
Comprehensive Annual Financial Report

for the

*Teachers' Retirement System of Oklahoma —
a Component Unit of the State of Oklahoma*

For the Fiscal Year Ended June 30, 1997

Prepared by the Retirement System Staff

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The 1997 Annual Report of the Teachers' Retirement System of Oklahoma is prepared in accordance with Title 70, O.S. Supp. 1989, Section 17-106.1. Three-thousand (3,000) copies have been printed by the Department of Central Services, Central Printing Division, at a cost of \$8,472.95. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries

Introductory Section



FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

TO THE BOARD OF TRUSTEES OF THE
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA:

The Management of the Oklahoma Teachers' Retirement System (known collectively as TRS or the System) presents the Comprehensive Annual Financial Report for the Teachers' Retirement System of Oklahoma, a component unit of the State of Oklahoma, for the year ended June 30, 1997.

Established by legislation, the System began operation July 1, 1943, and concluded its fifty-fourth year on June 30th. The System provides retirement allowances and other benefits to public education employees in the common schools, vocational-technical schools, colleges and universities, and other local and state educational agencies of the State of Oklahoma. At the close of business on June 30, 1997, the System had 636 participating employers, 79,510 active members, 9,789 inactive members and 30,902 retired members and beneficiaries receiving monthly benefits.



The 1997 Comprehensive Annual Financial Report is presented in five sections: the Introductory, Financial, Actuarial, Statistical, and Investment. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, all data in the report is accurate in all material respects and is reported in a manner designed to present fairly the plan net assets and changes in plan net assets of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

ECONOMIC CONDITION AND OUTLOOK

The year ending June 30, 1997, continued to see an expansion of capital markets which began in the Fourth Quarter of 1994. With stable interest rates and low inflation, stocks continued their remarkable climb, setting several new record highs. Concerns continue to increase for slower growth during calendar year 1998. The economy of the State of Oklahoma has been improving. Tax revenues were up in 1997 and projections indicate continued growth during 1998.

MAJOR INITIATIVES

On July 1, 1992, several major changes in legislation became effective. Senate Bill 568, enacted in May 1992, changed the funding method to provide the System with a guaranteed percentage of employees' pay. During the year ended June 30, 1997, the System received 9.5% of employees' pay from the State and local employers. This was in addition to the contribution required by each member, which many employers pay under Section 414(h) of the Internal Revenue Code. Senate Bill 568 requires local school districts and other employers to supplement the State's (employer) contribution from the tax on natural gas by making the contribution necessary to reach the statutory 9.5%. The combined State and employer contribution rate will gradually increase from 9.5% to 18% by the year 2005. Retirement eligibility requirements were modified for members joining the System after June 30, 1992, by changing the "Rule of 80" to a "Rule of 90" for new members and eliminating credit for unused sick leave for these members. The \$40,000 salary "cap" on contributions and retirement benefits was removed for service performed after June 30, 1995, and member contribution rates will change to a straight 7% of compensation after June 30, 1997. Another provision of SB 568 allowed members who elected to contribute on only the first \$25,000 of compensation to "buy up" on compensation above \$25,000 for the period between 1987 and 1995. This allowed those members to receive the same benefit calculation provided to members who had originally elected to contribute on salaries above \$25,000.

Senate Bill 527, enacted during the 1995 Legislative session, was modified in 1996 by passage of Senate Bill 832. The main elements of each of these measures address the level of retirement contributions by higher education employees. A \$40,000 "salary cap" on contributions and benefits was scheduled to be removed effective July 1, 1995. Senate Bill 527 extended the salary cap for all higher education employees for two years. Senate Bill 832 amended the 1995 law by removing the salary cap on all higher education employees except employees at the University of Oklahoma and Oklahoma State University. The salary cap for employees of the two comprehensive universities was extended for five years and will increase \$5,000 per year until removed in 2002.

The Oklahoma Teachers' Retirement System Fiscal Health Task Force began meeting in March 1996 to study the System's financial condition and funding problems. A special report was presented to the Legislature in January 1997. The bi-partisan study group composed of 16 members appointed by the Governor and legislative leaders recognized the need for additional revenues, but did not recommend new revenue sources. In addition, a second task force established by The State Chamber of Commerce studied TRS' funding problems and how those problems impact the State's education system. The State Chamber report also called for additional revenue to fund TRS' obligations. A third task force authorized by the Governor and legislative leaders is scheduled to begin work in the Fall of 1997. This 30-member group composed of educators and business leaders will be appointed by the Governor, President Pro Tempore of the State Senate and the Speaker of the Oklahoma House of Representatives.

In 1997, the Board of Trustees employed a new index equity manager to invest \$800 million in a fund designed to duplicate the S&P 500 index. The Board adopted a new asset allocation model with targets of 65% in equity and 35% in fixed income, which will increase the System's commitment to international securities and further diversify allocations in domestic fixed income and equities.

FINANCIAL INFORMATION

A system of internal controls is in place to safeguard the System's assets and promote its efficient operation. TRS is audited annually. The System also has its own internal audit program with an Internal Auditor who reports directly to the Executive Secretary and provides written and oral reports to the Board of Trustees on a regular basis. The Internal Auditor position was vacant during the reporting period, but will be filled during Fiscal Year 1998. The System operates according to an administrative budget approved annually by the Board of Trustees. Although revenue is not appropriated from the State General Fund, the administrative budget is submitted to the Legislature as part of the Governor's recommended budget. TRS operates under the same budgetary controls applied to all state agencies. Administrative expenses of the System are processed in accordance with State statutes and regulations of the Office of State Finance and Department of Central Services.

The financial statements of the System are prepared in conformity with generally accepted accounting principles (GAAP). TRS and the other public retirement systems operated by the State adopted new accounting requirements to comply with the Governmental Accounting Standards Board's (GASB) Statement No. 25. The primary change is to state the value of investments at market instead of cost.

REVENUE AND FUNDING

The major sources of revenue for TRS are member contributions, employer contributions from local schools and the State of Oklahoma, and investment income. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Active member contributions for Fiscal Year 1997 were \$173 million, which represented approximately 7.1% of covered payroll. This compares to \$149.9 million for the year ending June 30, 1996. Member contributions increased due to a change in the contribution rate on earnings above \$25,000 and an increase in overall membership. Total salaries for active members were \$2.428 billion.

Contributions from employers, the State of Oklahoma, and federal sources for Fiscal Year 1997 were \$276.7 million, compared to \$177.2 million for 1996. Contributions from local school districts and state revenues increased \$59.5 million and revenue from the tax on natural gas increased by \$40 million. TRS receives 56% of the natural gas tax collected by the State of Oklahoma and this represents the employer contributions made by the State.

During Fiscal Year 1997, state and local employer contributions exceeded the statutory funding requirements established by passage of Senate Bill 568. The overage will carry over and balance any shortfall of revenues from the tax on natural gas in future years. The funding schedule contained in Senate Bill 568 provides for adjustments in employer contributions from year to year when state revenues do not equal anticipated levels.

The results of the actuarial valuation conducted by the System's actuary as of June 30, 1997, are included in the Actuarial Section. The System's relative funded position for the year ending June 30, 1997, improved slightly from 1996, due mainly to investment returns exceeding expectations and an increase in revenues from the natural gas tax. Total unfunded liabilities decreased from \$4.740 billion to \$4.712 billion. Based on the current funding schedule (SB 568), unfunded liabilities had been projected to increase by \$207.4 million. With the increase in investment returns and the unexpected increase in revenues from the natural gas tax, unfunded liabilities decreased by \$27.9 million, a net positive change of \$235.3 million. The actuarial yield on assets at 13.5% exceeded the 8% actuarial assumed rate of return. The System's actuarial value of assets grew by \$441.9 million. The actuary's report continues to stress the importance of the future income stream that will be provided by Senate Bill 568. Without the increased level of employer contributions, the System's funding status will continue to deteriorate and could eventually impact the System's ability to pay benefits.

The actuarial report shows assets available to pay benefits to be 42.9% of actuarial accrued liabilities (AAL). This is an increase from the 1996 figure of 39.6%. It has been reported in the national media that the System is one of the five worst-funded public pension plans among 88 statewide teacher and/or public employee retirement systems. The funding provisions of Senate Bill 568, if maintained, should correct the System's underfunded status by the year 2014.

EXPENSES

Expenses of the System are attributable to retirement benefit payments, including health insurance subsidies, death and survivor benefits, refunds of member contributions and administrative expenses. During the year ended June 30, 1997, the System paid \$24.7 million more in benefits, refunds and annuity payments than the preceding year. Administrative expenses increased by \$187,290. The increase in benefits is attributed to a net increase in the number of retired members receiving retirement and health insurance benefits.

INVESTMENTS

Net investment income including realized gains and appreciation on investments of \$736.2 million during FY 1997 were positive contributors to the fund's financial status. Net assets totaled \$4.309 billion at market value on June 30, 1997, compared to \$3.561 billion on June 30, 1996. The System's investment portfolio mix at market value was 31.8% fixed income, 62.9% equities and 5.3% cash and short-term investments. As trustee for members' funds, the System is responsible for investment of the funds under the prudent person standard. This standard permits the System to allocate trust funds across a broad group of asset classes. The Board of Trustees elected to limit investments to stocks and bonds, Guaranteed Investment Contracts (GICs), Treasury Bills and Notes, Commercial Paper, foreign currency exchange contracts, and bank deposits collateralized by U.S. Government securities.

The System's time-weighted rate of return for the year ended June 30, 1997, was 21.2%. This was up from a 14.8% return for 1996. Annualized three-year and five-year total returns were 16.9% and 13.2%, respectively. The System's long-term goal to exceed by 3% the rate of inflation measured by the CPI has been achieved for both the three-year and five-year periods. A summary of the System's investment activities during FY 1997 and historic performance results is presented in the Investment Section. A complete listing of securities held by the Teachers' Retirement System as of June 30, 1997, can be found at the end of the Investment Section.

INDEPENDENT AUDIT

The System is audited annually by independent auditors retained for this purpose by the State Auditor and Inspector. In addition to the audit of the System's financial statements, state statutes require the auditor to perform tests of the System's compliance with certain provisions of laws and regulations. The Independent Auditors' Report is contained in the Financial Section.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Oklahoma for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the fourth year the System's *Annual Report* has received this distinction.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to GFOA program standards. Such CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

This report reflects the combined efforts of the TRS staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

The success of any organization is directly attributable to the dedication, commitment, and proficiency of the personnel. I would like to take this opportunity to express my gratitude to the Board of Trustees, the staff, the advisors, and the many people who have worked so diligently to assure the successful operation and improvement of the financial soundness of the Teachers' Retirement System of Oklahoma.

This report is being mailed to the Governor, members of the Oklahoma Legislature, the Oklahoma State Pension Commission and to each school site of the participating employers of the Teachers' Retirement System. Copies of the report are available upon request by active and retired members of the System and other interested parties. We hope you find this report informative and helpful.

Sincerely yours,



Tommy C. Beavers
Executive Secretary
November 1, 1997



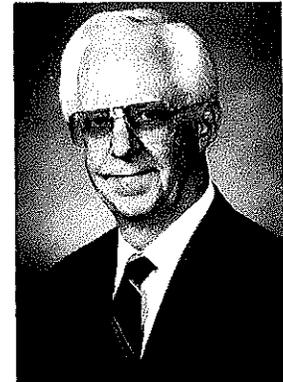
FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

FROM THE CHAIRMAN OF THE BOARD OF TRUSTEES . . .

To the Members of the Teachers' Retirement System:

Representing the diverse interests reflected in the Teachers' Retirement System of Oklahoma can be a sobering challenge for the members of the Board of Trustees. The interests of the active members, the retired members, the employers and the State of Oklahoma often seem at odds with no obviously easy means of reconciling the differences. It is even more sobering when it is understood that the trustees have control of neither the sources nor the funding, nor of determining the benefits.



Perhaps the common thread that runs through all the interests is the desire for the system to be financially sound. Active members would agree that financial soundness in the system is desirable so that it can pay their benefits when they retire. The retired members would want a financially sound system so that they could expect a COLA with some degree of regularity. Certainly the State of Oklahoma would want a financially sound system because of the political and constitutional implications of a seemingly intractable actuarial unfunded liability.

Part of the problem resides in the fact that there appears to be little agreement on the definition of financial soundness. The retired member looks at the annual report and sees that assets total nearly \$4.7 billion and that the system is still taking in more than it is paying out. The actuary looks at the same report and determines that the system has an actuarial unfunded liability approaching \$4.7 billion. It is, in fact, one of the most poorly funded systems in the country with assets representing only 42.9% of total liabilities.

It is not productive at this point to try to determine blame for the problem because there is plenty to go around. While it is true that the Oklahoma Legislature determines both the funding source and the level of benefits, it does not function in a vacuum. Increases in benefits have come almost totally as a result of intense lobbying by one or more interest groups. In most instances in the past, benefits were granted without the slightest idea about how they would be funded. Indeed, many of us can remember not many years ago when a common attitude among legislators was "grant the benefit and worry about the funding later." The result has been a growing unfunded actuarial liability that demands to be addressed.

From my perspective, one of the most positive signs that has appeared in a long time is the recognition by many leaders in the Oklahoma Legislature that there is, indeed, a problem. And, perhaps more importantly, they are seriously seeking solutions. Thus, a significant step has been taken on the road to financial soundness.

It isn't entirely true that the Trustees have no control over sources of funding for the System. They do make decisions that control the managing of the investment portfolio and every effort is made to get the highest possible yield consistent with reasonable risk and thus to maximize the funds that come from that source. Other decisions made by the Trustees are invariably based on the implications that these decisions would ultimately have on the financial soundness of the System.

The situation is certainly not hopeless. The System has been well managed and it operates efficiently. And when responsible State leaders combine their efforts to seek solutions, they usually are successful.

Sincerely,

Dr. C. Wayne Bland
Chairman, Board of Trustees
Teachers' Retirement System of Oklahoma



**Organization
of the
Teachers' Retirement System of Oklahoma**

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The Teachers' Retirement System of Oklahoma

Board of Trustees

Mr. George W. Barnes
Oklahoma City

Dr. C. Wayne Bland
Tulsa
Chairman

Mr. Thomas E. Daxon
Director of State Finance

Mr. Tommy G. Fulton
Del City
Vice Chairman

Ms. Sandy Garrett
State Superintendent of Public Instruction

Mr. Robert C. Gates
Broken Arrow

Mr. John C. Kahre
Tulsa

Ms. Brenda J. Potter
Ardmore

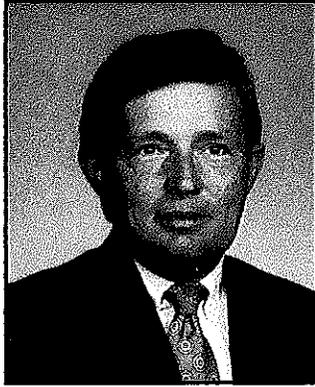
Ms. Susan L. Raasch
Claremore

Mr. Marshall Snipes
Oklahoma City

Ms. Celeste L. Tillery
Claremore
Secretary

Mr. Ron Wallace
Oklahoma City

Dr. Gregory Z. Winters
Harrah



Tommy C. Beavers
Executive Secretary

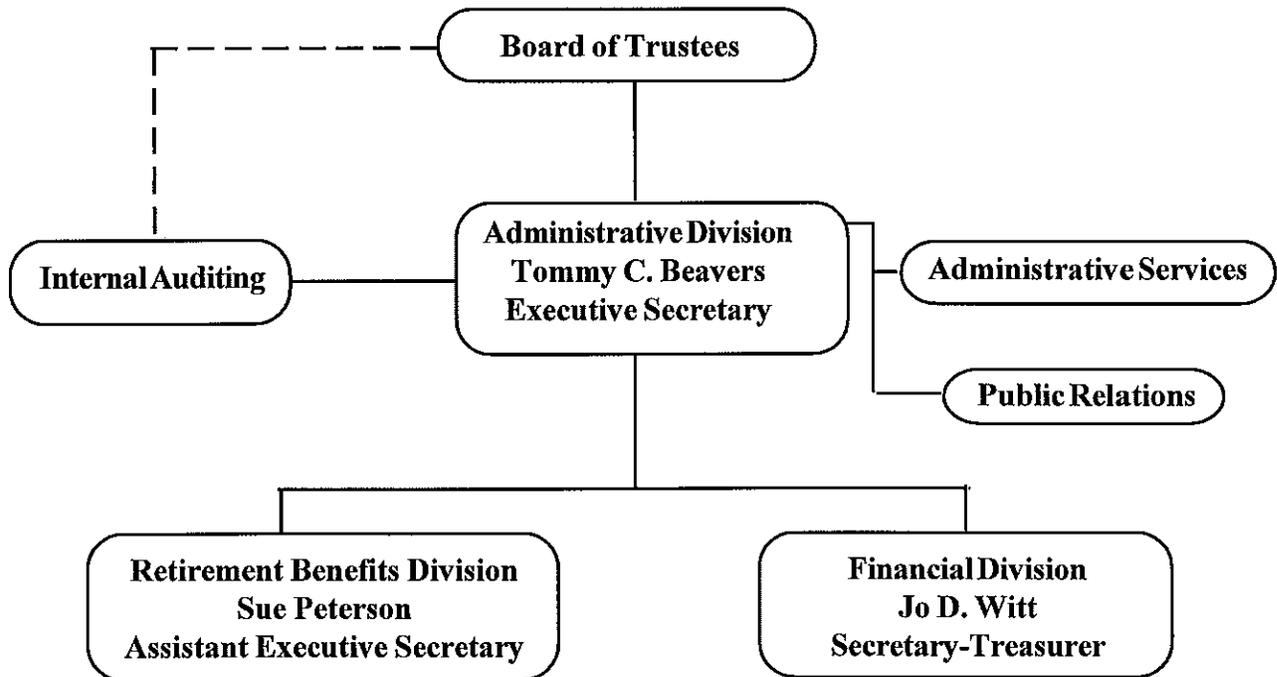


Sue H. Peterson
Assistant Executive Secretary



Jo D. Witt
Secretary-Treasurer

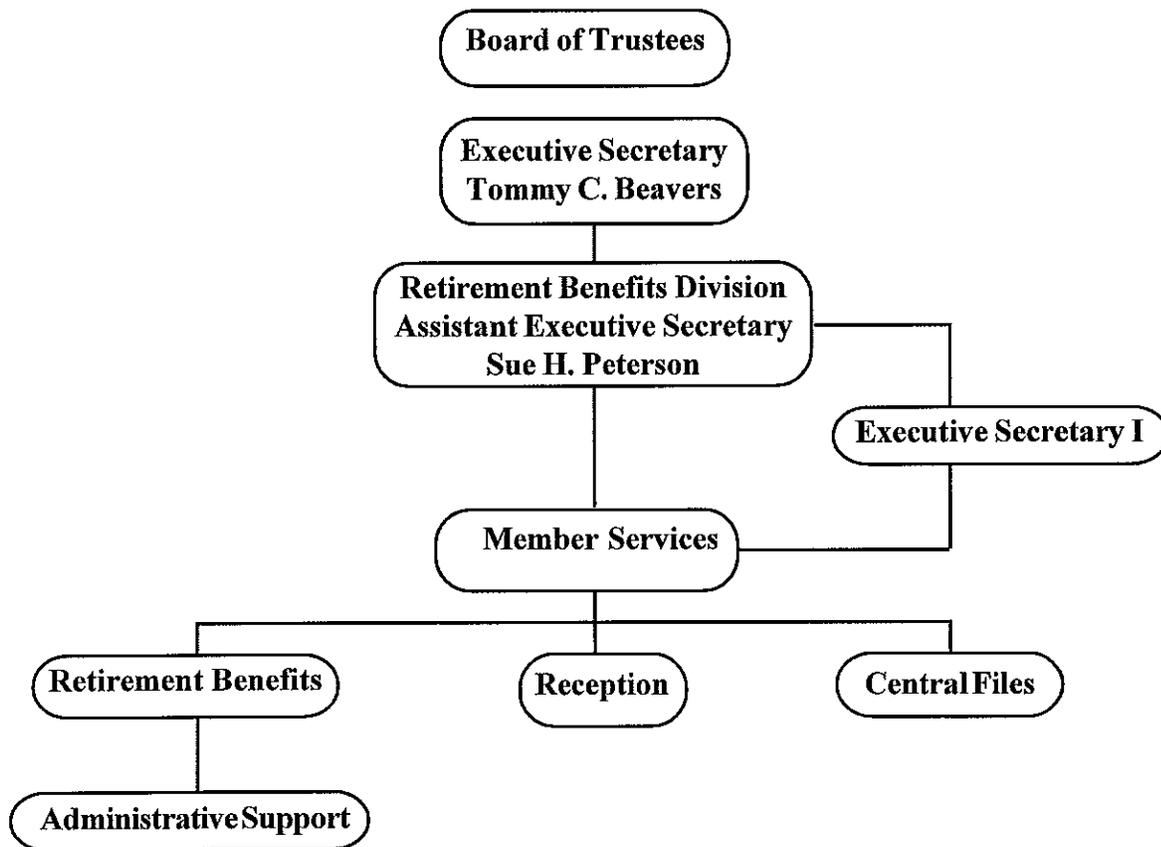
The Teachers' Retirement System of Oklahoma Organizational Chart



The Teachers' Retirement System of Oklahoma

Retirement Benefits Division

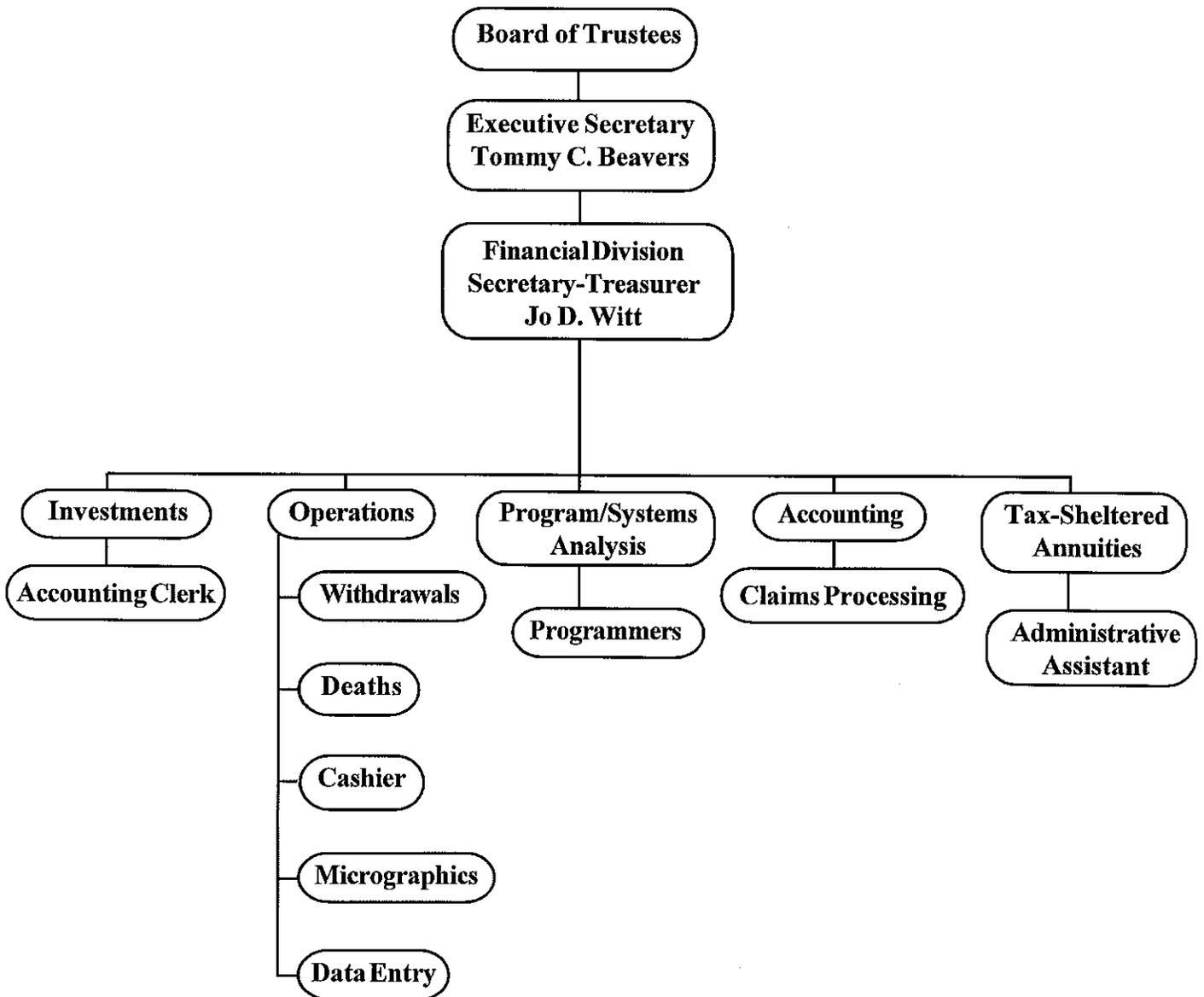
Organizational Chart



The Teachers' Retirement System of Oklahoma

Financial Division

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement System of Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

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.



