRANDS INC	194700.00	3675000
INTERNATIONAL HARVES	21000.00	170828		23100.00	391037
INTERNATIONAL MINMCH	60000.00	2970000			1163875
INTERNATIONAL PAPER	19100.00	971317			
INTERNORTH INC	134200.00	5669950			
ITT CORP	95400.00	2802375			
JEFFERSON GROUP INC	112800.00	1631250			
JEFFERSON PILOT CORP	69000.00	2492626			
JOHNSON & JOHNSON	121800.00	3076450			
JOY MFG CO					

MALCO CHEM CO
 MASHUA CORP
 MASHUA CORP
 NATIONAL DISTILL ACH
 NATIONAL ED CORP
 NATIONAL GYPSUM CO
 NATIONAL INTERGROUP
 NATIONAL MED ENTERPR
 NATIONAL SEMICONDUCT
 NCR CORP
 NEW YORK TINES CO
 NEW YORK TINES CORP
 NIAGARA MOHAWK PWR C
 NINDS INC
 NORTON SOUTHERN COR
 NORTH ALERN COAL COR
 NORTHERN IND PLUB SVC
 NORTHERN TELECOM LTD
 NORTHERN STS PWR MINN
 NORTHROP CORP
 NORTHWEST INDS INC
 NORTHWEST CORP
 NOXELL CORP
 NYA INC
 NYNEX CORP
 OCCIDENTAL PETE CORP
 OCEAN DRILLING & EXP
 OHIO EDISON CO
 ONEOK INC
 OUTBOARD MARINE CORP
 OVERTITE TRANSN CO
 OWENS CORNING FIBERG
 OWENS ILL INC
 PABST BREWING CO
 PACCAR INC
 PACIFIC GAS & ELEC C
 PACIFIC LGT CORP
 PACIFIC TELESYS OR
 PANHANDLE EASTN CORP
 PARADYNE CORP
 PARADYNE CORP
 PAY LESS DRUG ST NWE
 PEABODY INTL CORP
 PENNEY J C INC
 PENNZOIL CO
 PEOPLES ENERGY CORP
 PEPSCO INC
 PERKIN ELMER CORP
 PFIZER INC
 PHELPS DODGE CORP
 PHIBRO CORP
 PHIL ELEC CO
 PHILIP MORRIS INC
 PHILIPS INDS INC
 PHILLIPS PETE CO
 PIEDMONT AVIATION IN
 PILLSBURY CO
 PITNEY BOWES INC
 PITTSBURG CO
 PITTSTON CO
 POLAROID CORP
 POTLATCH CORP
 PPG INDS INC
 PRIME MTR INNS INC
 PROCTER & GAMBLE CO
 PUBLIC SVC CO IND IN
 PUBLIC SVC ELEC & GA
 PULTE HOME CORP
 PYRO ENERGY CORP
 QUAKER OATS CO
 RAINIER BANCORPORATI
 RALSTON PURINA CO
 RAMADA INNS INC
 RAYTHEON CO
 RCA CORP
 READINGSBATES OFFSH
 REDMAN INDS INC
 REICHOLD CHEMS INC
 REVCO D S INC
 REVLON INC
 REYNOLD INC
 REYNOLDS METALS CO
 REYNOLDS R J INDS IN
 RITE AID CORP
 ROADWAY SVCS INC
 ROBERTSHAW Ctls CO

100000.00
 48000.00
 124000.00
 300437
 204378
 224026
 207200
 527200
 228676.00
 3867426
 2295076
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 16000.00
 13250.00
 236500.00
 6900.00
 161800.00
 40499.00
 48400.00
 14600.00
 26000.00