Linda K. Savitsky
President

Jeffrey L. Essler
Executive Director

Professional Consultants and Advisors

Domestic Equity Managers

Liberty Investment Management, Large Capitalization Growth
Tampa, Florida

Hotchkis and Wiley, Large Capitalization Value
Los Angeles, California

Tom Johnson Investment Management, Large Capitalization Core
Oklahoma City, Oklahoma

Bankers Trust Company S&P 500 Index Fund
New York, New York

Bankers Trust Company Russell 2000 Small Capitalization Index Fund
New York, New York

Domestic Fixed Income Managers

Investment Advisers, Inc., Active Long Maturity
Minneapolis, Minnesota

Liberty Bank & Trust, Active Intermediate Maturity
Oklahoma City, Oklahoma

Mellon Bond Associates, Passive Intermediate Maturity
Philadelphia, Pennsylvania

Neuberger & Berman Pension Management, Active Intermediate Maturity
New York, New York

International Managers

Brinson Partners, International Balanced Management
Chicago, Illinois

Brandes Investment Partners, International Equity
San Diego, California

Advisors and Consultants

Bankers Trust Company, Master Custodian
New York, New York

Marquette Alliance, Inc., Investment Consultant
Tulsa, Oklahoma

Watson Wyatt Worldwide, Actuarial Consultant
Dallas, Texas

KPMG Peat Marwick LLP, External Auditors
Oklahoma City, Oklahoma

The Office of the Oklahoma Attorney General, Legal Counsel

Financial Section

Teachers' Retirement System of Oklahoma

**FINANCIAL STATEMENTS
JUNE 30, 1997, AND 1996**

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Teachers' Retirement System of Oklahoma:

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of Oklahoma (the System), a component unit of the state of Oklahoma, as of June 30, 1997 and 1996, and the related statements of changes in plan net assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

As discussed in note 2, the System's actuary has determined that the System's unfunded actuarial accrued liability is approximately \$4,712,300,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes and if any changes further reduce or delay the implementation of the funding schedule the funding period will increase.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of Oklahoma at June 30, 1997 and 1996, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

As noted in Note 3(j) to the financial statements, the System adopted Governmental Accounting Standards Board statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions," during 1997 effective as of July 1, 1995.



In accordance with *Government Auditing Standards* we have also issued a report dated October 24, 1997, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

The information included on pages 18-20 is not a required part of the basic financial statements of the System, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPM & Peat Marwick LLP

Oklahoma City, Oklahoma
October 24, 1997

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Statements of Plan Net Assets

June 30, 1997 and 1996

<u>Assets</u>	<u>1997</u>	<u>1996</u>
Cash	\$ 4,849,032	3,713,877
Short-term investments	220,108,437	128,163,454
Long-term investments	4,068,686,826	3,414,147,566
Security lending institutional daily assets fund	341,361,543	234,350,169
Accrued interest and dividends receivable	25,390,457	28,337,074
Contribution receivable	25,224,624	-
Receivable from state of Oklahoma	9,863,177	11,128,546
Due from brokers for securities sold	1,376,842	24,492,330
Land, furniture and fixtures, net	<u>314,233</u>	<u>244,517</u>
Total assets	<u>4,697,175,171</u>	<u>3,844,577,533</u>
<u>Liabilities and Reserved Funds</u>		
Benefits in process of payment	15,539,978	15,229,420
Due to brokers for securities purchased	30,630,632	33,485,254
Payable under security lending agreement	341,361,543	234,350,169
Compensated absences	<u>127,803</u>	<u>115,568</u>
Total liabilities	<u>387,659,956</u>	<u>283,180,411</u>
Net assets held in trust for pension benefits and annuity benefits (note 3h) of electing members (a schedule of funding progress is presented on page 18)	\$ <u>4,309,515,215</u>	<u>3,561,397,122</u>

See accompanying notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Statements of Changes in Plan Net Assets

Years ended June 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Additions:		
Contributions:		
Members	\$ 173,003,479	149,884,939
Employer	114,626,865	55,111,484
State of Oklahoma and various federal sources	<u>162,115,124</u>	<u>122,083,443</u>
Total contributions	<u>449,745,468</u>	<u>327,079,866</u>
Investment income:		
Interest	107,430,221	103,029,538
Dividends	47,881,173	44,728,837
Net appreciation in fair value of investments	588,476,445	320,480,844
Less investment expenses	<u>(7,589,806)</u>	<u>(6,816,327)</u>
Net investment income	<u>736,198,033</u>	<u>461,422,892</u>
Other revenue	<u>197,238</u>	<u>84,740</u>
Total additions	<u>1,186,140,739</u>	<u>788,587,498</u>
Deductions:		
Retirement, death, survivor, and health benefits	418,015,034	396,147,031
Refund of member contributions and annuity payments	34,633,635	31,814,168
Administrative expenses	<u>2,401,727</u>	<u>2,214,437</u>
Total deductions	<u>455,050,396</u>	<u>430,175,636</u>
Net increase	731,090,343	358,411,862
Net assets held in trust for pension benefits:		
Beginning of year	3,561,397,122	3,202,985,260
Cumulative effect of a change in an accounting policy (note 2a)	<u>17,027,750</u>	<u>-</u>
End of year	<u>\$ 4,309,515,215</u>	<u>3,561,397,122</u>

See accompanying notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements

June 30, 1997 and 1996

(1) Description of the System

The following brief description of the Teachers' Retirement System of Oklahoma (the System) is provided for general information purposes only. Participants should refer to Title 70 of the Oklahoma Statutes, 1981, sections 17-101 through 116.9 as amended.

The System was established as of July 1, 1943, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a component unit of the state of Oklahoma, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the state of Oklahoma. The supervisory authority for the management and operation of the System is a 13-member board of trustees which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a multiple-employer, cost-sharing public employee retirement system which is a defined benefit pension plan covering all employees of the public school system.

The System's membership consisted of the following as of June 30:

	<u>1997</u>	<u>1996</u>
Retirees and beneficiaries currently receiving benefits	30,902	29,984
Terminated vested participants	2,772	2,709
Active participants	<u>79,510</u>	<u>78,942</u>
	<u>113,184</u>	<u>111,635</u>

There are 633 contributing employers in the System. In addition, there were 7,017 and 7,136 of nonvested inactive participants at June 30, 1997 and 1996, respectively, who are entitled to a refund of their accumulated contributions.

The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The System does not provide for a cost-of-living adjustment. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after ten years of credited Oklahoma service. Members who joined the System on June 30, 1992, or prior, are eligible to retire at maximum benefits when age and years of creditable service total eighty. Members joining the System after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total ninety. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive full benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service. Final compensation for members who joined the System prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

members joining the System after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are one-twelfth of this amount.

- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. If the deceased, in-service member joined the System prior to July 1, 1992, the beneficiary will receive an additional death benefit of \$18,000. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death.
- Upon the death of a retired member, the System will pay \$4,000 to the designated beneficiary, in addition to the benefits provided for by the retirement option selected by the member.
- If the joint annuitant predeceases the retired member, the member's benefit is increased to the amount the benefit would have been if the member had elected a life only annuity.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Transfer of service credit between the System and the Oklahoma Public Employees Retirement System is permitted. Senate Bill 768 changes the joint options to "pop-up" options. This change was made for both current and future retirees.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the Internal Revenue Code under Code section 403(b). The assets of the Plan remain the property of the employer until paid or made available to participants, subject to claims of the System's general creditors.
- The contribution requirements of the System are an established rate determined by the Oklahoma Legislature and are not an actuarial calculation. See note 5 for discussion of contribution rate by employers and employees.

For retirees that elect to obtain health insurance coverage through the Oklahoma State and Education Employees Group Insurance Board (the Board), the System pays between \$70 and \$75 per month to the Board for each retiree, depending on the members' years of service. The System performs no administrative functions related to the health insurance coverage provided through the Board. Such amounts were approximately \$19,580,000 and \$19,432,000 in 1997 and 1996, respectively, and are included in retirement, death and survivor benefits.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

(2) Funding Status

The System's actuary conducts an annual valuation to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. This valuation shows the funded position of the System has improved slightly from the funding level at June 30, 1996. This is mainly due to the better than expected return on actuarial assets and the increase in the gas tax receipts. Other less significant actuarial losses and gains occurred due to increases in post-retirement death benefits and decreases in other liability sources. Actuarial accrued liability increased \$414 million and the actuarial value of assets increased \$442 million. The System's unfunded actuarial accrued liabilities decreased \$27.9 million. Despite the system's positive results this year, it should be noted that unfunded liabilities are expected to increase until the year 2003, due to the negative amortization created by the current funding schedule that increases employer contribution rates by 1% per year until 2005 when the combined employer contribution rate from the state and local school districts reaches 18% of active members' pay and the employee contributes 7%. (See note 5.)

The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. Based on calculations using GASB Statement No. 25, the System's funded ratio is only 42.9%. This covers 93.3% of the retiree liabilities and none of the liabilities for other members. The GASB funding ratio was 39.6% at June 30, 1996, while the retiree funding ratio was 86.5%.

The financial condition of the System and its ability to meet future obligations is predicated on a funding schedule in state statutes which provides an increasing revenue stream based on a percentage of active members' pay. Local school districts and other employers are required to contribute any difference between the statutory rate and the State's contribution of dedicated revenue which is a portion of the natural and casinghead gas tax. If the funding schedule is maintained and adequate earnings and gains are provided on investments, the System will eventually be adequately funded. If legislative changes further reduce, delay, or roll back the funding schedule as did occur during 1996, or if unfunded benefit improvements are added to the plan, the funding period will increase.

(3) Summary of Significant Accounting Policies

(a) Basis of Accounting

The System's accounting records are maintained on a cash basis except for accruals of interest income and pending investment trades. The financial statements have been adjusted to the accrual basis and are in conformity with the statements of the Governmental Accounting Standards Board.

Prior to 1997, the System reported contributions on the cash basis of accounting. In 1997, the System changed its accounting policy to report contributions on the accrual basis of accounting. The effect of this policy change was the recording of contributions receivable of approximately \$25,225,000 and a cumulative adjustment to net assets held in trust for pension benefits of approximately \$17,028,000. Benefits are reported as due and payable in accordance with the terms of the System. Refunds represent an insignificant component of total activity and are recognized as paid.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

(b) Budgetary Control

The System prepares and submits an annual budget of operating revenues and expenses on the cash basis for monitoring and reporting to the Office of State Finance. The System's budget process follows the budget cycle for State operations as outlined by the Office of State Finance.

The Executive Secretary may approve changes within the budget, but a change to the total budget must be handled according to the provision of Title 62 O.S. Sec. 41.12 of the Oklahoma Statutes.

(c) Investments

The System utilizes 11 investment counselors to perform security transactions. In addition, one bank's trust department functions as the System's custodian. Funds not invested by the investment counselors are temporarily invested by the System's internal investment group in commercial paper, repurchase agreements, treasury bills and notes, and other obligations of U.S. government agencies purchased from various primary dealers. Funds may be invested in certificates of deposit, commercial paper, repurchase agreements, equity securities, high grade corporate fixed income securities, government fixed income securities, international investments, and securities may be loaned to investment brokers.

The Plan's equity securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed-income securities are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned. Realized gains and losses on sales and exchanges of investment securities are recognized on the trade date.

(d) Land, Furniture and Fixtures

Land, furniture and fixtures are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years.

	<u>1997</u>	<u>1996</u>
Land	\$ 187,616	187,616
Furniture and fixtures	<u>815,407</u>	<u>693,146</u>
Total	1,003,023	880,762
Accumulated depreciation	<u>688,790</u>	<u>636,245</u>
Net land, furniture, and fixtures	\$ <u>314,233</u>	<u>244,517</u>

The System has commitments to lease building space from the Oklahoma State School Board Association, as well as leases on certain equipment. The future minimum commitments for operating leases as of June 30, 1997, are approximately \$130,000. The System's leases are one year renewable contracts. Rental expense for all operating leases amounted to approximately \$130,000 for each of the years ended June 30, 1997 and 1996.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

(e) Administrative Costs

Administrative costs of the System are financed through investment earnings.

(f) Income Taxes

The System is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service under Code section 401(a). The System's 403(b) Plan is also tax-exempt and has received a private letter ruling from the Internal Revenue Service.

(g) Compensated Absences

The System's employees are allowed, by statute, to accrue between 240 and 480 hours of compensated absences.

(h) Reserved and Designated Funds

Amounts included in the Teachers' Deposit Fund, the Expense Fund, and the Furniture and Fixtures Fund are not available to pay regular retirement benefits. A brief description of the major funds is as follows:

- The Teachers' Deposit Fund represents funds in the tax-sheltered annuity program which is an optional program for members.
- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System.
- The Furniture and Fixtures Fund represents amounts used to purchase various furniture and fixtures for the System.

	<u>1997</u>	<u>1996</u>
Teachers' Deposit Fund (tax-sheltered annuities)	\$ 268,122,000	236,535,000
Expense Fund	14,439,000	12,964,000
Furniture and Fixtures Fund	<u>127,000</u>	<u>57,000</u>
	<u>\$ 282,688,000</u>	<u>249,556,000</u>

(i) Plan Termination

In the event the plan terminates, the board of trustees will distribute the net assets of the System to provide the following benefits in the order indicated:

- (i) Accumulated contributions will be allocated to each respective participant, former participant, retired member, joint annuitant, or beneficiary then receiving payments.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

(ii) The balance of such assets, if any, will be allocated to each person then having an interest in the System based upon the excess of their retirement income under the plan less the retirement income which is equal to the actuarial equivalent of the amount allocated to them under (i) above in the following order:

- Those retired members, joint annuitants, or beneficiaries receiving payments,
- Those members eligible to retire,
- Those members eligible for early retirement,
- Former participants electing to receive a vested benefit, and
- All other members.

(j) Change in Accounting Policy

During 1997, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions" (Statement 28), effective July 1, 1995. Statement 28 requires reporting of securities loaned (the underlying securities) as assets in the balance sheet. It also requires that cash received as collateral on securities lending transactions and investments made with that cash be reported as assets. Securities and letters of credit received as collateral also should be reported as assets if the governmental entity has the ability to pledge or sell them without borrower default. Liabilities resulting from these transactions should also be reported in the balance sheet. Under the provision of Statement 28, the financial statements as of and for the year ended June 30, 1996, have been restated to record cash collateral and the resulting liability to return the collateral of \$234,350,169. The restatement is reflected in the security lending institutional daily assets fund and the payable under security lending agreement.

The institutional daily assets fund represents investment in Banker's Trust Company's Institutional Daily Assets Fund and is carried at amortized cost, which approximates fair value.

(4) Deposits and Investments

Cash includes amounts on deposit with the Office of the State Treasurer (State Treasurer) in a pooled account, which is required to be insured or collateralized by the Oklahoma Statutes that cover deposits of public funds by the State Treasurer. The State Treasurer determines the percentage of collateral required (102% at June 30, 1997) and is held by the State Treasurer or his agent.

GASB Statement No. 3 requires disclosure of certain information about the custodial credit risks associated with the System's deposits. In accordance with Statement No. 3, the System's deposits would generally be categorized into one of three separate categories. Category 1 includes deposits that are insured or collateralized, with securities held by the System or its agent in the System's name. Category 2 includes deposits collateralized with securities held by the counterparty's trust department or agent in the System's name. Category 3 includes uncollateralized deposits.

GASB Statement No. 3 requires disclosure of certain information about the custodial credit risks associated with the System's securities. In accordance with Statement No. 3, the System's investment securities would generally be categorized into one of three separate categories. Category 1 includes securities that are insured or registered, and for which the securities are held

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

by the System or its agent in the System's name. Category 2 includes uninsured and unregistered securities for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered securities for which the securities are held by the counterparty or by its trust department or agent, but not in the System's name.

Deposits and investments as of June 30, 1997 and 1996, are categorized as follows on page 38.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

	Fair Value	
	1997	1996
Deposits (category 1):		
Money market account:		
Domestic	\$ 2,605,000	12,000
International	<u>13,614,000</u>	<u>9,359,000</u>
Total deposits	<u>16,219,000</u>	<u>9,371,000</u>
Short-term investments (category 1):		
Commercial paper	194,544,000	109,184,000
U.S. government	<u>-</u>	<u>9,608,000</u>
Total short-term investments (category 1)	194,544,000	118,792,000
Short-term investments (noncategorized):		
U.S. government	<u>9,345,000</u>	<u>-</u>
Total deposits and short-term investments	<u>220,108,000</u>	<u>128,163,000</u>
Long-term investments (category 1):		
Fixed income:		
U.S. government	243,109,000	384,932,000
U.S. government agency securities	267,085,000	283,182,000
Corporate	280,338,000	269,265,000
Convertible debt securities	-	72,935,000
International	158,088,000	133,812,000
Equities:		
Preferred stock	-	124,000
Convertible preferred stock	-	73,864,000
Common stock	2,372,882,000	1,741,529,000
International	<u>149,155,000</u>	<u>129,592,000</u>
Total long-term investments (category 1)	<u>3,470,657,000</u>	<u>3,089,235,000</u>
Investments held by broker dealers under collateralized securities lending program:		
Long-term investments (category 3):		
Fixed income:		
U.S. government	154,373,000	88,321,000
Corporate	876,000	-
International	6,064,000	-
Equities:		
Domestic	98,237,000	-
International	<u>17,798,000</u>	<u>-</u>
Total long-term investments (category 3)	277,348,000	88,321,000
Long-term investments (noncategorized):		
Fixed income:		
U.S. government	217,026,000	113,759,000
U.S. government agency securities	5,347,000	-
Corporate	7,918,000	16,713,000
International	23,081,000	35,218,000
Equities:		
Domestic	47,178,000	31,006,000
International	<u>20,132,000</u>	<u>27,549,000</u>
Total long-term investments (noncategorized)	<u>320,682,000</u>	<u>224,245,000</u>
Total investments held by broker dealers under collateralized securities lending program	<u>598,030,000</u>	<u>312,566,000</u>
Guaranteed investment contracts (noncategorized)	-	12,347,000
Total long-term investments	<u>4,068,687,000</u>	<u>3,414,148,000</u>
Collateral (noncategorized):		
Security lending institutional daily assets fund	<u>341,362,000</u>	<u>234,350,000</u>
Total deposits and investments	<u>\$ 4,630,157,000</u>	<u>3,776,661,000</u>

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

The System is authorized by state statute to contractually loan securities to investment brokers through a security lending agreement between the System and Banker's Trust Company (lending agent) with a simultaneous agreement to return the collateral for the same security in the future. There are no board or statutory limitations on the amount of loans that can be made.

The System's lending agent lends securities on loan for collateral in the form of cash or other securities at 102% and 105% of the fair value of the domestic and international securities lent, respectively. The market value of securities on loan was approximately \$607,375,000 and \$312,566,000 at June 30, 1997 and 1996, respectively. The underlying collateral for these securities had a market value of approximately \$626,758,000 and \$324,251,000 at June 30, 1997 and 1996, respectively. Collateral of securities and letters of credit represented approximately \$285,396,000 and \$89,901,000 of total collateral at June 30, 1997 and 1996, respectively. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the balance sheet.