RUSSELL CORP
 RYAN HOMES INC
 RYDER SYS INC
 RYDER SYS INC
 SAFWAY CONGRES INC
 SAGE ENERGY CO
 SANDERS ASSOC INC
 SANTA FE SOUTHW PAC
 SCHAFFER FLEUOH CORP
 SCIENTIFIC INTL
 SCIENTIFIC ATLANTA I
 SCOTT PAPER CO
 SEAGRAM LTD
 SEAGRAM ENERGY CORP
 SEALED PWR CORP
 SEARLE O D & CO
 SEARS ROEBUCK & CO
 SEDCO
 SFN COS INC
 SHARED MED SYS CORP
 SHELTER GLOBE CORP
 SHERWIN WILLIAMS CO
 SIGNAL COS INC
 SINGER CO
 SKYLINE CORP
 SMITHLINE CORP
 SNAP ON TOOLS CORP
 SONAT INC
 SOUTHERN CALIF EDISO
 SOUTHERN CO
 SOUTHWESTERN BELL CO
 SPERRY CORP
 SPRINGS MLS INC
 SQUARE D CO
 SRUIBB CORP
 ST PAUL COS INC
 STANDYNE INC
 STANDARD OIL CO IND
 STANDARD OIL CO OHIO
 STANDARD PAC CORP
 STANDARD REGISTER CO
 STANLEY WKS
 STAUFFER CHEM CO
 STERLING DRUG INC
 STEVENS J P & CO INC
 STONE & WEBSTER INC
 STONE CONTAINER CORP
 STOP & SHOP COS INC
 STORER BROADCASTING
 SUN INC
 TAFT BROADCASTING CO
 TANDEN COMPUTERS INC
 TANDY CORP
 TEKTRONIX INC
 TELETYPE INC
 TELEX CORP
 TENNECO INC
 TERADYNE INC
 TESORO PETE CORP
 TEXACO INC
 TEXAS COMB BANCSHARE
 TEXAS EASTN CORP
 TEXAS INSTRS INC
 TEXAS OIL & GAS CORP
 TEXAS UTILS CO
 TEXTRON INC
 THOMAS & BETTS CORP
 THOMAS INDS INC
 THOMPSON MED INC
 TIME INC
 TIMES MIRROR CO
 TIMKEN CO
 TONKA CORP
 TOYS R US
 TRANSMERICA CORP
 TRANSWAY INTL CORP
 TRANSWORLD CORP DEL
 TRAVELERS CORP
 TRW INC
 U S AIR GROUP INC
 U S HEALTH CARE CORP
 U S HOME CORP
 U S WEST INC

6400.00
 23256.00
 43600.00
 1378082
 10000.00
 110000.00
 70039.00
 18300.00
 528800
 180000
 85000
 602476
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 1014300
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 1139660
 30600.00
 13500.00
 978760
 3325000
 20000.00
 11800.00
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 3666360

ISSUE	MATURITY	MARKET VALUE
UAL INC		12800.00
ULTIMATE CORP		45000.00
ULTRASYSTEMS INC		20000.00
UNILEVER N Y		11700.00
UNION CAMP CORP		17600.00
UNION CARBIDE CORP		109700.00
UNION PAC CORP		181940.00
UNIROYAL INC		12400.00
UNITED ENERGY RES IN		160600.00
UNITED INDL CORP		20000.00
UNITED STATES ST PFD		18000.00
UNITED STATES STL CO		91400.00
UNITED STATES STL CO		158500.00
UNITED TECHNOLOGIES		137100.00
UNITED TELECOMMICA		16000.00
UNITED VA BANKSHARES		64000.00
UPJOHN CO		11100.00
USFAG CORP		19670.00
USG CORP		26600.00
USLIFE CORP		6400.00
V F CORP		62900.00
VARIAN ASSOC INC		185000.00
WAL MARY STORES INC		118100.00
WALBARK INC		12000.00
WALGREEN CO		11100.00
WALKER HIRAM RES		7825.00
WALTER JIM CORP		141800.00
WANG LABS INC		3663900.00
WARNER COMMUNICATION		1014700.00
WARNER LAMBERT CO		482887.00
WASHINGTON GAS LT CO		1014700.00
WASHINGTON POST CO		494287.00
WASTE MGMT INC		1637726.00
WELLS FARGO EXTENDED		167800.00
WENDYS INTL INC		8611002.00
WEST POINT PEPPERELL		19800.00
WESTERN CO NORTH AME		3500.00
WESTINGHOUSE ELEC CO		15400.00
WESTINGHOUSE COAL CO		71225.00
WESTVACO CORP		166500.00
WEYERHAEUSER CO		2800.00
WHEELING PITTS STEEL		10700.00
WHITE CONS INDS INC		146500.00
WILLIAMS COS		1400.00
WINN DIXIE STORES IN		163200.00
WINNEBAGO INDS INC		6700.00
WITCO CHEM CORP		156300.00
WOOLWORTH F W CO		4600.00
WRIGLEY WM JR CO		114300.00
XEROX CORP		90600.00
XTRA INC		13300.00
YELLOW FREIGHT SYS		2700.00
ZAYRE CORP		221800.00
ZENITH ELECTRS CORP		18000.00
ZURN INDS INC		4900.00
		10000.00
		445000.00
		1060700.00
		2000.00

9 1,584,521,285

CORPORATE BONDS

ISSUE	MATURITY	MARKET VALUE
AETNA LIFE CALTY	10/15/7	367500
AMER MED INT INC	1/15/14	1511250
AMER TEL & TEL	6/15/6	1128750
ARKLA	3/01/8	1372500
ASSOC CORP N.A.	11/15/92	1423125
ATLANTIC RICHFLD	4/1/0	384674
ATLANTIC RICHFLD	12/15/0	1081875
ATLANTIC RICHFLD	12/1/91	1170945
BANKERS TRUST	6/7/85	9573680
BANKERS TRUST	1/23/86	10000000
BENEFICIAL CORP	2/15/89	1385625
BENEFICIAL CORP	12/15/93	1800000
BURLINGTON NORTH	9/15/92	1704375

ISSUE	MATURITY	MARKET VALUE
CIT FIN	12/1/91	1666875
CAT TRACTOR	10/1/90	514944
CENT PWR & LT	10/1/7	1021875
CHES POT TEL MD	9/1/17	2947409
CITIBANK B/A	5/28/85	23924479
CITIBANK B/A	3/29/85	9748250
CHEVRON	4/01/96	1068750
CITICORP	10/15/90	1510320
COMMONWALTH EDIS	7/1/98	1285000
COMMONWALTH EDIS	10/15/8	1110000
CON EDISON	10/15/3	382604
CON EDISON	3/1/4	1140000
DETROIT EDISON	10/15/8	1158875
DOW CHEMICAL	7/15/10	1357500
DUKE POWER	12/1/1	982500
DUKE POWER	12/1/2	970154
DUKE POWER	2/1/5	1171875
DUKE POWER	6/1/8	1158875
DUQUESNE LT	4/1/7	1014375
DUQUESNE LT	4/1/13	1385000
EXXON PIPELINE	4/1/8	1389375
EXXON PIPELINE	3/1/1	377469
FIRST INTERSTATE	6/12/85	9573688
FIRST NATL BOSTON	4/10/85	9716600
FORD MOTOR	7/15/94	1260000
FORD MOTOR CRED	6/15/89	1380000
GMAC	5/1/93	408914
GMAC	6/1/89	1552600
GMAC	6/1/88	1381875
GMAC	10/15/89	1522500
GMAC	9/3/85	10178900
GEORGIA PACIFIC	6/15/90	1421250
GREAT WSTN SV	7/1/89	460719
HOUSTON GROUP INC	4/15/8	1366875
HOUSTON LTG & PR	3/15/13	1404375
HOUSTON NAT GAS	6/1/87	2255625
ILL BELL TEL	6/5/17	1481250
INLAND STEEL	9/1/0	1198125
INLAND STEEL	1/15/7	879554
INLAND STEEL	6/1/90	1395000
INTERFIRST CORP	10/1/89	1591875
KERR-WEGE CORP	11/1/11	915000
MCORP	5/1/83	1374180
MANUFACTURERS HAN	11/15/87	720937
MARATHON OIL	3/1/94	1443589
MELLON BANK	1/21/86	10000000
MINN MIN MFG	4/1/5	388819
MOBIL CORP	6/15/1	1128784
MOBIL OIL	10/1/1	1018125
MORGAN EDGE B/A	5/28/85	19142488
NATL STEEL	8/1/6	896250
NEW ENG PWR	7/1/8	1085625
NEW ENG T & T	10/15/7	938375
NY TELEPHONE	6/1/14	1095000
NY TELEPHONE	12/1/24	1459800
NOBLE AFFILIATE	1/1/90	1494419
NORTHWSTN BEL TL	6/15/16	1203750
OWENS CRNG FBR	5/1/10	1379289
PAC G&E	9/1/8	1018125
PAC G&E	6/1/12	1199059
PAC G&E	2/1/13	1477514
PAC G&E	6/1/15	1613874
PAC TEL & TEL	4/1/5	1087500
PAC TEL & TEL	6/15/11	1164379
PAC TEL & TEL	7/15/18	1173979
PAC TEL & TEL	11/1/14	1177500
PAC TEL & TEL	7/1/19	1189259
PAC TEL & TEL	11/1/20	1662195
PENN PWR & LT	12/1/6	993750
PENN PWR & LT	12/1/7	1016250
PHILLIPS PETE	9/1/92	1530000
PEPCO	11/1/90	508714
REF N Y CORP	9/15/6	523125
ST REGIS PAPER	6/15/10	1273619
SECURITY PAC NATL	9/1/92	1075000
SO CENT BELL TEL	6/5/85	9565416
SOUTHRN BELL TEL	3/1/19	1043250
SOUTHRN BELL TEL	7/15/10	945479
SOUTHRN BELL TEL	4/15/16	1035000
SOUTHRN BELL TEL	12/1/19	1329389
SOUTHRN BELL TEL	2/1/11	871804
SOUTHRN BELL TEL	9/15/19	549500