At June 30, 1997 and 1996, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Furthermore, the contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the lent securities. However, should a collateral deficiency occur beyond Bankers Trust Company's responsibilities, the deficiency is allocated pro rata among all lenders. There have been no losses on security lending transactions, or recoveries from prior period losses, during 1997 or 1996 resulting from the default of a borrower or the lending agent.

All securities loans can be terminated on demand by either the System or the borrower. However, the average term of the loans cannot be determined. Cash collateral is invested in the lending agent's institutional daily assets fund, which at year-end has an average maturity of 30 days. The relationship between the maturities of the investment trust and the System's loans is affected by the maturities of the securities loans made by other entities that use the lending agent's fund, which the System cannot determine.

The System is authorized by statute to engage in international investing activities. Such investments include fixed income securities, equity securities, and forward foreign currency exchange contracts. The System enters into various forward foreign currency exchange contracts with a large, highly diversified financial institution to hedge possible declines in foreign currency exchange rates in which the System invests. Generally, as the currency exchange rate fluctuates, the underlying hedged investments will fluctuate in the opposite direction. The forward foreign currency contracts are included in the international fixed income investments on the statement of plan net assets and are translated to the current currency exchange rates.

The System has investments in mortgage-backed securities pools of approximately \$318,353,000 and \$275,000,000 at June 30, 1997 and 1996, respectively. These securities are backed by the full faith of the U.S. government and/or U.S. government agencies. The market risk of these investments is reduced by the securities pool having varying interest rates and maturity dates.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

(5) Contributions

The authority to define or amend employer contribution rates is given to the board by title 70, section 17-106; all other contribution rates are defined or amended by the Oklahoma Legislature. All active members contribute to the System; however, the employer may elect to make all or part of the contribution for its employees. The contribution rates vary on pay up to \$25,000 and over \$25,000, and prior to July 1, 1995, there was a limit on pay recognized. In addition, there are special provisions for members of higher education who joined the System before July 1, 1995.

The following table summarizes the contribution rates for members *other than higher education*:

Fiscal Year	Rate of Pay Up to \$25,000	Rate of Pay Over \$25,000	Pay Maximum
1996	6%	7% (required)	None
1997	6.5%	7% (required)	None

The following table summarizes the contribution rates for *members of higher education*.

Fiscal Year	Rate of Pay	%	Pay Maximum
1996	\$27,500	6%	\$27,500, if elected to not make additional contributions on excess to \$40,000
1996	\$44,000	6%	\$44,000, if elected to make additional contributions on excess to \$40,000 or if a member prior to July 1, 1995, and had not made an election
1997	\$25,000	6.5%	\$25,000
1997	Over \$25,000	7%	Member's maximum compensation

Beginning July 1, 1997, all members must contribute 7% of regular annual compensation, not to exceed the members maximum compensation level. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. For those members employed by a comprehensive university, the following table summarized the maximum compensation level.

<u>Fiscal Year</u>	<u>For Member Who Elected the \$25,000 Limit Prior to June 30, 1995</u>	<u>For All Other Members</u>
1997	\$32,500	49,000
1998	37,500	54,000
1999	42,500	59,000
2000	47,500	64,000
2001	52,500	69,000
Thereafter	No limit	No limit

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 10.5%, 9.5%, and 8.5%, for 1998, 1997, and 1996, is applied to annual compensation up to defined caps depending upon the member's elections as previously described. The rate increases by 1% each year until July 1, 2005. Beginning July 1, 2005, and thereafter, the employer contribution rate shall be 18% of the regular annual compensation of each member. Oklahoma Statutes require the state of Oklahoma to contribute 5/7th of 78% of the natural and casinghead gas tax (the dedicated tax) collected each year. The contributions received from the state of Oklahoma are used to offset the percentage of the required employer contributions.

In 1992, the Oklahoma Legislature passed Senate Bill 568 which resulted in changes in the amount and nature in which employer contributions are fixed at certain percentages of annual compensation. The employer is now responsible for providing any differences between the dedicated tax from the state of Oklahoma and the required employer contribution. Because the employer contribution rates are fixed under Senate Bill 568, the period of amortization of the unfunded actuarial accrued liability is considered a more meaningful indicator of contribution requirements than the actuarially determined contribution requirement in accordance with Title 70, section 17-106 of the Oklahoma Statutes.

(6) Plan Amendments

In the 1996 legislative session, Senate Bill 832 was passed which resulted in the following additional plan amendments for members employed in higher education:

- The benefit formula was adjusted to consider the adjusted compensation limits for service earned between July 1, 1995 and June 30, 2001.
- Eliminated the salary cap effective July 1, 1995.
- Employee contributions were increased to 7% of annual compensation effective July 1, 1997, phased in according to the following:
 - For compensation up to \$25,000, employee contribution rates are increased to 6.5% on July 1, 1996, and 7% on July 1, 1997, and thereafter.
 - For compensation between \$25,000 and \$40,000, employee contribution rates were decreased to 7% on July 1, 1995, and thereafter.

In 1997, the Oklahoma Legislature passed the following bills which provide the following changes to the Plan, effective July 1, 1997:

House Bill 1895

- The State will pay a portion of each teacher's retirement contribution, ranging from an annual credit of \$60.15 for first year teachers to \$1,337.51 for teachers with 25 years or more. The amount paid by the state for each member must be added to the member's compensation at the local employer level.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements, Continued

House Bill 1895

- Death benefits paid to beneficiaries of retired System members will increase from \$4,000 to \$5,000.

Senate Bill 181

- This bill allows local school districts to provide a supplemental retirement for employees who have been in the school district for seven or more years. To receive benefits, the member must continue to have ten years of Oklahoma service and qualify for monthly benefits by age and/or service.
- The System is allowed to employ an in-house attorney, retain outside legal services, or continue to use the Attorney General.

Senate Bill 534

- State employees can receive retirement credit for the period in which an injury occurs and the employee begins receiving workers' compensation payments. The member can continue to receive retirement credit if the member and employer continue to contribute the amount the member would have contributed had no injury occurred.

Senate Bill 473

- Effective for calendar year 1997, post-retirement earnings are increased for many retiree under the age of 70 from \$10,000 to \$15,000 or one-half the final average salary of the retiree. Retirees whose final average salary is less than \$20,000 are not affected by this new law.
- The earnings limit for retirees age 70 or older will continue to be one-half the final average salary.

(7) Contingencies

The System is a defendant in a class action lawsuit that challenges the method of calculating benefits established by Senate Bill 568. The plaintiffs are seeking increased retirement benefits for retirees who retired prior to July 1, 1995. The estimated cost of additional retirement benefits is approximately \$25 million. The System believes that it has strong defenses against the lawsuit and that the ultimate disposition of the lawsuit will not have a significant impact on the System's financial position.

Supplementary Information

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Required Supplementary Information

Schedule of Funding Progress
 (dollars in millions)
 (unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)
June 30, 1992	\$ 2,287.1(1)	\$ 6,083.4	\$ 3,796.3	37.6	\$ 2,002.4	189.6
June 30, 1993	2,569.2(1)	6,456.9	3,887.7	39.8	2,122.0	183.2
June 30, 1994	2,697.2(1)	6,736.0	4,038.8	40.0	2,189.5	184.5
June 30, 1995	2,869.9	7,480.4	4,610.5	38.4	2,336.1	197.4
June 30, 1996	3,103.0	7,843.2	4,740.2	39.6	2,375.5	199.5
June 30, 1997	3,544.9	8,257.2	4,712.3	42.9	2,428.7	194.0

(1) The actuarial value of assets is based on book value for all investments, except equities.

See accompanying independent auditors' report.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**Required Supplementary Information****Schedule of Employer Contributions
(unaudited)**

Fiscal Year ended June 30	Annual Required Contribution	Percentage Contributed
1992	\$ 279,425,082	53.7
1993	362,206,934	54.9
1994	372,329,474	53.6
1995	385,986,674	41.8
1996	434,728,781	40.8
1997	446,459,961	62.0

See accompanying independent auditors' report.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Required Supplementary Information

June 30, 1997

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 1997
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization period	40 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment of rate of return*	8.00%
Projected salary increases*	4.50% to 7.75%
*Includes inflation at	4.00%
Cost-of-living adjustments	None

See accompanying independent auditors' report.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Teachers' Retirement System of Oklahoma:

We have audited the financial statements of Teachers' Retirement System of Oklahoma (the System), as of and for the year ended June 30, 1997, and have issued our report thereon dated October 24, 1997, which includes a paragraph referring to the System's adoption of Governmental Accounting Standards Board statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions," and a paragraph emphasizing the funded status of the System. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted other matters involving the

internal control over financial reporting that we have reported to management of the System in a separate letter dated October 24, 1997.

This report is intended for the information of the Board of Trustees, the Oklahoma State Auditor and Inspector, and management. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

Oklahoma City, Oklahoma
October 24, 1997

Investment Section



INVESTMENT REPORT

The best of times. Pinch me economy. Blue skies. Golden era. Paradise found. These glowing terms and more have been used to describe the marvelous economic times of recent years. Fiscal year end found the U. S. economy enjoying astounding glory. After more than six years of steady expansion, growth was healthy but moderating - the Goldilocks phenomenon (neither too hot nor too cold). Unemployment was at a 24-year low, yet inflation was at a 31-year low. This almost negates the theory that as the unemployment rate goes down, the inflation rate heads higher, and then as unemployment increases, inflation declines (the Phillips Curve).

Never before has inflation been so low at such an advanced stage of a business cycle, holding steady at 3% or slightly less in the past five and one-half years, the lowest level since the mid 1960s, and far below the high rates of 6% to 13% from 1973 to 1982. Low inflation benefits the economy in many ways. It reduces the cost of capital as well as the cost of borrowing for consumers. It allows for an easier monetary policy, if needed. It greatly reduces the desire to build inventories and it allows business managers to make long-term plans with more confidence. The low rate of inflation in recent years has been caused, in part, by the vigilance of central banks around the world (especially the U. S. Federal Reserve) and by the rapid growth of global competition. The Federal Reserve Board raised the federal funds rate only one time during Fiscal Year 1997, by 25 basis points on March 25, 1997.

Early in May 1997, the Congressional Budget Office, a non-partisan entity that tracks the course of the U. S. Budget and economy, handed the nation a big present. It reported it had slashed its projections for the budget deficit by \$45 billion a year for the next five years because the nation's financial troubles did not now appear to be as severe as they had in the recent past. A lot of the deficit problem had solved itself - the one solution that no one thought of. Healthy economic growth unexpectedly helped reduce the budget deficit to far less than one percent of America's Gross Domestic Product. The bond market has also rallied as a result: the supply of bonds is down because the government has less need for debt financing. During the past twelve months the annual deficit has fallen to an eighteen year low of \$44.3 billion. At the same time, Congress has agreed to cut taxes.

Despite Federal Reserve Board Chairman Greenspan's warning in December that "irrational exuberance has unduly escalated asset values," the equity markets have soared to unprecedented highs. The Dow Jones Industrial Average climbed from 5,729.98 at the beginning of the fiscal year, July 1, to close at 7,672.79 on June 30, 1997, having reached a high in June of 7,796.51. Likewise, the S&P 500 Index, a more comprehensive measure, rose from 675.88 to 885.14, peaking at 898.70.

The budget deficit was at a 24-year low, capacity expansion at a 27-year high, and corporate earnings have never before grown so strongly for such a sustained period. How did this happen? The favorable economic climate, low inflation, strong profits, only modest interest-rate pressures, and progress in reducing the government budget deficit all support the financial markets. Will it continue? Who knows. Globalization and the proliferation of information technology, major contributors to today's economy, have not been factors in the past.

What could halt this "exuberance"? Several points are worth considering. (1) Consumer spending. Between 1991 and 1996, disposable personal income has increased 29%. Over the same period, household debt has increased 41%. Americans are consistently spending more than we earn and more than we produce as a nation. Since the expansion began in 1991, one out of every four dollars in domestic spending has gone abroad. America has been able to export its inflation. (2) A decline in corporate profits or even a return to more normal levels would spell trouble for stocks. Profit performance has hinged primarily on a drop in interest costs, and monetary tightening could change this. (3) Currencies. While the dollar has appreciated modestly over the past two years, its strength has been

primarily related to a great extent to Yen-related trade. If Japan recovers, the flows may reverse, exerting downward pressure on the dollar.

Time will tell!!!

INVESTMENT COMMITTEE

The Investment Committee of the Board of Trustees of the Oklahoma Teachers' Retirement System is comprised of five members appointed by the Chairman of the Board. This committee meets the morning of the Board meeting, in open meeting, for the purpose of reviewing investment related matters, such as the investment policy and guidelines, asset allocation and investment performance. External investment managers meet with the committee for in-depth reviews. The committee recommends to the full Board any investment related action.

INVESTMENT POLICY

In general, the System's investment policy states that the Board of Trustees will operate within standard investment practices of the prudent person. In part, this statement affirms the Board will "...exercise the judgment and care in the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable safety of their capital."

The policy statement also requires the Board to diversify the investment of the funds, and act solely in the interest of the plan participants.

PORTFOLIO DIVERSIFICATION

After extensive review and research by the Board, Investment Consultant and staff, a new asset allocation model for diversification of the System's portfolio was selected in September 1996. Implementation of this target strategy calls for investing 65% of the portfolio in equities and 35% in fixed income securities. Changes from the former allocation model call for moving a large portion of domestic equities to an S&P 500 Index Fund and bringing small capitalization equities out of an index to active management. Investment in mid capitalization equities is also included. The international equity portion of the portfolio will be increased to 13% of total assets.

On the fixed income side, the decision was made to use active management to accomplish lengthening the duration of the bond portfolio and to broaden quality participation. Investment of approximately 5% of assets in an international bond portfolio will be continued.

The Board began moving toward the new strategy in the last half of the fiscal year. Investment managers are selected by the Board following a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board of Trustees. Proposals of management firms who meet the Board's standard of criteria are reviewed and those who appear to have the best credentials are personally interviewed. As of June 30, 1997 \$800 million of equity investments have been moved into a separately managed S&P 500 Index. On the fixed income side, certain managers have been allowed to invest in broader quality levels, as the Board determined those firms had sufficient research capabilities.

The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of the investment policy. They are allowed to maintain levels of cash as an alternative to securities. Management of these cash positions is the responsibility of the System's staff.

The System's equity and fixed income portfolios are currently managed by eleven external investment managers, three active domestic equity managers, one S&P 500 index manager, one small capitalization index fund manager, three active fixed income managers; one passive fixed income manager, one balanced (both stocks and bonds) international manager, and one international equity manager. The following list includes the managers and the market values of portfolios under management.

	<u>Manager</u>	<u>Market Value (millions)</u>
1.	Liberty Investment Management, Inc. (Tampa FL) Equity, Growth	\$524
2.	Hotchkis & Wiley (Los Angeles CA) Equity, Value	\$525
3.	Tom Johnson Investment Management (Oklahoma City OK) Equity, Core	\$525
4.	Bankers Trust Company (New York NY) S&P 500 Index	\$835
5.	Bankers Trust Company (New York NY) Russell 2000 Value Index	\$217
6.	Liberty Bank & Trust (Oklahoma City OK) Fixed, Intermediate	\$151
7.	Neuberger & Berman Pension Management (New York NY) Fixed, Intermediate	\$269
8.	Investment Advisors, Inc. (Minneapolis MN) Fixed, Aggregate	\$406
9.	Mellon Bond Associates (Philadelphia PA) Fixed, Passive Intermediate/ Aggregate	\$396
10.	Brinson Partners, Inc. (Chicago IL) International, Balanced	\$279
11.	Brandes Investment Partners (San Diego CA) International, Equity	\$113

INVESTMENT EXPENSES

Investment-related expenses for 1997 and 1996, respectively, including investment managers, custodian and investment consultant, were \$7,589,806 and \$6,816,327, respectively. Total domestic equity shares traded during 1997 were 30,523,695 at a net cost of \$1,391,186, or \$0.045 per share. For FY-96, 49,400,524 shares were traded at a cost of \$1,766,770, or \$0.036 per share.

INVESTMENT PERFORMANCE

Relative returns for Fiscal Year 1997 have been very good. It is anticipated that restructuring under the new asset allocation will provide positive returns relative to markets under a variety of conditions.

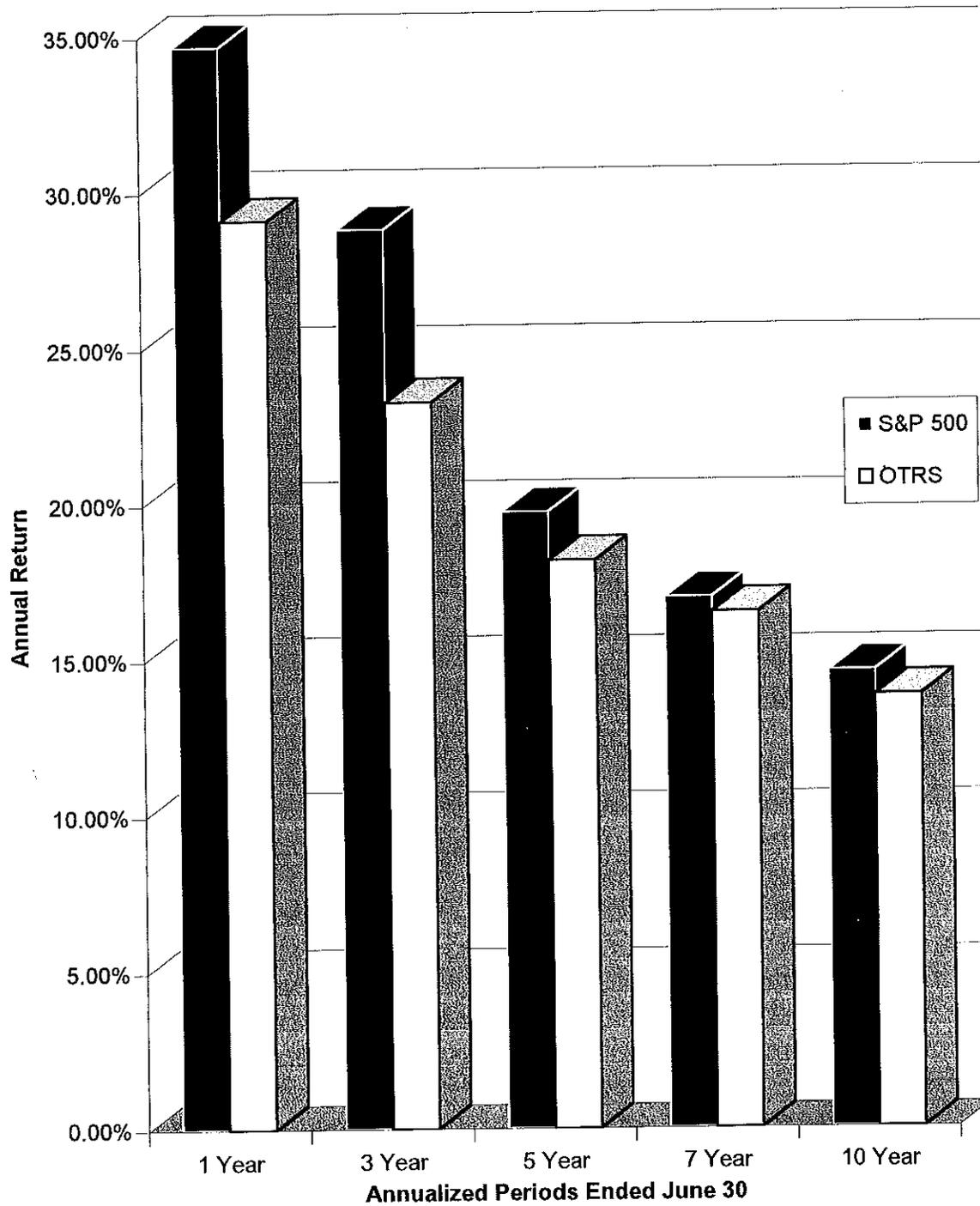
The following are the fiscal quarterly rates of return for the System's equity and fixed income portfolios, as well as the benchmarks to which they are compared:

<u>Portfolio</u>	<u>QTR I</u>	<u>QTR II</u>	<u>QTR III</u>	<u>QTR IV</u>
TRS Fixed Income Portfolio	2.06%	2.92%	(1.10%)	3.15%
Lehman Bros. Gov't/Corp. Index	1.77%	3.06%	(0.86%)	3.63%
TRS Equity Portfolio	2.56%	7.34%	2.06%	14.92%
S&P 500 Index	3.09%	8.34%	2.68%	17.46%

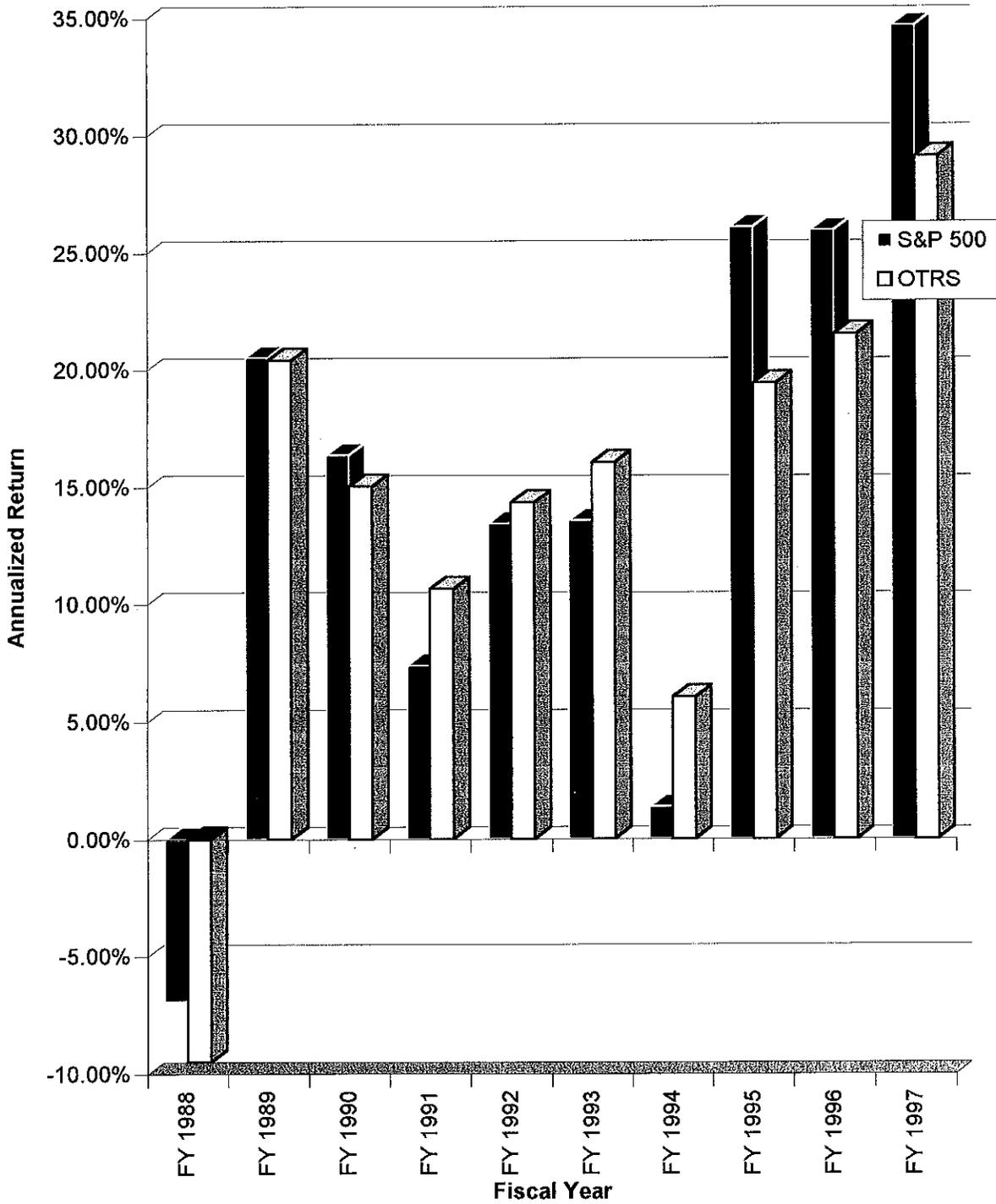
The System's total equity return for FY-97 was 29.12%, compared to the S&P of 34.70%. The total fixed income portion of the portfolio returned 7.16% vs. The Lehman Brothers Government/Corporate Index return of 7.76%. The return for the total combined portfolio for the fiscal year was 21.02%.

(NOTE: Calculations of returns were prepared using a time-weighted rate of return based on the market value of return in accordance with AIMR performance presentation standards.)

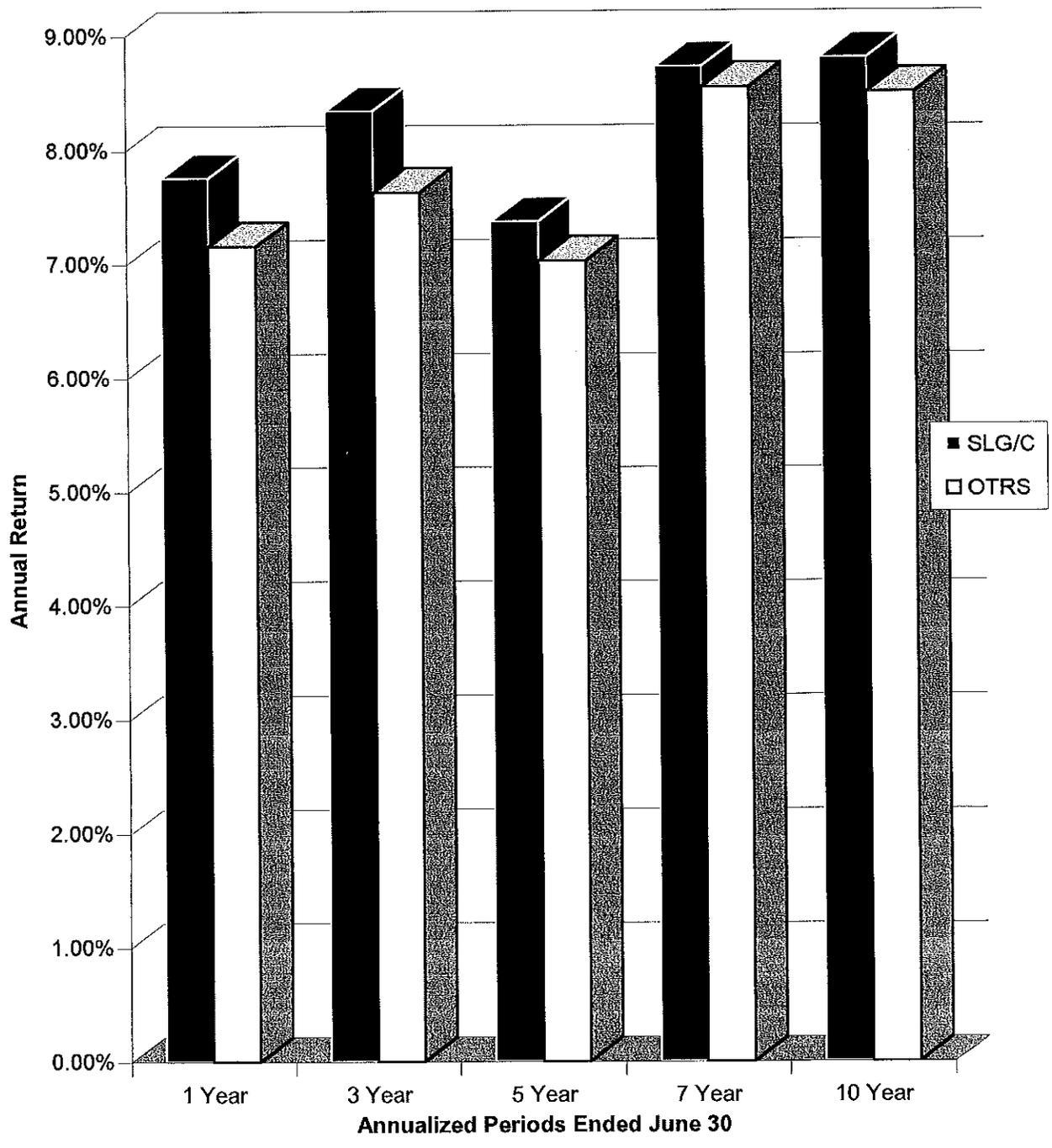
ANNUALIZED EQUITY RETURN COMPARISON S&P 500 vs. OTRS Equity Portfolio



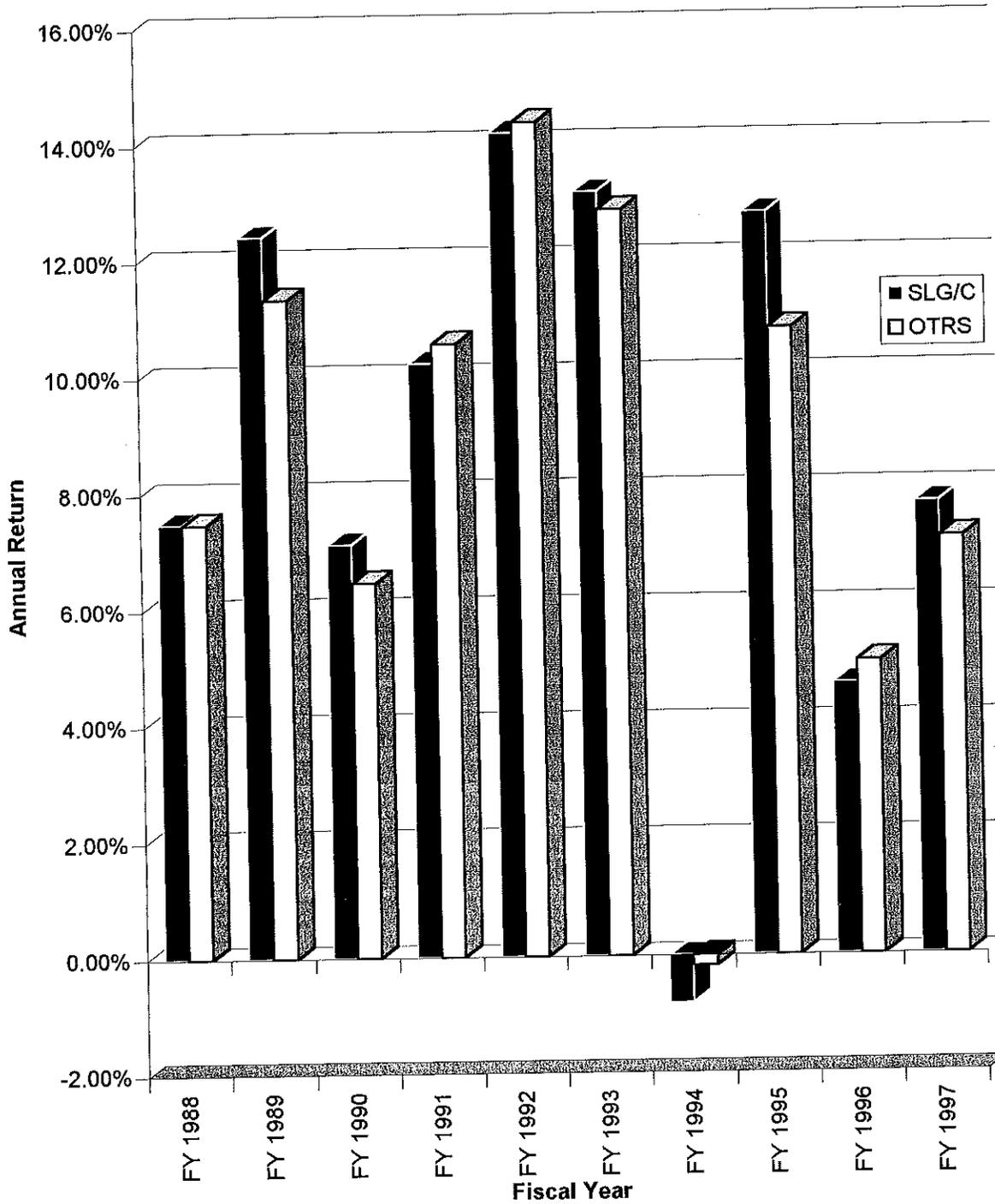
TEN YEAR ANNUAL RETURN COMPARISON
Standard & Poors 500 Index vs. OTRS Equity Portfolio



ANNUALIZED FIXED INCOME RETURN COMPARISON
Lehman Brothers Government/Corporate Index vs. OTRS Fixed
Income Portfolio



TEN YEAR ANNUAL RETURN COMPARISON
Lehman Brothers Government/Corporate Index vx. OTRS Fixed
Income Portfolio

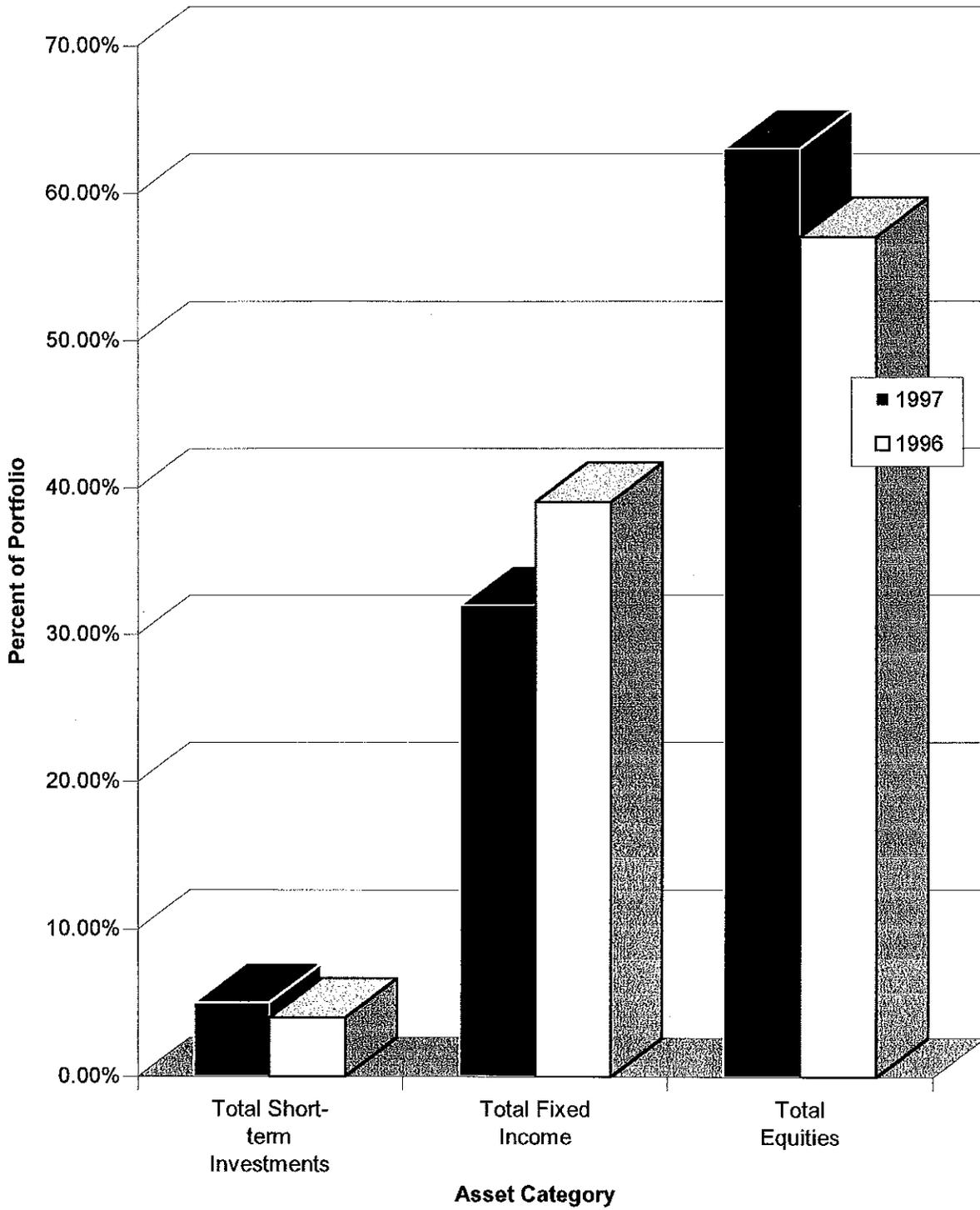


ASSET ALLOCATION

Comparison of Fiscal Years Ended June 30, 1997 and 1996

	1997 Market Value	1996 Market Value
Short-term Investments:		
Commercial Paper	\$194,544,000	\$109,184,000
U. S. Government	9,345,000	9,608,000
Money Market Account:		
Domestic	2,605,000	12,000
International	<u>13,614,000</u>	<u>9,359,000</u>
Total Short-term Investments	\$220,108,000	\$128,163,000
Long-term Investments:		
Fixed Income:		
U. S. Government	\$614,508,000	\$587,012,000
U. S. Government Agencies	272,432,000	283,182,000
Corporate	289,132,000	285,978,000
Convertible Bonds	0	72,935,000
International	<u>187,233,000</u>	<u>169,030,000</u>
Total Fixed Income	\$1,363,305,000	\$1,398,137,000
Equities:		
Preferred Stock	\$0	\$124,000
Convertible Preferred Stock	0	73,864,000
Common Stock	2,518,297,000	1,772,535,000
International	<u>187,085,000</u>	<u>157,141,000</u>
Total Equities	\$2,705,382,000	\$2,003,664,000
Guaranteed Investment Contract	\$0	\$12,347,000
Total Long-term Investments	\$4,068,687,000	\$3,414,148,000
Total Investments	\$4,288,795,000	\$3,542,311,000

ASSET ALLOCATION FOR PERIODS ENDED JUNE 30



FIXED INCOME INVESTMENTS (Cont'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
FHLMC GROUP #180782	13.000%	09/01/11	52,581	FHLMC GROUP #D18415	9.000%	05/01/22	209,158
FHLMC GROUP #187466	13.000%	11/01/13	84,063	FHLMC GROUP #D31939	8.000%	03/01/23	408,337
FHLMC GROUP #187809	13.000%	02/01/14	46,897	FHLMC GROUP #D65109	0.000%	10/01/25	423,695
FHLMC GROUP #216642	8.600%	04/01/02	32,672	FHLMC GROUP #D67619	7.500%	02/01/26	791,704
FHLMC GROUP #216897	8.000%	05/01/02	106,824	FHLMC GROUP #D73216	7.500%	07/01/26	739,827
FHLMC GROUP #217089	7.500%	05/01/02	63,682	FHLMC GROUP #E00067	8.500%	01/01/07	40,616
FHLMC GROUP #251477	12.500%	02/01/14	222,743	FHLMC GROUP #E00071	7.500%	01/01/07	130,230
FHLMC GROUP #251796	13.000%	01/01/15	97,087	FHLMC GROUP #E00185	7.000%	01/01/08	384,044
FHLMC GROUP #251821	13.000%	11/01/14	15,659	FHLMC GROUP #E00221	6.000%	04/01/08	697,051
FHLMC GROUP #256218	13.000%	06/01/15	28,934	FHLMC GROUP #E00268	6.000%	12/01/08	499,345
FHLMC GROUP #256807	13.000%	02/01/15	3,798	FHLMC GROUP #E00292	6.500%	04/01/09	742,908
FHLMC GROUP #261046	9.500%	11/01/19	114,376	FHLMC GROUP #E00420	6.500%	03/01/11	3,987,776
FHLMC GROUP #271900	13.000%	09/01/15	171,069	FHLMC GROUP #E20015	7.000%	03/01/08	288,115
FHLMC GROUP #272602	6.750%	04/01/00	44,736	FHLMC GROUP #E20017	6.500%	03/01/08	294,087
FHLMC GROUP #280491	9.000%	11/01/16	125,492	FHLMC GROUP #E20037	7.000%	07/01/08	599,612
FHLMC GROUP #292637	9.000%	05/01/17	449,673	FHLMC GROUP #E20237	6.000%	05/01/11	5,775,289
FHLMC GROUP #294662	8.500%	06/01/17	41,175	FHLMC GROUP #E36304	7.500%	04/01/07	172,322
FHLMC GROUP #303927	9.000%	05/01/18	58,170	FHLMC GROUP #E45787	7.500%	04/01/08	442,480
FHLMC GROUP #304659	9.000%	06/01/18	76,220	FHLMC GROUP #E50093	6.500%	08/01/08	813,108
FHLMC GROUP #306397	10.000%	08/01/18	33,203	FHLMC GROUP #G00506	9.500%	12/01/22	4,920,059
FHLMC GROUP #308326	9.500%	07/01/18	15,211	FHLMC GROUP #M90336	5.500%	05/01/99	636,637
FHLMC GROUP #308327	8.500%	06/01/18	101,528	FHLMC GROUP #M90340	6.500%	05/01/99	698,789
FHLMC GROUP #308457	10.000%	11/01/18	77,220	FHLMC GROUP #M90345	7.000%	05/01/99	340,651
FHLMC GROUP #360021	10.000%	02/01/18	43,075	FHLMC GROUP #N97017	7.000%	09/01/03	485,119
FHLMC GROUP #360098	9.500%	03/01/20	119,958	FHLMC MULTICLS MTG	6.500%	09/15/24	2,826,303
FHLMC GROUP #360122	9.500%	10/01/20	36,650	FHLMC MULTICLS MTG	6.500%	11/15/21	5,159,775
FHLMC GROUP #380040	10.000%	02/01/04	33,135	FHLMC MULTICLS MTG	6.500%	12/25/11	2,723,000
FHLMC GROUP #501688	8.500%	06/01/03	65,271	FHLMC MULTICLS MTG	7.000%	06/15/21	2,961,540
FHLMC GROUP #502265	10.500%	05/01/04	23,830	FHLMC MULTICLS MTG	7.000%	09/01/07	233,336
FHLMC GROUP #503923	8.500%	05/01/06	61,903	FHLMC MULTICLS MTG	7.000%	12/15/21	1,991,860
FHLMC GROUP #537795	11.000%	08/01/19	5,888	FHLMC MULTICLS MTG	7.500%	03/15/23	3,011,250
FHLMC GROUP #539462	8.500%	10/01/19	24,936	FHLMC MULTICLS MTG	7.500%	04/17/24	2,997,180
FHLMC GROUP #540090	9.000%	10/01/19	44,494	FHLMC MULTICLS MTG	7.500%	11/20/21	2,985,000
FHLMC GROUP #542546	11.000%	10/01/19	6,473	FHLMC SERIES A	6.375%	12/23/03	3,684,214
FHLMC GROUP #542819	7.500%	01/01/19	50,877	FNMA DEBENTURES	8.200%	03/10/16	1,928,947
FHLMC GROUP #544794	9.500%	01/01/20	37,057	FNMA DEBENTURES	8.950%	07/10/97	750,465
FHLMC GROUP #548780	9.500%	04/01/20	78,578	FNMA MED TERM NTS	5.710%	03/18/98	19,837,495
FHLMC GROUP #552314	9.000%	08/01/20	108,536	FNMA MED TERM NTS	6.850%	09/19/02	990,470
FHLMC GROUP #554845	8.500%	05/01/19	290,531	FNMA MED TERM NTS	6.860%	04/24/00	5,217,056
FHLMC GROUP #554845	8.500%	05/01/21	103,950	FNMA MED TERM NTS	6.950%	09/10/02	1,488,510
FHLMC GROUP #554866	8.500%	06/01/21	53,780	FNMA POOL #000V51	6.250%	10/25/22	1,499,329
FHLMC GROUP #B00096	8.500%	05/01/06	71,434	FNMA POOL #002463	11.000%	09/01/15	49,590
FHLMC GROUP #C00078	9.000%	11/01/21	65,760	FNMA POOL #007238	8.000%	06/01/08	443,654
FHLMC GROUP #C00109	8.000%	04/01/22	1,015,844	FNMA POOL #009152	12.500%	12/01/13	68,373
FHLMC GROUP #C00206	7.500%	01/01/23	396,205	FNMA POOL #021002	12.500%	04/01/12	145,933
FHLMC GROUP #C00249	7.000%	07/01/23	1,076,178	FNMA POOL #031946	9.000%	08/01/01	27,135
FHLMC GROUP #C00262	7.000%	10/01/23	1,411,722	FNMA POOL #033611	9.000%	09/01/01	24,461
FHLMC GROUP #C00294	6.500%	02/01/24	827,443	FNMA POOL #038794	9.500%	12/01/16	53,123
FHLMC GROUP #C00449	7.000%	03/01/26	566,854	FNMA POOL #041028	9.500%	10/01/01	17,326
FHLMC GROUP #C00495	7.000%	01/01/27	486,338	FNMA POOL #045681	9.000%	04/01/17	44,356
FHLMC GROUP #C80091	6.500%	01/01/24	1,150,950	FNMA POOL #050150	9.500%	12/01/18	78,677
FHLMC GROUP #C80174	7.500%	07/01/24	835,281	FNMA POOL #050219	10.000%	08/01/04	39,440
FHLMC GROUP #C80334	7.500%	08/01/25	734,695	FNMA POOL #050252	9.000%	11/01/04	42,253
FHLMC GROUP #C80362	8.500%	10/01/25	720,218	FNMA POOL #050265	9.500%	01/01/05	31,392
FHLMC GROUP #C80387	6.500%	04/01/26	8,737,784	FNMA POOL #050275	9.000%	02/01/20	147,173
FHLMC GROUP #C80454	8.000%	12/01/26	493,861	FNMA POOL #050291	9.000%	04/01/20	106,527
FHLMC GROUP #D05867	9.000%	06/01/21	97,999	FNMA POOL #050308	9.500%	06/01/20	38,145
FHLMC GROUP #D09716	9.000%	10/01/21	143,588	FNMA POOL #050353	9.500%	10/01/20	44,875