ISSUE	MATURITY	MARKET VALUE
SEJWSTN BELL TEL	12/10/20	164,0628
SQUIBB CORP	11/15/99	140,0000
STAND OIL - IND	7/15/84	120,8484
STUDENT LOAN MARK	11/15/91	100,6250
TENNECO INC	6/1/86	143,1670
TEXAS EAST TRANS	9/1/92	102,9378
UP JOHN	10/15/89	143,3378
WELLS FARGO SUB	6/1/91	183,1250
XEROX CRD CORP	9/15/93	145,6000
BANCO CONVENTIONAL	8/15/11	1,555,419
CHRYSLER FINL CORP VARI SUB	08/01/84	12,103,000
CITICORP NOTE FLTG RATE	03/10/92	2,997,000
CITICORP NOTE FLTG RATE EXTEN	08/10/98	11,670,000
CULFON TREAS RECEIPT INT	02/15/86	7,958,968
CULFON TREAS RECEIPT INT PMT	02/15/87	22,456,353
CULFON TREAS RECEIPT INT PMT	02/15/87	4,487,577
CULFON TREAS RECEIPT INT PMT	02/15/87	10,133,864
EQUITABLE LIFE LEASING MED	11/01/88	12,104,375
FIRST INTERSTATE BANKCORP	09/01/99	11,000,000
FORD MOTOR CR VARIABLE	01/14/87	4,000,000
FORD MOTOR CR QI VARI	04/07/93	12,983,750
FORD MOTOR CR QI VARI	07/07/93	12,315,000
FORD MOTOR CREDIT	03/14/98	10,278,000
GENERAL MOTORS ACCEP	08/08/88	18,098,250
GENERAL MOTORS ACCEP	03/18/86	8,063,800
GMAC N M REG	11/08/88	8,108,494
GOLD DOME FHA VA MTG BKED	07/26/07	2,546,084
HOME SAVINGS PART CTF	08/01/06	12,772,500
ITT FINANCIAL CORP	11/15/87	128,800
KAISER ALUM & CHEM CORP	11/05/87	10,062,500
MARINE MIDLAND CORP	03/01/13	8,508,441
MIDWEST FEDL MTG PART	03/01/13	4,557,897
MORTGAGE PART CTF FHA/JVA	10/11/02	11,876,000
OCCIDENTAL PETE CORP CV SUB	03/15/94	1,216,800
SECURITY PACIFIC NT ZERO	12/01/86	4,189,767
STATE FEDL S/L TUCSON ARIZ	01/01/09	3,797,259
TRI CITY PROPERTY INVESTORS	03/01/01	2,210,889
TRI CITY PROPERTY INVESTORS	03/01/03	2,623,589
TRI CITY PROPERTY INVESTORS	03/01/04	10,087,500
UNION BANKCORP NOTE	11/21/88	32,054,581
UNITED SAYS ASSN HOUSTON TX	09/05/88	17,959,378
US BANKCORP PRIVATE PROM NOTE	03/01/06	11,496,102
VALLEY NATIONAL CORP ARIZ	11/01/93	4,887,500
WELLS FARGO & CO MED TERM NT	12/22/88	7,200,000
HIBERNIA NATL BK NEW ORLN C/D	12/22/88	6,200,000
MERCANTILE NATL BK DALLAS C/D	12/19/88	13,000,000
NORTH WEST MINN C/D	12/04/88	5,801,812
REPUBLIC NATL BK DALLAS C/D	12/29/88	