FIXED INCOME INVESTMENTS (Cont'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
FNMA POOL #050402	9.000%	02/01/21	52,649	FNMA POOL #250005	7.000%	04/01/24	804,094
FNMA POOL #050432	8.500%	05/01/21	79,537	FNMA POOL #250039	6.000%	04/01/01	376,599
FNMA POOL #050437	8.000%	06/01/06	195,065	FNMA POOL #250059	7.000%	06/01/24	852,069
FNMA POOL #050478	9.000%	09/01/21	117,380	FNMA POOL #250097	7.500%	05/01/01	221,700
FNMA POOL #050495	9.000%	10/01/21	32,997	FNMA POOL #250460	7.000%	01/01/26	919,370
FNMA POOL #050505	8.000%	11/01/06	28,035	FNMA POOL #250576	7.000%	06/01/26	710,987
FNMA POOL #050542	7.500%	02/01/07	165,074	FNMA POOL #250953	7.000%	05/01/12	440,682
FNMA POOL #050573	8.000%	05/01/22	281,198	FNMA POOL #250972	8.000%	05/01/27	807,796
FNMA POOL #050576	7.500%	05/01/07	187,909	FNMA POOL #251125	7.500%	06/01/04	351,588
FNMA POOL #050577	8.000%	03/01/07	117,097	FNMA POOL #263199	6.000%	01/01/09	504,464
FNMA POOL #050588	8.500%	06/01/22	391,706	FNMA POOL #267733	6.500%	01/01/24	793,620
FNMA POOL #050589	7.500%	06/01/07	202,014	FNMA POOL #287411	7.500%	07/01/24	855,728
FNMA POOL #050656	7.500%	11/01/22	1,232,086	FNMA POOL #291648	7.500%	08/01/24	708,603
FNMA POOL #050682	7.000%	01/01/08	272,122	FNMA POOL #303948	7.500%	06/01/26	52,540
FNMA POOL #050920	7.500%	09/01/08	293,606	FNMA POOL #303970	6.000%	09/01/24	6,833,694
FNMA POOL #050929	6.500%	11/01/23	802,737	FNMA POOL #313042	7.000%	08/01/11	2,866,831
FNMA POOL #050945	6.000%	12/01/23	773,067	FNMA POOL #313324	9.000%	06/01/17	2,169,031
FNMA POOL #050951	6.000%	12/01/08	673,993	FNMA POOL #320013	7.500%	08/01/25	475,030
FNMA POOL #050952	6.500%	12/01/08	659,185	FNMA POOL #329280	7.000%	11/01/25	7,530,249
FNMA POOL #052576	9.500%	07/01/02	24,799	FNMA POOL #33790	6.500%	02/01/26	566,331
FNMA POOL #054527	8.000%	07/01/17	203,577	FNMA POOL #364648	7.000%	01/01/12	482,771
FNMA POOL #056437	8.500%	07/01/17	65,190	FNMA POOL #370159	7.500%	03/01/27	647,244
FNMA POOL #062424	9.500%	11/01/17	94,875	FNMA POOL #377354	7.500%	05/01/27	792,972
FNMA POOL #063366	8.500%	06/01/18	27,398	FNMA POOL #392332	7.500%	06/01/27	11,985,271
FNMA POOL #070412	8.500%	10/01/19	200,047	FNMA POOL #50659	7.000%	11/01/07	399,449
FNMA POOL #070425	9.000%	01/01/02	35,621	FNMA REMIC	5.000%	05/25/22	1,731,240
FNMA POOL #080469	9.500%	04/01/18	72,612	FNMA REMIC	5.700%	08/25/16	1,948,322
FNMA POOL #081871	12.500%	12/01/13	44,308	FNMA REMIC	6.000%	06/25/19	2,425,775
FNMA POOL #083790	8.000%	01/01/03	59,089	FNMA REMIC	6.000%	09/25/22	1,411,309
FNMA POOL #088708	8.500%	01/01/20	77,891	FNMA REMIC	6.250%	11/25/19	2,453,900
FNMA POOL #097679	9.500%	07/01/20	36,550	FNMA REMIC	7.000%	11/25/19	3,316,500
FNMA POOL #099336	10.000%	07/01/20	23,742	GNMA POOL #015861	7.500%	03/15/07	409,144
FNMA POOL #107878	9.000%	11/01/05	20,326	GNMA POOL #016755	8.000%	09/15/07	140,623
FNMA POOL #111744	9.000%	12/01/20	9,237	GNMA POOL #023421	9.000%	09/15/08	122,171
FNMA POOL #112137	9.500%	12/01/20	28,485	GNMA POOL #023423	8.500%	08/15/08	156,012
FNMA POOL #113143	9.000%	01/01/21	52,397	GNMA POOL #024439	8.500%	07/15/08	152,138
FNMA POOL #114232	9.000%	02/01/21	10,308	GNMA POOL #024712	8.000%	03/15/08	95,420
FNMA POOL #114548	9.000%	02/01/21	133,431	GNMA POOL #024975	8.000%	04/15/08	69,692
FNMA POOL #116855	9.500%	02/01/21	64,782	GNMA POOL #025062	8.000%	03/15/08	179,170
FNMA POOL #120271	8.500%	05/01/01	65,732	GNMA POOL #025306	8.000%	04/15/18	276,821
FNMA POOL #124087	8.000%	01/01/22	190,729	GNMA POOL #027078	9.000%	11/15/08	193,459
FNMA POOL #124418	8.000%	08/01/99	221,444	GNMA POOL #031007	9.000%	04/15/09	36,914
FNMA POOL #125133	8.500%	07/01/22	207,530	GNMA POOL #033875	9.500%	07/15/09	146,844
FNMA POOL #125178	8.000%	01/01/23	635,372	GNMA POOL #033876	9.500%	08/15/09	100,437
FNMA POOL #134325	8.500%	10/01/21	88,350	GNMA POOL #042932	9.000%	10/15/10	48,307
FNMA POOL #138130	9.000%	11/01/21	144,561	GNMA POOL #104302	13.000%	09/15/13	151,865
FNMA POOL #147256	9.000%	02/01/22	473,405	GNMA POOL #116273	13.000%	06/15/14	11,393
FNMA POOL #151099	8.000%	02/01/07	116,935	GNMA POOL #120665	12.500%	09/15/14	489,139
FNMA POOL #155611	8.000%	04/01/22	380,487	GNMA POOL #127322	11.000%	08/15/15	5,205
FNMA POOL #157207	8.000%	04/01/22	152,344	GNMA POOL #138005	11.000%	12/15/00	50,972
FNMA POOL #164997	8.000%	08/01/07	114,354	GNMA POOL #140085	11.000%	10/15/15	15,547
FNMA POOL #175241	8.500%	07/01/22	77,909	GNMA POOL #140507	11.000%	10/15/15	7,165
FNMA POOL #180152	6.500%	09/01/07	266,469	GNMA POOL #155675	9.000%	09/15/01	76,254
FNMA POOL #184634	8.000%	10/01/20	282,493	GNMA POOL #155969	9.000%	07/15/16	177,927
FNMA POOL #209639	6.000%	12/25/24	5,190,088	GNMA POOL #155986	9.000%	05/15/16	145,487
FNMA POOL #220521	6.500%	06/01/08	693,664	GNMA POOL #159478	9.000%	06/15/16	35,862
FNMA POOL #238909	6.000%	10/01/23	1,449,899	GNMA POOL #161371	9.000%	06/15/16	40,414
FNMA POOL #245598	7.000%	12/01/23	2,196,164	GNMA POOL #161692	9.500%	01/15/20	111,490

FIXED INCOME INVESTMENTS (Cont'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
GNMA POOL #162138	9.000%	09/15/16	82,529	GNMA POOL #361382	6.500%	11/15/23	822,963
GNMA POOL #162698	9.000%	10/15/19	71,301	GNMA POOL #367967	7.500%	10/15/23	737,857
GNMA POOL #166004	9.500%	10/15/16	72,841	GNMA POOL #368924	7.000%	05/15/24	869,225
GNMA POOL #169342	9.500%	08/15/16	89,605	GNMA POOL #374841	6.000%	12/15/23	1,294,255
GNMA POOL #173875	10.000%	10/15/16	43,173	GNMA POOL #378736	6.000%	01/15/24	1,572,823
GNMA POOL #181658	8.500%	11/15/01	88,241	GNMA POOL #394972	8.500%	09/15/24	657,940
GNMA POOL #182898	8.000%	11/15/16	148,216	GNMA POOL #399601	8.500%	12/15/24	294,922
GNMA POOL #185865	9.500%	07/15/17	49,767	GNMA POOL #405539	8.500%	12/15/25	647,722
GNMA POOL #189629	10.000%	08/15/17	129,172	GNMA POOL #410250	7.500%	12/15/25	583,025
GNMA POOL #200750	8.000%	03/15/17	154,215	GNMA POOL #412582	7.000%	04/15/26	1,743,893
GNMA POOL #201689	9.000%	01/15/17	80,862	GNMA POOL #414926	7.500%	01/15/26	3,868,772
GNMA POOL #201804	8.000%	03/15/17	385,294	GNMA POOL #416181	7.000%	03/15/26	4,269,531
GNMA POOL #203186	8.500%	01/15/17	54,703	GNMA POOL #422649	7.000%	04/15/26	2,479,911
GNMA POOL #204730	8.000%	05/15/17	267,551	GNMA POOL #424222	7.000%	07/15/11	482,985
GNMA POOL #208182	8.000%	03/15/17	304,514	GNMA POOL #429349	7.000%	03/15/26	4,726,321
GNMA POOL #209804	7.500%	03/15/17	270,021	GNMA POOL #432127	8.000%	10/15/26	109,452
GNMA POOL #210811	10.000%	08/15/18	67,029	GNMA POOL #441108	8.000%	02/15/27	590,781
GNMA POOL #220644	8.500%	07/15/17	3,926,132	GNMA POOL #780339	8.000%	12/15/23	5,947,135
GNMA POOL #224571	9.500%	07/15/17	111,416	GNMA POOL #780340	9.000%	11/15/17	1,237,279
GNMA POOL #229860	8.500%	07/15/17	170,253	GNMA POOL #780373	7.000%	12/15/23	5,017,976
GNMA POOL #231202	8.500%	08/15/17	171,400	GNMA POOL #780481	7.000%	12/15/26	7,487,372
GNMA POOL #233089	10.500%	12/15/17	77,066	GNMA REMIC	7.000%	12/16/20	2,960,610
GNMA POOL #246455	9.500%	02/15/18	77,353	GNMA REMIC	7.000%	04/16/22	2,940,000
GNMA POOL #248333	9.000%	06/15/03	35,300	GNMA REMIC	7.500%	11/16/19	3,038,430
GNMA POOL #251806	9.500%	06/15/20	53,515	GNMA REMIC	7.500%	07/20/20	2,986,078
GNMA POOL #260331	10.000%	11/15/18	89,692	GNMA REMIC	7.500%	12/20/20	3,294,651
GNMA POOL #267848	10.500%	07/15/19	91,112	1ST UNION CORP	8.120%	06/24/02	630,030
GNMA POOL #276788	9.500%	08/15/19	73,721	ADVANTA CR CARD	6.000%	11/15/05	2,417,950
GNMA POOL #277809	10.000%	07/15/19	108,424	AETNA SVCS INC	7.125%	08/15/06	609,872
GNMA POOL #279072	10.500%	12/15/13	69,966	AIR PRODS & CHEM INC	6.600%	10/11/07	481,270
GNMA POOL #282824	8.500%	01/15/20	105,082	ALABAMA PWR CO	9.250%	05/01/21	504,361
GNMA POOL #284663	9.000%	02/15/20	88,417	ALLSTATE FINANCING	7.830%	12/01/45	195,102
GNMA POOL #286697	9.500%	07/15/20	56,031	AMERICAN EXPRESS CR	6.750%	06/01/01	1,201,704
GNMA POOL #289097	9.000%	05/15/20	65,312	AMERICAN GEN FIN	6.875%	01/15/00	402,904
GNMA POOL #290324	10.000%	05/15/20	79,448	AMERICAN GEN FIN	8.500%	08/15/98	460,832
GNMA POOL #291199	9.500%	07/15/20	61,393	ARCHER DANIELS MIDL	8.875%	04/15/11	461,204
GNMA POOL #295474	10.000%	12/15/20	111,850	ASSOCIATES CORP	6.000%	03/15/00	5,226,118
GNMA POOL #297500	10.000%	11/15/20	88,425	ASSOCIATES CORP	6.375%	06/15/00	499,550
GNMA POOL #299710	9.000%	03/15/21	87,480	ASSOCIATES CORP	9.125%	04/01/00	1,595,325
GNMA POOL #300829	9.500%	01/15/21	18,065	ATLANTIC RICHFIELD	9.875%	03/01/16	750,696
GNMA POOL #301699	8.000%	12/15/21	334,240	AVCO FINL SVCS INC	5.500%	04/01/00	389,392
GNMA POOL #303789	8.000%	03/15/22	181,691	BALTIMORE G & E	8.400%	10/15/99	1,039,980
GNMA POOL #304488	9.000%	03/15/01	74,117	BANC ONE CORP	8.000%	04/29/27	2,519,154
GNMA POOL #310324	9.000%	08/15/21	98,040	BANKAMERICA CAP II	8.000%	12/15/26	506,790
GNMA POOL #310727	8.000%	05/15/22	62,619	BANKERS TRUST NY CO	9.400%	03/01/01	702,579
GNMA POOL #313005	8.500%	10/15/21	64,829	BAXTER INTL INC	8.125%	11/15/01	1,563,255
GNMA POOL #317684	7.500%	02/15/07	86,142	BHP FIN USA LTD	6.750%	11/01/13	745,344
GNMA POOL #323284	8.000%	05/15/22	455,220	BLACK & DECKER CORP	6.625%	11/15/00	3,957,712
GNMA POOL #328950	7.000%	12/15/22	400,294	BOEING CO	9.625%	11/15/31	359,051
GNMA POOL #335642	7.000%	03/15/08	275,090	BP AMER INC	9.375%	11/01/00	433,364
GNMA POOL #343613	7.500%	05/15/23	567,631	BROWNING FERRIS	7.400%	09/15/35	386,640
GNMA POOL #344243	7.500%	03/15/03	1,741,354	CAMPBELL SOUP CO	8.875%	05/01/21	644,606
GNMA POOL #345885	7.000%	09/15/23	794,738	CAPITA EQUIP REC	6.110%	07/15/99	2,122,438
GNMA POOL #345965	7.000%	11/15/23	1,669,393	CATERPILLAR FINL	6.450%	05/25/03	1,645,125
GNMA POOL #346374	7.500%	01/15/23	485,473	CHASE MANHATTAN	5.950%	11/15/00	3,799,678
GNMA POOL #351408	6.500%	01/15/24	818,379	CHASE MANHATTAN	6.350%	02/25/01	3,673,854
GNMA POOL #354832	7.000%	06/15/24	4,429,438	CHASE MANHATTAN CR	6.730%	02/15/03	7,200,190
GNMA POOL #355688	7.500%	06/15/23	628,108	CHASE MANHATTAN CO	8.125%	06/15/02	1,052,640

FIXED INCOME INVESTMENTS (Cont'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
CHASE MANHATTAN GR	5.200%	02/15/02	1,050,252	HERTZ CORP	7.375%	06/15/01	1,219,944
CHEMICAL BK N Y N Y	6.700%	08/15/08	479,620	HOUSEHOLD AFFINITY	5.600%	05/15/02	2,444,525
CITICORP	7.200%	06/15/07	2,385,355	HYDRO QUEBEC	8.500%	12/01/29	3,525,771
CITICORP	8.000%	02/01/03	1,360,957	HYDRO-QUEBEC	9.500%	11/15/30	333,091
COCA COLA	7.875%	02/01/02	260,783	HYDRO-QUEBEC	9.750%	01/15/18	967,562
COCA COLA	8.500%	02/01/22	440,392	ICI WILMINGTON INC	7.500%	01/15/02	1,023,200
COLUMBIA / HCA	6.875%	07/15/01	4,020,800	ILLINOIS TOOL WKS INC	5.875%	03/01/00	984,580
COMMERCIAL CR	5.900%	09/01/03	951,040	INT'L BUSINESS MACH	8.375%	11/01/19	573,479
COMMERCIAL CR	10.000%	05/01/99	786,139	INTERNATIONAL LEASE	6.625%	04/01/99	6,027,000
CONSOLIDATED RAIL	9.750%	06/01/00	430,712	JAPAN FIN CORP	9.125%	03/13/00	1,490,930
COUNTRYWIDE FDG	6.050%	03/01/01	2,416,747	LUCENT TECHNOLOGIE	6.900%	07/15/01	1,008,820
COUNTRYWIDE FDG	6.280%	01/15/03	3,800,950	MANITOBA PROV CDA	9.625%	03/15/99	1,305,472
COX COMMUNICATIONS	5.340%	06/15/99	2,056,978	MANITOBA PROV CDA	9.625%	12/01/18	401,947
DAIMLER-BENZ AUTO	3.900%	10/15/98	157,051	MAY DEPT STORES CO	9.875%	12/01/02	576,637
DAYTON HUDSON CORP	9.625%	02/01/08	116,879	MERCANTILE BANCORP	6.800%	06/15/01	3,831,685
DAYTON HUDSON CORP	9.750%	11/01/98	772,116	MERRILL LYNCH & CO	6.000%	01/15/01	4,112,010
DAYTON HUDSON CC	6.100%	02/25/02	3,566,644	MERRILL LYNCH & CO	9.000%	05/01/98	921,222
DEAN WITTER DISCOVE	6.875%	03/01/03	4,993,800	MOBIL CORP	8.625%	08/15/21	374,186
DISCOVER CARD	6.050%	08/18/08	1,123,872	MOBIL CORP	9.170%	02/29/00	1,167,027
DISNEY (WALT) CO	6.750%	03/30/06	986,780	MONEY STORE AUT TR	6.250%	06/20/03	1,993,360
DU PONT E I DE NEMOU	6.000%	12/01/01	388,860	MORGAN STANLEY GRP	10.000%	06/15/08	396,063
DU PONT E I DE NEMOU	8.250%	09/15/06	217,950	MORTON INTL INC IND	9.250%	06/01/20	358,563
DU PONT E I DE NEMOU	8.250%	01/15/22	288,789	MOUNTAIN STS TEL & T	6.000%	08/01/07	804,193
DUKE ENERGY CORP	7.000%	06/01/00	4,051,080	NATIONAL CITY CORP	6.625%	03/01/04	982,530
DUKE ENERGY CORP	8.625%	03/01/22	771,591	NATIONAL RURAL UTIL	7.200%	10/01/15	4,600,123
EQUITABLE COS INC	9.000%	12/15/04	1,460,408	NATIONAL WESTMNSTR	7.750%	04/29/49	2,374,472
FINANCING CORP	10.700%	10/06/17	1,205,359	NATIONS BANK CAP TR	8.250%	04/15/27	204,948
FINLAND REP	6.950%	02/15/26	1,055,164	NATIONS BANK AUTO	6.375%	07/15/00	3,001,213
FIRST BK CORPORATE	6.400%	02/15/03	2,330,500	NATIONS BANK CORP	5.850%	01/17/01	5,829,780
FIRST CHICAGO CORP	8.250%	06/15/02	1,265,460	NEW YORK TEL CO	5.250%	09/01/98	990,370
FIRST DATA CORP	6.610%	06/09/00	399,844	NEW YORK TEL CO	6.000%	09/01/07	803,776
FIRST UNION NATL BK	6.180%	02/15/36	2,278,727	NORWEST FINL INC	8.500%	08/15/98	383,944
FLORIDA PWR & LT CO	6.625%	02/01/03	885,420	ONTARIO PROV CDA	7.750%	06/04/02	1,274,000
FONDA GROUP INC	9.500%	03/01/07	960,000	PACIFIC BELL	7.125%	03/15/26	289,884
FORD CAPITAL BV	9.375%	05/15/01	815,768	PENNEY J C INC	6.875%	06/15/99	2,017,480
FORD CR AUTO LEASE	5.800%	05/15/99	3,917,699	PENNEY J C INC	9.050%	03/01/01	536,530
FORD CR AUTO LN	5.500%	02/15/03	4,720,807	PEPSICO INC	7.625%	11/01/98	1,017,530
FORD CR AUTO OWNER	6.300%	01/15/01	1,397,368	PETROLIAM NASIONAL	6.625%	10/18/01	4,717,826
FORD HLDGS	9.250%	03/01/00	691,743	PHILIP MORRIS COS INC	7.500%	04/01/04	406,432
FORD MOTOR CREDIT	7.500%	01/15/03	718,627	PHILIP MORRIS COS INC	8.250%	10/15/03	527,715
FORD MOTOR CREDIT	8.000%	01/15/99	2,203,578	PHILIP MORRIS COS INC	8.625%	03/01/99	619,398
FORD MOTOR CREDIT	9.375%	12/15/97	1,432,165	POTOMAC ELEC PWR	6.875%	09/01/23	914,840
FORD MTR CO DEL	7.250%	10/01/08	1,749,483	PREMIER AUTO TR	6.200%	11/06/00	2,130,660
FORD MTR CO DEL	9.500%	09/15/11	474,040	PREMIER AUTO TR	6.250%	08/06/01	2,727,434
FRONTIER CORP	7.250%	05/15/04	1,182,999	PRIME CR CARD	6.700%	07/15/04	2,003,740
GANNETT INC	5.850%	05/01/00	637,624	PROCTER & GAMBLE CC	8.700%	08/01/01	427,940
GENERAL ELECTRIC CR	5.500%	11/01/01	396,001	PROCTOR & GAMBLE CC	8.500%	08/10/09	485,791
GENERAL ELECTRIC CR	8.750%	05/21/07	1,013,436	PUBLIC SVC CO COLO	7.125%	06/01/06	703,528
GENERAL MOTORS	9.125%	07/15/01	508,051	QUEBEC PROV CDA	8.800%	04/15/03	979,407
GENERAL MTRS ACCEP	6.625%	10/01/02	2,973,300	QUEBEC PROV CDA	9.125%	03/01/00	796,095
GENERAL MTRS CORP	9.625%	12/01/00	326,475	RELIANCE ELEC CO	6.800%	04/15/03	297,717
GOLDEN WEST FINL	6.700%	07/01/02	792,336	REPUBLIC NY CORP	7.250%	07/15/02	1,019,720
GOLDEN WEST FINL	7.250%	08/15/02	406,656	RESOLUTION FDG CORP	8.125%	10/15/19	3,900,688
GRAND METRO INVT	8.000%	09/15/22	1,052,680	RESOLUTION FDG CORP	9.375%	10/15/20	760,218
GREAT WESTN BK	9.500%	07/01/97	430,034	REVLON WORLDWIDE	0.000%	03/15/01	677,500
GSX TRANS INC 1992	6.740%	12/01/99	1,683,139	ROCKWELL INTL CORP	8.375%	02/15/01	369,558
GTE CALIF INC	5.625%	02/01/01	1,254,357	RUSSIAN FEDN	10.000%	06/26/07	1,995,000
HANSON OVERSEAS	6.750%	09/15/05	1,074,315	SAFECO CR INC	6.950%	01/13/00	5,045,250

FIXED INCOME INVESTMENTS (Cont'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
SALOMON INC	6.700%	07/05/00	3,632,468	GOVT OF FRANCE	6.750%	10/25/03	540,879
SAWAN BUSINESS	6.540%	06/20/00	4,149,725	GOVT OF FRANCE	6.750%	10/25/04	3,962,140
SEARS CR ACCOUNT	6.500%	11/15/99	2,128,607	GOVT OF FRANCE	7.750%	10/25/05	552,035
SEARS CR ACCOUNT	6.250%	01/15/03	2,504,675	GOVT OF FRANCE	8.500%	11/25/02	2,306,855
SEARS ROEBUCK & CO	9.250%	04/15/98	460,872	FED REP OF GERMANY	5.250%	02/21/01	8,913,406
SHERWIN WILLIAMS CO	6.850%	02/01/07	989,830	FED REP OF GERMANY	6.000%	01/05/06	5,201,424
SMITH BARNEY HLDGS	7.375%	05/15/07	756,113	FED REP OF GERMANY	6.250%	01/04/24	3,500,564
SOUTHERN CALIF EDISN	8.875%	06/01/24	1,034,820	FED REP OF GERMANY	6.250%	04/26/06	6,006,542
SOUTHERN CALIF GAS	6.875%	11/01/25	668,363	FED REP OF GERMANY	6.370%	11/20/98	1,277,172
SOUTHERN NEW ENG	6.125%	12/15/03	1,053,756	FED REP OF GERMANY	7.250%	10/20/97	5,808,562
SO NEW ENGLAND TEL	6.500%	08/11/00	2,603,520	FED REP OF GERMANY	8.250%	09/20/01	3,482,744
SOUTHWESTERN BELL	6.875%	02/01/11	1,165,620	REPUBLIC OF ITALY	8.500%	08/01/04	1,844,560
STANDARD CC MASTER	6.700%	09/07/02	2,494,525	REPUBLIC OF ITALY	9.000%	10/01/98	1,939,128
STANDARD CC MASTER	6.550%	10/07/07	2,435,150	REPUBLIC OF ITALY	9.000%	10/01/03	2,226,598
STATE STR BOSTON	5.950%	09/15/03	951,820	REPUBLIC OF ITALY	10.500%	04/01/00	2,659,683
SUN TRUST BKS INC	7.375%	07/01/02	5,124,250	REPUBLIC OF ITALY	11.000%	06/01/03	2,632,655
TENNECO INC NEW	7.625%	06/15/17	2,316,006	REPUBLIC OF ITALY	11.500%	03/01/03	6,074,976
TENN VALLEY AUTH	8.375%	10/01/99	782,108	GOVT OF JAPAN	3.000%	09/20/05	1,759,658
TENN VALLEY AUTH	8.625%	11/15/29	1,445,875	GOVT OF JAPAN	6.400%	03/20/00	8,334,922
TEXACO CAP INC	9.000%	12/15/99	739,529	NETHERLAND GOVT	6.000%	01/15/06	4,280,800
TRANSMERICAL FINL GI	8.750%	10/01/99	908,645	NETHERLAND GOVT	6.500%	04/15/03	3,578,595
TRAVELERS CAP III	7.750%	12/01/36	194,008	NETHERLAND GOVT	8.500%	03/15/01	2,851,018
TRAVELERS PPTY CAS	6.750%	04/15/01	1,853,053	NETHERLAND GOVT	8.500%	06/01/06	3,206,043
TRAVELERS PPTY CAS	7.750%	04/15/26	1,685,097	KINGDOM OF SPAIN	8.400%	04/30/01	1,502,418
UNION PAC CORP	9.625%	12/15/02	401,342	KINGDOM OF SPAIN	7.900%	02/28/02	1,675,227
UNITED PARCEL SVC	8.375%	04/01/20	436,047	KINGDOM OF SPAIN	10.500%	10/30/03	1,011,929
UNITED TECHNOLOGIES	8.875%	11/15/19	406,284	KINGDOM OF SWEDEN	6.000%	02/09/05	2,951,644
VIRGINIA ELEC & PWR	8.750%	04/01/21	422,208	KINGDOM OF SWEDEN	10.250%	05/05/00	585,190
WAL-MART STORES INC	8.625%	04/01/01	569,508	KINGDOM OF SWEDEN	10.250%	05/05/03	1,544,843
WASTE MGMT INC	7.700%	10/01/02	1,659,264	TREUHANDAN	6.875%	06/11/03	3,585,642
WESTVACO CORP	9.650%	03/01/02	389,158	UNITED KINGDOM	7.000%	11/06/01	3,330,348
WISCONSIN PUB SVC	6.800%	02/01/03	3,002,670	UNITED KINGDOM	7.750%	09/08/06	8,013,313
XEROX CORP	7.150%	08/01/04	7,094,290	UNITED KINGDOM	7.750%	09/08/06	1,921,118
XEROX CR CORP	10.000%	04/01/99	2,115,040	UNITED KINGDOM	8.000%	06/10/03	4,768,108
Total Domestic Fixed Income			1,176,072,112	UNITED KINGDOM	8.500%	12/07/05	2,712,338
				UNITED KINGDOM	8.750%	08/25/17	1,435,451
International Fixed Income:				Total International Fixed Income			187,233,003
AUSTRALIA GOVT	9.000%	09/15/04	4,889,384				
AUSTRALIA GOVT	9.500%	08/15/03	2,649,363	TOTAL FIXED INCOME INVESTMENTS			1,363,305,115
AUSTRALIA GOVT	9.500%	08/15/03	4,871,410				
AUSTRALIA GOVT	10.000%	02/15/06	1,251,337	EQUITY INVESTMENTS			
BELGIUM GOVT	6.500%	03/31/05	1,865,290	Domestic Equities:			
BELGIUM GOVT	8.500%	10/01/07	1,597,526	Company	Shares Owned	Market Value	
BELGIUM GOVT	8.750%	06/25/02	2,290,820	3 COM CORP	14,300	643,500	
BELGIUM GOVT	10.000%	08/02/00	1,757,741	ABBOTT LABS	27,800	1,855,650	
BUNDESOR	6.500%	03/15/00	2,021,738	AES CORP	286,732	20,286,289	
GOVT OF CANADA	4.250%	12/01/21	8,735,576	AETNA INC	10,600	1,085,175	
GOVT OF CANADA	6.500%	06/01/04	7,858,952	AHMANSON H F & CO	379,300	16,381,208	
GOVT OF CANADA	7.000%	12/01/06	1,425,685	AIR PRODS & CHEMS INC	8,000	650,000	
GOVT OF CANADA	7.250%	06/01/03	3,054,476	AIRTOUCH COMMUNICATION	400,000	11,000,000	
GOVT OF CANADA	7.500%	09/01/00	2,769,725	ALBERTSONS INC	5,300	193,450	
GOVT OF CANADA	9.000%	03/01/11	2,145,366	ALLEGHENG TELEDYNE INC	12,200	329,400	
KINGDOM OF DENMARK	7.000%	11/10/24	1,342,392	ALLIED SIGNAL INC	7,200	604,800	
KINGDOM OF DENMARK	7.000%	11/15/07	1,505,082	ALLSTATE CORP	37,200	2,715,600	
KINGDOM OF DENMARK	8.000%	03/15/06	6,890,860	ALLTEL CORP	242,700	8,115,403	
KINGDOM OF DENMARK	8.000%	05/15/03	3,960,027	ALUMINUM CO AMER	160,000	12,060,000	
KINGDOM OF DENMARK	8.000%	05/15/03	2,731,053	AMBAC INC	225,000	17,184,375	
KINGDOM OF DENMARK	8.000%	11/15/01	3,640,670	AMERADA HESS CORP	8,300	461,173	

EQUITY INVESTMENTS (Cont'd)

Company	Shares Owned	Market Value	Company	Shares Owned	Market Value
AMERICAN ELEC PWR INC	7,800	327,116	CHRYSLER CORP	43,400	1,426,775
AMERICAN EXPRESS CO	145,900	10,869,550	CHUBB CORP	10,500	702,188
AMERICAN GEN CORP	182,117	8,696,087	CIGNA CORP	3,800	674,500
AMERICAN GREETINGS CORP CL A	2,400	89,100	CINERGY CORP	9,100	316,798
AMERICAN HOME PRODS CORP	24,900	1,904,850	CIRCUIT CITY STORES INC	6,300	224,047
AMERICAN INTL GROUP INC	12,900	1,926,938	CIRCUS CIRCUS ENTERPRISE INC	279,078	6,872,296
AMERICAN STORES CO NEW	2,900	143,188	CISCO SYS INC.	38,700	2,597,738
AMERITECH CORPORATION	46,100	3,131,942	CITICORP	171,500	20,676,555
AMGEN INC	19,600	1,139,250	CLOROX CO	1,000	132,188
AMOCO CORP	115,400	10,032,645	CMS ENERGY CORP	325,500	11,473,875
AMP INC	301,625	12,592,844	COASTAL CORP	600,000	31,912,800
ANDREW CORP	2,200	61,875	COCA COLA CO	399,900	27,193,200
ANHEUSER BUSCH COS INC	693,400	29,079,809	COGNIZANT CORP	480,000	19,440,000
AON CORP	93,500	4,838,625	COLGATE PALMOLIVE CO	11,500	750,375
APPLIED MATLS INC	5,400	382,390	COLUMBIA GAS SYS INC	1,800	117,450
ARCHER DANIELS MIDLAND CO	16,700	392,450	COLUMBIA/HCA HEALTHCARE COR	56,700	2,229,047
ARMSTRONG WORLD INDS INC	2,700	198,113	COMCAST CORP	22,200	474,525
ASHLAND INC	2,800	129,850	COMERICA INC	120,000	8,160,000
AT & T CORP	925,400	32,447,300	COMPAQ COMPUTER CORP	240,000	23,880,000
ATLANTIC RICHFIELD CO	73,900	5,209,950	COMPUTER ASSOC INTL INC	28,600	1,592,677
AUTODESK INC	210,000	8,045,730	COMPUTER SCIENCES CORP	4,300	310,138
AUTOMATIC DATA PROCESSING IN	10,800	507,600	CONAGRA INC	9,000	577,692
AUTOZONE INC	9,700	226,738	CONSOLIDATED EDISON CO N Y	10,200	300,268
AVERY DENNISON CORP	10,700	429,338	CONSOLIDATED NAT GAS CO	3,000	161,439
AVNET INC	320,000	18,400,000	CORESTATES FINL CORP	6,900	370,875
AVON PRODS INC	280,000	19,757,640	CORNING INC	14,700	817,688
BAKER HUGHES INC	10,100	390,749	COSTCO COS INC	4,100	134,788
BALTIMORE GAS & ELEC CO	3,500	93,408	COUNTRYWIDE CR INDS INC	7,400	230,791
BANC ONE CORP	29,900	1,448,296	CPC INTL INC	4,000	369,252
BANK NEW YORK INC	16,300	711,088	CROWN CORK & SEAL INC	400	21,375
BANKAMERICA CORP	68,800	4,441,934	CSX CORP	13,300	738,150
BANKBOSTON CORP	4,000	289,500	CUMMINS ENGINE INC	1,600	112,901
BARNETT BKS INC	8,400	441,000	CVS CORP	195,947	10,042,284
BAXTER INTL INC	78,400	4,101,339	DANA CORP	197,000	7,486,000
BAY NETWORKS INC	1,600	42,200	DATA GEN CORP	1,800	46,800
BECTON DICKINSON & CO	7,700	389,813	DAYTON HUDSON CORP	8,800	468,054
BELL ATLANTIC CORP	27,500	2,086,563	DEERE & CO	15,700	861,538
BELLSOUTH CORP	77,000	3,570,875	DELL COMPUTER CORP	4,000	469,752
BELO A H CORP	210,000	8,741,250	DELUXE CORPORATION	1,000	34,125
BIOMET INC	9,900	184,388	DIGITAL EQUIP CORP	8,000	283,504
BLACK & DECKER CORP	9,000	334,692	DILLARDS INC	7,000	242,375
BLOCK H & R INC	580,000	18,705,000	DISNEY (WALT) COMPANY	131,900	10,584,975
BOEING CO	20,900	1,109,017	DOMINION RES INC V A	6,500	238,063
BOSTON SCIENTIFIC CORP	6,100	374,772	DONNELLEY R R & SONS CO	4,000	146,500
BRISTOL MYERS SQUIBB CO	661,000	53,541,000	DOVER CORP	1,200	73,950
BROWNING FERRIS INDS INC	298,200	9,915,150	DOW CHEM CO	103,400	8,982,875
BRUNSWICK CORP	2,400	75,000	DRESSER INDS INC	6,800	253,300
BURLINGTON NORTN SANTA FE CC	6,600	593,175	DSC COMMUNICATIONS CORP	13,600	302,600
BURLINGTON RES INC	8,100	357,413	DTE ENERGY	339,500	9,378,688
CABLETRON SYS INC	7,100	201,022	DU PONT E I DE NEMOURS & CO	99,862	6,278,823
CALIBER SYS INC	1,400	52,150	DUKE ENERGY CORPORATION	9,000	431,442
CAMPBELL SOUP CO	165,620	8,281,000	DUN & BRADSTREET CORP	410,000	10,762,500
CARDINAL HEALTH INC	5,000	286,250	EASTMAN CHEM CO	100,000	6,350,000
CAROLINA PWR & LT CO	2,800	100,450	EASTMAN KODAK CO	118,195	9,071,466
CATERPILLAR INC DEL	3,000	322,125	ECOLAB INC	3,900	186,225
CENTRAL & SOUTH WEST CORP	540,000	11,475,000	EDISON INTL	344,900	8,579,388
CHASE MANHATTAN CORP NEW	41,400	4,018,408	EMC CORP MASS	500	19,500
CHEVRON CORP	100,000	7,393,800	EMERSON ELEC CO	13,700	754,363

EQUITY INVESTMENTS (Cont'd)

Company	Shares Owned	Market Value	Company	Shares Owned	Market Value
ENERGY GROUP PLC	95,625	4,052,109	HOUSTON INDS INC	1,700	36,445
ENGELHARD CORP	4,000	83,752	HUMANA INC	17,800	411,625
EQUIFAX INC	18,800	699,134	IKON OFFICE SOLUTIONS INC	8,600	214,467
EXXON CORP	209,100	12,807,375	ILLINOIS TOOL WKS INC	2,800	139,826
FEDERAL EXPRESS CORP	4,800	277,800	ILINOVA CORP	467,000	10,274,000
FEDERAL HOME LN MTG CORP	740,000	25,900,000	INGERSOLL RAND CO	4,400	271,700
FEDERAL NATL MTG ASSN	870,000	37,953,750	INLAND STEEL INDS INC	9,900	258,638
FEDERATED DEPT STORES INC	4,100	142,475	INTEL CORP	68,000	9,643,284
FIFTH THIRD BANCORP	3,900	320,046	INTERNATIONAL BUSINESS MACHS	305,600	27,580,400
FIRST BK SYS INC	5,700	486,638	INTERNATIONAL PAPER CO	237,900	11,553,138
FIRST CHICAGO NBD CORP	11,700	707,850	INTIBRANDS INC	170,000	3,570,000
FIRST DATA CORP	400,000	17,575,200	INTUIT INC	100,000	2,293,800
FIRST UN CORP	490,000	45,325,000	ITT CORP NEW	12,600	769,394
FLEET FINL GROUP INC	4,200	265,650	ITT INDS INC	700,000	18,025,000
FLUOR CORP	2,300	126,932	JAMES RIV CORP VA	3,600	133,200
FORD MOTOR CO DEL	1,075,000	40,850,000	JOHNSON & JOHNSON	236,848	15,247,090
FORTUNE BRANDS INC	230,000	8,581,990	JOHNSON CTLS INC	600	24,638
FOSTER WHEELER CORP	600,000	24,300,000	K MART CORP	142,200	1,733,134
FPL GROUP INC	9,500	437,599	KELLOGG CO	58,000	4,966,250
FRONTIER CORP	5,600	111,653	KERR MCGEE CORP	700	44,363
FRUIT OF THE LOOM	10,500	325,500	KEYCORP NEW	8,500	474,938
GALLAHER GROUP PLC	159,400	2,939,017	KIMBERLY CLARK CORP	20,400	1,014,900
GANNETT INC	365,000	36,043,750	KROGER CO	34,600	1,003,400
GAP STORES INC	7,000	272,125	LEHMAN BROS HLDGS INC	400,000	16,200,000
GAYLORD ENTMT CO	480,000	11,070,240	LILLY ELI & CO	21,200	2,317,436
GENERAL ELECTRIC CO	515,600	33,514,000	LIMITED INC	260,000	5,265,000
GENERAL INSTRUMENTS CORP	8,000	202,000	LINCOLN NATL CORP IND	100,300	6,456,813
GENERAL MILLS INC	12,800	833,600	LIZ CLAIBORNE INC	2,500	116,563
GENERAL MOTORS CORP	386,700	21,558,525	LOCKHEED MARTIN CORP	46,990	4,866,425
GENUINE PARTS CO	900	30,488	LOEWS CORP	2,300	230,288
GEORGIA PAC CORP	61,400	5,242,025	LOUISIANA LD & EXPL CO	200	11,425
GILLETTE CO	315,000	29,846,250	LOUISIANA PAC CORP	4,500	95,063
GOLDEN WEST FINL CORP DEL	200	14,000	LOWES COS INC	14,000	519,750
GOODRICH B F CO	4,100	177,583	LSI LOGIC CORP	8,200	262,400
GOODYEAR TIRE & RUBR CO	7,000	443,191	LUCENT TECHNOLOGIES INC	198,500	14,304,506
GRACE W R & CO DEL	3,600	198,450	LUKENS INC	230,650	4,339,218
GRAINGER W W INC	1,000	78,188	MALLINCKRODT INC NEW	440,000	16,720,000
GREAT LAKES CHEM CORP	2,500	130,938	MANPOWER INC	350,000	15,575,000
GREAT WESTN FINL CORP	254,663	13,688,136	MANUFACTURED HOME CMNTYS	240,000	5,535,120
GREEN TREE FINL CORP	4,400	156,750	MARRIOTT INTL CORP	323,732	19,869,052
GTE CORP	82,900	3,637,238	MARSH & MCLENNAN COS INC	2,600	371,150
HALLIBURTON CO	260,000	20,605,000	MASCO CORP	4,300	179,525
HANSON PLC	95,625	2,390,625	MATTEL INC	14,300	484,413
HARRAHS ENTMT INC	3,700	66,600	MAY DEPT STORES CO	187,300	8,849,925
HARRIS CORP DEL	200	16,800	MBIA	2,100	236,907
HARSCO CORP	180,000	7,290,000	MBNA CORP	529,000	19,374,625
HARTFORD FINL SVCS GROUP INC	310,000	25,652,500	MCDONALDS CORP	130,300	6,295,184
HASBRO INC	315,000	8,938,125	MCDONNELL DOUGLAS CORP	17,100	1,171,350
HEALTHSOUTH CORP	3,500	87,283	MCGRW HILL COMPANIES INC	340,000	19,996,420
HEINZ H J CO	280,000	12,915,000	MCI COMMUNICATIONS CORP	51,300	1,963,815
HERCULES INC	3,900	186,713	MEAD CORP	3,600	224,100
HERSHEY FOODS CORP	8,200	453,567	MEDTRONIC INC	4,000	330,000
HEWLETT PACKARD CO	15,600	873,600	MELLON BK CORP	6,000	270,750
HFS INC	11,500	667,000	MERCANTILE STORES INC	57,800	3,637,816
HILTON HOTELS CORP	11,100	295,538	MERCK & CO INC	323,383	33,086,285
HOME DEPOT INC	116,600	8,045,400	MGIC INVT CORP	4,600	220,515
HONEYWELL INC	600	45,525	MICRON TECHNOLOGY INC	16,000	640,000
HOUSEHOLD INTL CORP	130,000	15,266,940	MICROSOFT CORP	62,900	7,948,988