\$ 581,087,776

U.S. GOVERNMENT OBLIGATIONS

ISSUE	MATURITY	MARKET VALUE
FEDERAL FARM CR BA	4/22/91	\$ 1655500
FEDERAL FARM CR BA	9/2/86	2093239
FEDERAL FARM CREDI	10/20/86	2992500
FEDERAL FARM CR BA	3/1/88	1520625
FEDERAL FARM CR BA	4/20/89	2807000
FEDERAL FARM CR BA	1/20/93	3780000
FEDERAL FARM CR BA	7/20/89	1624200
FEDERAL FARM CR BA	1/20/87	2109400
FEDERAL FARM CR BA	9/01/88	4207800
FEDERAL FARM CR BA	10/22/86	3096800
FEDERAL HOME LN BK	12/26/86	4200000
FEDERAL HOME LN BK	3/25/93	3830000
FEDERAL HOME LN BK	6/25/88	3931200
FEDERAL HOME LN BK	10/25/88	606900
FEDERAL HOME LN BK	1/25/89	2521000
FEDERAL HOME LN BK	12/29/88	2108800
FEDERAL HOME LN BK	10/8/89	1540784
FEDERAL HOME LN MT	3/30/80	975520
FEDERAL HOME LN MT	8/30/87	1881558
FEDERAL HOME LN MT	10/1/97	2150400
FEDERAL NATL MTG A	9/10/86	2897100
FEDERAL NATL MTG A	10/10/85	1995600
FEDERAL NATL MTG A	12/10/85	524700

FEDERAL	NATL	MTG	A	498480
FEDERAL	NATL	MTG	A	3053299
FEDERAL	NATL	MTG	A	318400
FEDERAL	NATL	MTG	A	1235010
TIOR 1				3940800
UNITED STATES TREA				210000
UNITED STATES TREA				210000
UNITED STATES TREA				814370
UNITED STATES TREA				5403090
UNITED STATES TREA				6004340
UNITED STATES TREA				2524860
UNITED STATES TREA				6100920
UNITED STATES TREA				7592760
UNITED STATES TREA				6949670
UNITED STATES TREA				7434980
UNITED STATES TREA				7430000
UNITED STATES TREA				1640770
UNITED STATES TREA				5204860
UNITED STATES TREA				11026000
UNITED STATES TREA				2721876
UNITED STATES TREA				7373405
UNITED STATES TREA				5237500
UNITED STATES TREA				441950
UNITED STATES TREA				7724010
UNITED STATES TREA				8582478
UNITED STATES TREA				4457479
UNITED STATES TREA				5640910
UNITED STATES TREA				7028419
UNITED STATES TREA				8829339
UNITED STATES TREA				10012500
UNITED STATES TREA				5548080
UNITED STATES TREA				2971859
UNITED STATES TREA				14048020
UNITED STATES TREA				5674360
UNITED STATES TREA				8112479
UNITED STATES TREA				5544295
UNITED STATES TREA				7067760
UNITED STATES TREA				1553005
UNITED STATES TREA				7107170
UNITED STATES TREA				7089669
UNITED STATES TREA				15529648
UNITED STATES TREA				5218750
UNITED STATES TREA				6737640
UNITED STATES TREA				17686750
UNITED STATES TREA				6881976
UNITED STATES TREA				7236250
UNITED STATES TREA				4110000
UNITED STATES TREA				7168419
US TREASURY BILL				11,841,645
US TREASURY BILL				91,337,834
US TREASURY NOTE				10,166,700
US TREASURY NOTE				60,880,800
US TREASURY NOTE				40,962,400
US TREASURY NOTE				75,984,000
US TREASURY NOTE				45,225,000
US TREASURY NOTE				49,875,000

\$ 728,268,678

SUMMARY OF INVESTMENTS BY ASSET GROUP

COMMON STOCKS	\$ 1,504,521,205
BONDS	1,309,336,454
MORTGAGES AND MORTGAGE BACKED SECURITIES	505,962,409
REAL ESTATE	382,116,921
SHORT TERM INVESTMENTS	1,045,446,620
	\$ 4,747,363,609