EQUITY INVESTMENTS (Cont'd)

Company	Shares Owned	Market Value	Company	Shares Owned	Market Value
MILLENNIUM CHEMICALS INC	54,642	1,243,106	RAYCHEM CORP CALIF	2,900	215,688
MINNESOTA MNG & MFG CO	16,300	1,666,675	RAYTHEON CO	4,800	244,800
MIRAGE RESORTS INC	220,000	5,555,000	REPUBLIC N Y CORP	1,600	172,000
MOBIL CORP	263,200	18,391,100	REUTERS HLDGS PLC	178,000	11,214,000
MONSANTO CO	51,800	2,230,663	REYNOLDS METALS CO	189,000	13,466,250
MORGAN J P & CO INC	7,400	772,375	RITE AID CORP	70,000	3,491,250
MORTON INTL INC IND NEW	1,700	51,320	ROCKWELL INTL CORP	99,690	5,906,633
MOTOROLA INC	12,200	928,725	ROHM & HAAS CO	1,100	99,069
NABISCO HLDGS CORP	173,000	6,898,375	ROUSE CO	200,000	5,900,000
NATIONAL CITY CORP	3,300	173,250	ROWAN COS INC	14,000	394,632
NATIONAL SEMICONDUCTOR	2,600	79,625	ROYAL DUTCH PETE CO	88,496	4,811,970
NATIONSBANK CORP	280,000	18,077,640	RUBBERMAID INC	7,800	232,050
NCR CORP NEW	30,312	897,993	RUSSELL CORP	41,500	1,229,438
NEW HOLLAND ADR	370,000	10,128,750	RYDER SYS INC	196,000	6,468,000
NEW YORK ST ELEC & GAS CORP	300,600	6,275,025	SAFECO CORP	138,000	6,442,944
NEW YORK TIMES CO CL A	94,574	4,681,413	SALOMON INC	2,000	111,250
NEWELL CO	600	23,850	SARA LEE CORP	320,000	13,320,000
NIKE INC CL B	4,800	280,200	SBC COMMUNICATIONS INC	235,827	14,591,796
NORDSTROM INC	3,700	181,533	SCHERING PLOUGH CORP	400,000	19,150,000
NORFOLK SOUTHN CORP	77,400	7,798,050	SCHWAB CHARLES CORP NEW	5,600	226,800
NORTHERN STS PWR CO MINN	2,200	113,850	SCIENTIFIC ATLANTA INC	12,000	262,500
NORWEST CORP	20,900	1,175,625	SEARS ROEBUCK & CO	132,000	7,095,000
NOVELL INC	16,300	113,089	SERVICE CORP INTL	643,100	21,141,913
NUCOR CORP	5,800	327,700	SHARED MED SYS CORP	3,000	162,000
NYNEX CORP	177,400	10,211,676	SHERWIN WILLIAMS CO	14,200	438,425
OCCIDENTAL PETE CORP	487,000	12,205,681	SIGMA ALDRICH CORP	3,800	133,239
OHIO EDISON CO	3,200	69,600	SIGNET BKG CORP	220,000	7,920,000
ORACLE CORP	32,300	1,627,113	SILICON GRAPHICS INC	16,600	249,000
OUTBACK STEAKHOUSE INC	219,635	5,312,531	SONAT INC	300	15,413
P G & E CORP	11,200	271,600	SOUTHERN CO	26,300	575,313
P P & L RES INC	4,900	97,696	SOUTHWEST AIRLS CO	666,000	17,232,750
PACCAR INC	500	23,219	SPRINT CORP	7,200	376,200
PACIFIC ENTERPRISES	3,900	131,138	ST JUDE MED INC	8,000	312,000
PACIFICORP	334,800	7,365,600	ST PAUL COS INC	96,400	7,350,500
PARAMETRIC TECHNOLOGY CORP	7,600	323,479	STATE STREET CORP	210,000	9,712,500
PECO ENERGY CO	345,000	7,245,000	SUN AMERICA INC	157,000	7,653,750
PENNEY J C INC	162,000	8,454,456	SUN CO	2,500	77,500
PENNZOIL CO	6,100	466,650	SUN MICROSYSTEMS	34,700	1,291,499
PEOPLES ENERGY CORP	135,000	5,054,130	SUPERVALU INC	1,500	51,750
PEP BOYS MANNY MOE & JACK	5,500	187,347	SYSCO CORP	2,200	80,300
PEPSICO INC	247,800	9,308,111	TANDEM COMPUTERS INC	5,200	105,300
PERKIN ELMER CORP	2,500	198,908	TANDY CORP	142,000	7,952,000
PFIZER INC	213,294	25,488,633	TELE COMMUNICATIONS INC NEW	1,660,000	31,348,750
PHELPS DODGE CORP	2,800	238,526	TELEPHONE & DATA SYS INC	250,000	9,484,500
PHILIP MORRIS COS INC	450,700	19,943,475	TELLABS INC	8,900	497,288
PHILLIPS PETE CO	75,900	3,320,625	TEMPLE INLAND INC	2,000	108,000
PIONEER HI BRED INTL INC	1,800	144,000	TENET HEALTHCARE CORP	21,600	637,200
PITNEY BOWES INC	235,290	16,352,655	TENNECO INC NEW	171,600	7,754,261
PNC BANK CORP	13,000	542,750	TEXACO INC	10,300	1,120,125
POLAROID CORP	1,400	77,700	TEXAS INSTRS INC	2,800	235,376
PPG INDS INC	6,900	401,063	TEXAS UTILS CO	4,800	165,302
PRAXAIR INC	1,900	106,400	TEXTRON INC	87,960	5,838,345
PROCTER & GAMBLE CO	236,300	33,377,375	THERMO ELECTRON CORP	12,100	415,938
PROMUS HOTEL CORP	98,600	3,820,750	THOMAS & BETTS CORP	600	31,538
PROVIDIAN FINL CORP	2,100	67,463	TIG HLDGS INC	29,000	906,250
PUBLIC SVC ENTERPRISE GROUP	192,700	4,817,500	TIME WARNER INC	440,000	21,230,000
QUAKER OATS CO	5,400	242,325	TIMES MIRROR CO NEW	1,000	55,250
RALSTON - RALSTON PURINA	9,800	805,442	TJX COS INC	2,000	105,500

EQUITY INVESTMENTS (Cont'd)

Company	Shares Owned	Market Value	Company	Shares Owned	Market Value
TORCHMARK CORP	1,200	85,500	AKZO NOBEL N.V.	700	96,106
TRANSAMERICA CORP	67,000	6,268,721	ALCAN ALUMINIUM CO	4,600	157,046
TRAVELERS GROUP INC	25,100	1,582,881	ALCATEL ALSTHOM	43,469	5,449,357
TRIBUNE CO NEW	374,187	17,984,550	ALLIANZ AG	2,910	609,520
TRW INC	1,500	85,220	ALUSUISSE LONZA	60	62,226
TUPPERWARE CORP	69,400	2,515,750	AMADA CO	36,000	317,750
TYCO INTERNATIONAL LTD	270,000	18,782,010	AMCOR LIMITED	24,600	162,169
U S AIRWAYS GROUP INC	7,100	248,500	ARGENTARIA CORP BA	50,000	2,804,794
U S BANCORP	2,000	128,250	ASAHI GLASS CO	42,000	418,423
U S WEST INC	163,900	5,877,130	ASSI GEN DE FRANCE	71,000	2,271,129
UGI CORP NEW	17,346	383,780	ASSICURAZIONI GEN	15,800	286,927
ULTRAMAR DIAMOND SHAMROCK	230,000	7,503,750	AXA-UAP	3,918	243,916
UNICOM CORP	6,100	135,725	B.A.T. INDUSTRIES	435,500	3,895,511
UNION CAMP CORP	361,625	18,081,250	BALOISE-HLDGS	1,100	2,625,694
UNION CARBIDE CORP	10,600	498,868	BANCA COMMERCIALE	40,000	82,748
UNION ELEC CO	1,600	60,301	BANCO CENTRAL HISP	3,210	117,644
UNION PAC RES GROUP INC	15,300	380,588	BANCO POPULAR ESP	580	142,368
UNITED HEALTHCARE CORP	200,000	10,400,000	BANK OF MONTREAL	4,100	160,184
UNITED STATES SURGICAL CORP	8,400	312,900	BARRICK GOLD CORP	2,800	60,989
UNITED TECHNOLOGIES CORP	4,400	365,200	BASF AG	8,700	321,769
UNOCAL CORP	22,900	893,100	BASS	11,500	140,281
USF & G CORP	1,100	26,400	BAYER AG	11,500	442,287
UST INC	2,500	69,845	BAYER MOTOREN WERK	380	314,668
USX-MARATHON GROUP INC	275,000	7,940,625	BCE INC	5,000	139,171
USX-US STEEL GROUP	590,000	20,650,000	BCO BILBAO	2,600	211,614
V F CORP	500	42,375	BCO SANTANDER SA	6,300	194,479
VALASSIS COMMUNICATIONS INC	285,000	6,840,000	BG PLC	135,500	498,344
VIACOM INC CLASS B	12,800	384,000	BK OF TOKYO MITS	36,000	723,589
WACHOVIA CORP	5,800	338,215	BHP LIMITED	53,940	787,260
WAL MART STORES INC	800,000	27,050,400	BOOKER ORD	14,500	66,238
WALGREEN CO	204,148	10,947,437	BORAL LTD	43,600	136,199
WARNER LAMBERT CO	10,100	1,254,925	BQE NATL PARIS	7,480	308,577
WASTE MGMT INC NEW	892,013	28,655,918	BRAMBLES INDS	6,000	117,721
WELLS FARGO & CO	2,200	592,900	BRIERLEY INV	511,000	498,706
WENDYS INTL INC	15,300	396,851	BRIT. TELECOM	114,000	846,131
WESTERN ATLAS INC	100	7,325	BRITISH ENERGY ORD	123,000	299,875
WESTERN NATL CORP	225,000	6,032,925	BRITISH PETROLEUM	65,267	810,814
WESTINGHOUSE ELEC CORP	47,700	1,103,063	BRITISH STEEL	152,000	376,901
WESTVACO CORP	5,700	179,197	BTR	790,800	2,704,433
WEYERHAEUSER CO	220,500	11,466,000	CANADIAN PACIFIC	10,400	296,260
WHEELABRATOR TECHNOLOGIES I	470,000	7,255,860	CANON INC	27,000	736,173
WHIRLPOOL CORP	220,000	12,003,860	CANON SALES CO	11,700	272,998
WILLAMETTE INDS INC	4,700	329,000	CARTR HLT HRVY	176,000	454,463
WILLIAMS COS	6,200	271,250	CDN NATL RAILWAYS	3,200	139,635
WINN DIXIE STORES INC	3,000	111,750	CENTRICA	135,500	165,175
WORLD COM INC GA	23,600	755,200	CHARTER	18,483	245,763
WRIGLEY WM JR CO	214,702	14,385,034	CHEUNG KONG HLDGS	13,000	128,367
XEROX CORP	16,000	1,262,000	CHINA LIGHT & PWR	22,000	124,663
BANKERS TRUST RUSSELL 2000 VALUE INDEX		217,044,664	CIBA SPEZIALITATEN	346	32,039
EQUITIZED CASH		25,380,569	CIE DE SUEZ	35,060	86,291
Total Domestic Equity		2,518,296,711	CITIZEN WATCH CO	33,000	254,934
International Equity:			CITY DEVELOP.	12,000	117,499
ABB AG	760	1,152,068	COATS VIYELLA	60,000	127,309
ABBAY NATIONAL	19,000	259,278	COCA COLA AMATIL	7,000	90,194
ABN-AMRO HLDGS	20,293	378,310	COLAS	757	99,928
ACCOR	1,551	232,478	COMMERZBANK	8,300	235,292
ACERINOX SA	400	75,094	COMPAGNIE BANCAIRE	1,472	188,043
			COMPAGNIE DE ST-GO	2,446	357,047

EQUITY INVESTMENTS (Cont'd)

Company	Shares Owned	Market Value	Company	Shares Owned	Market Value
COMPANIA TELEFONIC	197,100	5,709,173	HOECHST	3,650	154,956
CORP MAPFRE RBG.	1,200	63,970	HONDA MOTOR CO	9,000	271,346
CREDIT SUISSE	1,005	129,253	HONG KONG TELECOM	38,000	90,741
CREDITO ITALIANO	92,000	168,153	HOTEL PROPERTIES	31,000	52,686
CSF/THOMSON	4,600	118,624	HOUSE OF FRASER	108,000	283,974
CSR LTD	31,000	119,133	HSBC HLDG	23,000	707,530
DAI NIPPON PRINT	32,000	724,288	HUDSON BAY	3,700	83,140
DAIICHI PHARMACBUT	23,000	406,014	HUME INDS(M)BHD	13,000	59,746
DAIKIN INDS	35,000	318,100	HUTCHISON WHAMPOA	23,000	198,908
DAIMLER-BENZ	69,900	5,675,916	IBERDROLA SA	13,200	166,941
DAIWA HOUSE	18,000	220,223	IMI	375,900	3,380,021
DANIELI & C DI	28,000	97,911	IMPERIAL CHEMICAL	223,000	3,100,624
DAVID JONES	109,000	151,060	IMPERIAL OIL	3,700	189,747
DBS LAND LTD	16,000	50,581	INAX	31,000	232,440
DELHAIZE LE-LION	3,300	173,491	INCHCAPE	34,000	160,126
DEN DANSKE BANK AF	40,800	3,974,964	ING GROEP	13,980	645,736
DENSO CO	16,000	383,118	ISETAN CO.	12,000	148,913
DEUTSCHE BANK	9,170	536,224	ISTITUTO NAZ DELLE	1,594,000	2,426,296
DEUTSCHE TELEKOM	22,900	551,934	ITALGAS	617,000	1,994,360
DEVELOPMENT BK(FR)	11,000	138,481	ITO YOKADO CO	13,000	755,487
DEXIA FRANCE	2,350	228,956	JARDINE MATH	459,400	3,261,740
DUTCH MINES	1,340	133,569	KANEKA CORP	26,000	163,140
EAUX(CIE GENERALE)	1,447	185,589	KEIO TEITO ELEC	40,000	190,510
EDISON ITL1000	14,000	69,566	KEPPEL CORP	7,500	33,151
ELECTRABEL	1,900	407,482	KINKI NIPPON RLWAY	40,000	244,692
ELSEVIER NV	18,300	306,354	KIRIN BREWERY CO.	38,000	395,178
EMPRESA NAC ELEC	3,550	298,590	KLM	6,800	209,973
ENERGIE VERSORGUNG	10,800	1,391,730	KOKUYO CO.	11,000	298,000
ENI SPA	16,000	90,506	KON PTT NEDERLAND	107,995	4,244,177
ENTE NAZIONALE IDROCARBURI	6,600	375,375	KONINKLIJKE HOOGOVENS	2,379	132,834
FANUC CO	13,500	519,097	KREDIETBK BEL	650	262,170
FIAT SPA	118,000	217,755	KREDIETBK VVPR	15	5,925
FKI PLC	91,375	258,508	KUALA LUMPUR KEPON	40,000	99,049
FLETCHER CHALLENGE BUILDING	52,500	157,625	KURARAY CO	39,000	388,536
FLETCHER CHALLENGE ENERGY	64,500	194,527	KYOCERA CORP	4,000	318,100
FLETCHER CHALLENGE FORESTS	116,445	168,887	LAFARGE BR	2,000	124,510
FLETCHER CHALLENGE PAPER	116,000	280,664	LAGARDERE SCA	4,400	127,930
FOMENTO DE CONSTRU	800	102,210	LAND & GENERAL BER	43,000	49,406
FORTIS AG	1,775	366,850	LEGAL & GEN	53,750	362,716
FRASER & NEAVE	2,000	14,268	LEND LEASE	6,113	128,222
FUJI PHOTOFILM	137,000	5,519,290	LLOYDS TSB GROUP	79,224	812,148
FUJITSU	21,000	291,795	LVMH MOET HENNESSY	860	231,443
GAS NATURAL SDG SA	600	131,326	LYONNAIS EAUX DUMIEZ	2,200	221,836
GENERAL ELECTRIC PLC	148,800	888,987	M.A.N. AG	520	160,243
GENERALE DE BANQUE	400	154,103	M.I.M. HOLDINGS	68,931	101,210
GLAXO WELLCOME	51,300	1,058,612	MACMILLAN BLOEDEL	6,800	93,404
GRAND METROPOLITAN	163,000	1,577,376	MAEDA ROAD CONSRTR	8,000	68,863
GROUPE BRUXELLES	1,060	177,797	MALAYAN BANKING	19,000	199,485
GROUPE DANONE	34,000	5,623,232	MALAYSIAN INTE(FR)	20,000	51,902
GUINNESS	500,400	4,896,575	MANNESMANN	760	338,873
GUOCO GROUP	13,000	68,463	MARKS & SPENCER	59,000	488,967
HANG SENG BK	8,800	125,515	MARUI CO	17,000	316,439
HANSON	38,125	189,388	MATSUSHITA ELEC.IN	49,000	989,167
HEINEKEN	700	119,686	MEDIOBANCA SPA	4,000	24,260
HENKEL KGAA	3,450	196,000	MERITA BANK	20,500	68,278
HILLSDOWN HDG	94,700	266,339	METRO AG	2,400	263,193
HITACHI	479,000	5,358,056	MICHELIN 'B' REG	4,391	263,939
HOCHTIEF	2,350	105,188	MIRROR GRP NEWSPAP	41,500	129,839

EQUITY INVESTMENTS (Cont'd)

Company	Shares Owned	Market Value	Company	Shares Owned	Market Value
MITSUBISHI PAPER	44,000	172,263	SAMPO "A"	400	38,890
MOLSON	30,000	499,058	SANKYO CO	24,000	807,484
MONTEDISON SPA	288,760	190,408	SANTOS LIMITED	16,800	70,100
MOORE CORP	3,000	59,148	SANWA BANK	18,000	267,413
MUNCHENER RUCK REG	134	376,024	SCHERING	3,700	395,670
NATL AUSTRALIA	38,081	541,162	SCHW RUCKVERISCH	50	70,821
NATL WESTMINSTER	19,000	255,325	SCHWEIZERISHE BANK	79	90,493
NESTLE MALAYSIA	6,000	44,929	SCOTTISH HYDRO ELE	23,900	165,657
NESTLE SA (REGD)	4,432	5,855,019	SEAGRAM CO	4,000	160,916
NEW STRAITS TIMES	6,000	35,182	SEARS	131,000	146,064
NEW WORLD DEV.	15,000	89,451	SECOM CO	8,000	587,960
NEWS CORP	79,082	376,186	SEDGWICK GP	91,000	187,785
NEWS CORP	16,000	62,566	SEINO TRANSPORT.	22,000	238,400
NGK INSULATORS	53,000	583,590	SEITA	4,900	155,238
NINTENDO CO	3,100	260,073	SEKISUI HOUSE	65,000	658,921
NIPPON MEATPACKERS	22,000	284,542	SHINMAYWA INDS	10,000	70,524
NIPPON STEEL CORP	20,000	63,969	SIEMENS	76,750	4,560,693
NOKIA AB	4,100	306,186	SIME DARBY BERHAD	43,000	143,106
NORANDA	4,800	103,508	SINGAPORE AIR(FR)	16,000	143,237
NORTHERN FOOD	54,000	178,832	SINGAPORE PRE (FR)	7,000	140,999
NORTHRN TELCOM	1,600	144,332	SINGAPORE TELECOM	61,000	112,631
NOVA CORP	7,100	60,728	SINGAPORE TELECOM	24,000	441,538
NOVARTIS	346	553,923	SMITHKLINE BEECHAM	81,370	235,677
OKUMURA CORP	37,000	196,269	SMURFIT (JEFF)	1,835	171,505
OSAKA GAS CO.	61,000	175,383	SOC GEN DE BELG	31,273	3,377,121
OUTOKUMPU OY	3,500	69,404	SOC NATL ELF AQUIT	79	8,827
OVERSEA CHINES(FR)	24,000	248,426	SOCIETE GENERAL PROVISIONAL	20,494	2,289,910
PACIFIC DUNLOP	43,000	126,272	SOCIETE GENERALE	300	176,912
PECHINEY-A'ASHS	3,961	156,187	SOLVAY NPV	8,100	707,151
PENNINSULAR ORIENT	41,000	409,386	SONY CORP	112,474,500	6,544,023
PERUSAHAAN	7,000	32,726	STET SOC FIN TEL ITL	37,000	607,885
PETROFINA SA	960	363,839	SUMITOMO BANK	29,000	486,588
PEUGEOT	32,050	3,100,732	SUMITOMO ELECTR	19,000	204,230
PHILIPS ELECTRONIC	6,300	452,090	SUMITOMO TRST&BKNG	7,000	84,255
POHJOLA 'B'	800	23,719	SUN HUNG KAI PROP.	12,000	108,038
PREUSSAG	875	256,334	SWIRE PACIFIC 'A'	20,000	562,792
PUBLIC BANK (FOR)	45,000	70,246	TAKEDA CHEM.INDSTR	6,000	440,970
QANTAS AIRWAYS AUD1	50,853	118,094	TDK CORP	90,000	4,682,762
RECKITT & COLMAN	10,568	157,491	TELE DANMARK	185,000	940,359
REDLAND	17,500	99,164	TELECOM CORP	143,000	282,798
REPSOL	4,000	169,752	TELECOM ITALI	43,000	138,991
RESORTS WORLD BHD	21,000	63,233	TELECOM ITALIA	120,000	214,393
REUTERS HOLDINGS	22,000	231,752	TELECOM ITALIA MOB ITL50	35,000	104,699
RHONE POULENC SA	5,800	237,098	TELECOM ITALIA SPA	6,600	268,950
RINASCENTE (LA)	14,000	77,712	TELECOM NEW ZEALND	27,500	128,566
RINASCENTE DI RISP	22,000	53,463	TELEKOM MALAYSIA	45,000	219,295
RINASCENTE(LA)	36,000	5,924	TENAGA NASIONAL	38,500	236,741
RIO TINTO LTD	20,813	352,055	TESCO PLC ORD 5P	26,600	306,991
RIO TINTO PLC	22,400	390,108	THAMES WATER	6,600	152,131
RJB MINING	35,000	209,685	THOMSON CORP COM	1,400	331,803
ROCHE HOLDINGS AG	35	317,014	THYSSEN AG	332,000	4,352,022
ROTHMANS PALL MALL	3,000	29,477	TOKIO MARINE&FIRE	8,400	176,912
ROYAL DUTCH PETROL	28,000	1,459,093	TOKYO ELEC PWR	25,500	285,241
ROYAL&SUN ALLIANCE	56,211	414,403	TOKYO STEEL MFG.	25,000	301,496
ROYL BK CANADA	4,600	208,560	TONEN CORPORATION	139,000	992,427
RWE AG DEM5	6,500	279,754	TORAY INDSTR.INC.	79,000	508,811
S.A.I(SOC ASSIC)	17,000	52,352	TOSHIBA CORP	3,024	305,954
SAINSBURY ORD	43,000	260,834	TOTAL 'B'	19,000	194,268
			TOYO SUISAN KAISHA		

EQUITY INVESTMENTS (Cont'd)

Company	Shares Owned	Market Value	Company	Shares Owned	Market Value
TOYOTA MOTOR CO	9,000	265,840	VISCOFAN ENVOLTRA	2,900	67,930
TRACTEBEL CAP NPV	455	189,847	VODAFONE GRP	35,200	171,343
TRANSCAN.PIPLN COM	6,200	124,710	VOLKSWAGEN AG	550	421,984
UMW HOLDINGS BERHA	6,000	28,288	WESTPAC BANK.	66,173	395,085
UNILEVER NV CVA	2,320	489,269	WHARF HLDGS	19,000	82,403
UNILEVER ORD	6,200	177,622	WILLIAMS PLC	48,000	258,013
UNION MINIERE	2,095	196,388	WING TAI HOLDINGS	16,000	46,104
UNITED ENGINE BHD	10,000	72,108	WMC LIMITED	34,500	215,803
UNITED OVERSEA(FR)	16,000	164,499	WOOLWORTHS LTD	23,000	74,949
UPM-KYMMENE OY	5,400	124,755	YAMAZAKI BAKING CO	17,000	300,097
USINOR SACHLOR	19,200	346,653	YORKSHIRE WATER	19,800	128,672
VALLEHERMOSO SA	2,100	56,759	YTL CORPORATION	11,000	33,994
VEBA	7,650	430,219	ZURICH VERSICHERUN	313	124,736
			Total International Equities		187,085,000
			TOTAL EQUITY INVESTMENTS		2,705,381,711
			TOTAL LONG-TERM INVESTMENTS		4,068,686,826
			TOTAL INVESTMENTS		4,288,795,263

Actuarial Section

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

1997-98 PLAN SUMMARY

BEGINNINGS

The Teachers' Retirement System of Oklahoma (TRS) was established July 1, 1943, to provide retirement allowances and other specified benefits for qualified employees of state-supported educational institutions.

ADMINISTRATION

A 13-member Board of Trustees oversees the administration of the System and acts as fiduciary for investing its funds.

REVENUE

The four primary sources of revenue for TRS are contributions from active members, contributions from local schools, dedicated revenue from the State of Oklahoma, and investment income. As a participating member, you contribute 7% of your total compensation, unless you are employed by one of Oklahoma's comprehensive universities (the University of Oklahoma and Oklahoma State University) or their entities. Salary caps for contribution purposes for employees of both comprehensive universities will be in effect until June 30, 2001.

The law also requires employers to contribute a percentage of applicable employee earnings. The total employer contribution rate for 1997-98 is 10½%. Contributions required from local schools are reduced by revenue TRS receives from the natural gas tax. For 1997-98, the natural gas tax revenue pays all but 4.8% of the total employer contribution. The employer contribution will increase annually until it reaches 18% in the 2005-06 school year.

MEMBERSHIP

All teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and agencies who are employed at least half-time must join TRS. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

SERVICE CREDIT

You must work at least six full school months to qualify for one year of membership. A school month is 20 school days of at least six hours. Partial credit is granted for employment of less than six months or part-time employment of four hours per school day. You may also receive credit for out-of-state service, military service, service with certain Oklahoma governmental entities, and employment in Oklahoma schools before your date of membership.

RETIREMENT ANNUITY

A vested member can receive benefits after satisfying eligibility requirements. You are fully vested after 10 years of contributory Oklahoma membership service. You may retire at age 62 *with unreduced benefits* after completing 10 years of Oklahoma service. If you joined TRS before July 1, 1992, you also may retire *with unreduced benefits* when your age and years of creditable service total 80 (Rule of 80). *For members joining TRS after June 30, 1992, the age and years of creditable service must total 90 (Rule of 90).* You may retire as early as age 55 with reduced benefits if you have at least 10 years of creditable Oklahoma service. For "Rule of 80 members," the monthly benefit is determined by multiplying the average salary of the **three highest years** of contributory service by 2%, times years of service, divided by 12. *For "Rule of 90" members, the benefits will be computed based on an average salary of the **five highest consecutive years.*** TRS offers members five retirement options, which provide a life benefit to the member and either lump sum or continued payments to the surviving spouse or a beneficiary.

DISABILITY BENEFITS

To qualify for a TRS disability retirement benefit, you must be a vested member (have at least 10 years of creditable service in TRS), be actively employed in an Oklahoma public education system, submit a disability retirement application, and have that application approved by the TRS Medical Board and the TRS Board of Trustees. You also qualify for TRS disability benefits if you incur a disability while employed, are awarded disability benefits by the Social Security Administration, and apply for TRS disability benefits.

MEDICAL BENEFITS

If you are **vested** and retire or terminate your employment, you may elect to continue coverage in the insurance program your employer provides to active employees. TRS will pay the first \$70 to \$75 of monthly premiums for each participating retiree. The actual amount paid by TRS is determined by the member's total service and average salary at retirement. Dependent and dental coverage is available if you are enrolled in the State and Education Employees Group Health and Dental Insurance Plan. If you are not enrolled in the state plan, coverage is subject to the provisions of the plan in which you are enrolled. If you are **non-vested**, you have certain rights under federal law to continue health insurance coverage after your employment ends. You should request information about continued coverage from your school's payroll office or the State and Education Employees Group Health Insurance Board before termination.

SURVIVOR BENEFITS

Your designated beneficiary or estate is entitled to survivor benefits if you are a TRS member when you die. The amount of those benefits depends upon when you joined TRS and whether you are an active in-service, inactive, or a retired member when you die. "Active, in-service" is defined in the TRS Rules, but generally means a member currently employed by an Oklahoma public education institution. If you are an active, in-service member who joined TRS before July 1, 1992, the death benefit is a return of accumulated contributions, plus interest, and an \$18,000 death benefit. If you have 10 or more years of service, and have reached age 55, or your age and service total 80, your surviving spouse may choose a monthly benefit instead of the lump sum payment. *The surviving spouse option and \$18,000 death benefit are available only to members who joined TRS before July 1, 1992.*

The death benefit due beneficiaries of inactive members and members joining TRS after June 30, 1992, is the member's contributions plus accumulated interest. Inactive members and members joining TRS after June 30, 1992, do not qualify for the \$18,000 death benefit or the monthly retirement benefit payable to the surviving spouse of active, in-service members.

If you are retired when you die, your beneficiary is entitled to a \$5,000 death benefit, plus the survivor benefits provided by your chosen retirement plan. Certain retirement plan options provide the surviving spouse with a continuing monthly retirement benefit.

WITHDRAWAL OF CONTRIBUTIONS

If you terminate employment in Oklahoma's public schools, you may request a refund of your contributions. You must be terminated from employment for at least four months but may file an application three months from the last day of employment. The refund includes all contributions made by you or on your behalf by your employer, plus any applicable portion of interest earnings. When you accept a refund, you cancel your membership and forfeit all TRS service credit.

If you return to employment, you may redeposit withdrawn accounts after you complete 12 months of contributions to TRS. If you decide to redeposit your withdrawn account, you must redeposit the entire amount of the withdrawn account in one lump sum. Redepositing your withdrawn account reinstates your initial membership date. If you rejoin TRS but do not redeposit your withdrawn contributions, your official date of membership will be the date the first contributions are made to your current membership account.

Only optional members (support personnel) may terminate membership in TRS without terminating employment. However, optional members who withdraw their accounts without terminating employment can never rejoin TRS unless they become employed in a position requiring them to be TRS members. In this case, they become new members as of the date they rejoined. In addition, contributions made by the employer on behalf of the employee on a *pre-taxed* basis cannot be refunded until the employee terminates employment. (This is an IRS rule.)

TAX-SHELTERED ANNUITY PLAN

The System administers a tax-sheltered annuity program qualified under section 403(b) of the Internal Revenue Code. As a TRS member, you may deposit funds into this plan if your local Board of Education or other governing board adopts a resolution making the TRS plan available to its employees and you sign an amended contract with your employer for the express purpose of buying an annuity with TRS. Contributions to the annuity plan are restricted to an annual "exclusion allowance" determined by the IRS Code. Withdrawals from the plan are subject to various withdrawal restrictions and tax penalties mandated by the Internal Revenue Code.

RIGHTS AND RESPONSIBILITIES

You are responsible for resolving any questions about your retirement account. TRS publications provide answers to general questions. You are entitled to counseling from the TRS staff concerning any question you have about your retirement account. TRS will not be held accountable for information that is contrary to statutes or administrative rules, regardless of who provides that information.

For details concerning how statutes and administrative rules may affect your retirement account, contact:

Teachers' Retirement System of Oklahoma
P.O. Box 53524
2801 N. Lincoln Blvd
Oklahoma City, OK 73152
405-521-2387

The general information provided here summarizes the basic benefits available to TRS members. If any conflict arises between information contained in this summary and state statutes or official TRS rules, the law and/or rule takes precedence.

October 22, 1997

Watson Wyatt & Company

Suite 2400
2121 San Jacinto Street
Dallas, TX 75201-2772

Telephone 214 978 3400
Fax 214 978 3650

Board of Trustees
Teachers' Retirement System of Oklahoma
OSSBA Building
2801 N. Lincoln Boulevard
Oklahoma City, Oklahoma 73105

Dear Members of the Board:

Subject: Actuarial Valuation as of June 30, 1997

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Teachers' Retirement System of Oklahoma (the System) as of June 30, 1997.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Both are Enrolled Actuaries and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Actuarial Valuation

The primary purposes of the valuation report are: to determine the adequacy of the current employer contribution rate, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides information required by the System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB No. 25), and it provides various summaries of the data.

Valuations are prepared annually, as of June 30 of each year, the last day of the System's plan and fiscal year.

Financing Objectives

The member contribution rate and the combined state and employer contribution rate are established by law. The combined state and employer contribution rate is currently 10.5% (effective July 1, 1997), and is scheduled to increase annually until reaching 18% as of July 1, 2005. The state and employer contributions, when combined with the contributions made by members, are intended to pay for the normal cost and to amortize the unfunded actuarial accrued liability (UAAL).



Progress Toward Realization of Financing Objectives

Currently the period required to completely amortize the UAAL (the funding period) is 20.4 years, measured from June 30, 1997. Last year the funding period was 22.2 years, measured from June 30, 1996. Therefore, the funding period decreased more than expected. This was principally because of large investment returns during the year just ended.

The UAAL, which was expected to increase \$207.4 million, instead decreased by \$27.9 million. Again, the gain on assets was the most important reason for this, causing a \$170.7 million decrease in the UAAL. The funded ratio -- actuarial value of assets divided by actuarial accrued liability -- improved from 39.6% to 42.9%.

Another factor which helped improve the funded position this year was the increase in gas tax receipts. While the scheduled contribution rate for the state and employers combined was 9.5% last year, actual receipts amounted to about 11.6% of payroll, including the federal matching contributions.

The combined employer and state contribution is still less than is required to pay the normal cost and interest on the UAAL, so the UAAL is expected to increase for several more years before beginning to decline.

Benefit Provisions

The actuarial valuation reflects the benefit provisions as set forth in current statutes, including those adopted in the 1997 legislative session. The only change materially affecting the actuarial condition of the System was an increase in the post-retirement death benefit, from \$4,000 to \$5,000. This change increased the UAAL by \$13.6 million and the funding period by 0.1 year.

Assumptions and Methods

The actuarial assumptions and methods used in this report are unchanged from last year. Assumptions are set by the Board of Trustees, taking into account the recommendation of the plan's actuaries. Assumptions were last changed in 1995, following an analysis of plan experience for the preceding five years. The assumptions are internally consistent and are reasonably based on the actual experience of the System.



Data

Member data for retired, active, and inactive participants was supplied as of June 30, 1997, by the System's staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was supplied by the auditors and by the System's staff.

Sincerely,

A handwritten signature in cursive script that reads "J. Christian Conradi".

J. Christian Conradi, ASA, MAAA, EA
Actuary

A handwritten signature in cursive script that reads "W. Michael Carter".

W. Michael Carter, FSA, MAAA, EA
Actuary

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

I. Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

Because the employer contribution rate is set by statute, the actuarial valuation is used to determine the funding period--the number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL). It is also used to calculate the Annual Required Contribution (ARC) as defined by GASB No. 25.

The actuarial valuation uses the Entry Age actuarial cost method. Under this method, a normal cost rate is first determined. This is the contribution rate (level as a percentage of pay) required to provide the benefits of the average new member. The normal cost rate consists of two pieces: (i) the member's own contribution rate, and (ii) a portion of the employer contribution rate. This second piece is called the employer normal cost rate.

The total normal cost is determined by dividing the present value of future benefits for a hypothetical group of new members (based on actual new entrants during the 1993-94 year) by the present value of their future pay. In calculating the benefits for this group, all changes in provisions or member contribution rates scheduled to occur in the future are assumed to already be in effect.

Next, the UAAL is determined. This is the liability for future benefits which is in excess of (i) the actuarial value of assets, and (ii) the present value of future normal costs. The employer contribution which is not used for the employer normal cost is applied to amortize the UAAL.

The funding period is calculated as the number of years required to fully amortize the UAAL, assuming that the System's payroll increases at the payroll growth rate. Both employer and member contributions are assumed to be made monthly.

The Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.



The actuarial valuation also determines a 40-year funding cost as required by Section 17-106. This is the dollar contribution required to pay the normal cost and amortize the UAAL over 40 years in equal installments. While this amount is not required to be paid under the statutes, it is reported as the Annual Required Contribution (ARC) under GASB No. 25. The 40-year period applies to all components of the UAAL and is recalculated each year (open amortization method).

III. Actuarial Value of Assets

The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 8% per year, compounded annually, composed of an assumed 4.00% inflation rate and a 4.00% net real rate of return.
2. Salary increase rate: A merit/promotional component dependent on service, plus a 4% inflation component, plus a 0.50% productivity increase, as follows:

<u>Years of Service</u>	<u>Merit/ Promotional Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	3.25%	7.75%
1	2.50	7.00
2	1.75	6.25
3	1.50	6.00
4	1.25	5.75
5	1.25	5.75
6	1.25	5.50
7	1.00	5.50
8	1.00	5.50
9	1.00	5.50
10	1.00	5.50
11	0.75	5.25
12	0.75	5.25
13	0.75	5.25
14	0.50	5.00
15 or more	0.00	4.50



3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 4% per year. This increase rate is solely due to the effect of inflation on salaries, with no allowance for future membership growth.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.
- a. Healthy males - 1983 Group Annuity Mortality Table for males, set back two years.
 - b. Healthy females - 1983 Group Annuity Mortality Table for females, set back one year.
 - c. Disabled males - PBGC Table Va for disabled males eligible for Social Security disability benefits, multiplied by 70%.
 - d. Disabled females - PBGC Table VIa for disabled females eligible for Social Security disability benefits, multiplied by 100%.

Sample rates are shown below:

Age	Expected Deaths per 100 Lives			
	Healthy Males	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(4)	(4)
40	0.10	0.06	1.97	2.09
45	0.17	0.09	2.25	2.24
50	0.31	0.15	2.68	2.57
55	0.52	0.23	3.37	2.95
60	0.77	0.38	4.22	3.31
65	1.24	0.64	4.75	3.70
70	2.22	1.09	5.17	4.11
75	3.67	2.11	5.89	4.92
80	6.07	3.85	7.90	7.46



2. Mortality rates - active members - Based on 1990 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Deaths per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.04	.02
30	.06	.04
35	.08	.06
40	.11	.08
45	.16	.11
50	.23	.16
55	.32	.23
60	.43	.32
65	.59	.43

3. Disability rates - Based on 1990 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.04	.04
30	.04	.04
35	.04	.05
40	.06	.07
45	.14	.13
50	.21	.25
55	.24	.34
60	.18	.28
65	.05	.08

Disability rates are applied only for members with 10 or more years of service, since rates were developed based on exposure for this group.



4. Termination Rates - Separate male and female rates, based on both age and service, developed from 1995 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

Age	Expected Terminations per 100 Lives (Male Members)				
	Years of Service				
	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	32.08	24.86	9.71	7.37	4.31
30	31.36	22.22	9.66	6.57	3.73
35	32.65	22.40	9.16	6.02	3.19
40	37.06	23.76	8.38	5.67	2.70
45	41.23	25.21	7.63	5.59	2.28
50	44.09	26.56	7.40	5.91	1.90
55	45.29	27.97	8.26	6.82	1.51
60	46.65	29.61	10.68	8.45	1.20
65	47.58	31.54	14.84	10.80	1.16

Age	Expected Terminations per 100 Lives (Female Members)				
	Years of Service				
	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	31.54	22.62	12.08	9.37	7.01
30	28.70	20.36	10.41	7.63	5.09
35	31.25	20.59	8.81	6.35	3.66
40	34.85	21.23	7.39	5.52	2.74
45	36.77	21.30	6.35	5.10	2.34
50	37.13	21.51	6.01	5.08	2.08
55	37.69	21.84	6.67	5.49	1.63
60	38.45	22.27	8.55	6.40	1.14
65	39.60	22.94	11.73	7.85	0.82

Termination rates are applied even after the member becomes eligible for a retirement benefit.



5. Retirement rates - Separate male and female rates, based on age, developed from the 1995 Experience Study. Sample rates are shown below:

Age	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
	Male	Female	Male	Female
50	40	65	0	0
51	40	45	0	0
52	33	40	0	0
53	27	35	0	0
54	24	35	0	0
55	24	31	1	2
56	24	31	3	3
57	24	31	3	4
58	24	31	4	4
59	24	31	4	5
60	24	31	5	5
61	24	31	5	6
62	35	45		
63	55	55		
64	40	40		
65	55	60		
66	55	55		
67	55	55		
68	55	55		
69	55	55		
70	100	100		

C. Other Assumptions

1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the \$18,000 lump sum and refund, if this benefit is available.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.



5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at the first age at which unreduced benefits are available.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to receive the supplemental insurance benefit.
8. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

V. Participant Data

Participant data was supplied on magnetic tape for (i) active members, (ii) inactive vested members, who are entitled to a future deferred benefit, (iii) inactive nonvested members, who are entitled to a refund of their employee contributions, and in some cases a portion of the accumulated interest, and (iv) members and beneficiaries receiving benefits.

The data for active and inactive, non-retired members included birthdate, sex, years of service, a classified/non-classified status code, salary, employee contributions and accumulated interest on employee contributions. The data also included a code to indicate whether the employee had elected to make contributions on salary above \$25,000, and a code indicating the type of employer (comprehensive university, other college or university, or other employer). For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Salary supplied for the current year was based on the earnings for the October preceding the valuation date. This salary was adjusted by the salary increase rate for one year, and limited by the maximum pay where appropriate.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Some inactive, nonvested employees who are entitled to a refund are not included in the data, but a liability for their refund is included instead in the Suspense Fund, which is included in the liability.



VI. Dates of Adoption of Assumptions and Methods

Generally, actuarial assumptions and methods were adopted by the Board of Trustees in May, 1995 and first reflected in the June 30, 1995 actuarial valuation, as recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 1990, including female mortality for retirees, disability, investment return rate, and active member mortality for males and females.



ACTIVE MEMBER VALUATION DATA
Periods Ended June 30

Year Ending (1)	Active Members		Covered Payroll		Average Salary		Average Age (8)	Average Service (9)
	Number (2)	% Increase or Decrease (3)	\$ Amount (millions) (4)	% Increase or Decrease (5)	\$ Amount (6)	% Increase or Decrease (7)		
1988	64,361	-0.3%	\$1,500	0.0%	\$23,317	0.7%	42.4	10.1
1989	67,709	5.2%	1,610	7.3%	24,058	3.2%	42.8	10.2
1990	69,062	2.0%	1,745	8.4%	25,265	5.0%	43.1	10.5
1991	71,936	4.2%	1,921	10.1%	26,709	5.7%	43.1	10.5
1992	73,568	2.3%	2,002	4.2%	27,218	1.9%	43.3	10.6
1993	75,599	2.8%	2,122	6.0%	28,069	3.1%	43.4	10.7
1994	76,280	0.9%	2,190	3.2%	28,704	2.3%	43.6	10.8
1995	79,044	3.6%	2,336	6.7%	29,555	3.0%	43.6	10.7
1996	78,942	-0.1%	2,375	1.7%	30,091	1.8%	43.4	11.1
1997	79,510	0.7%	\$2,429	2.3%	\$30,546	1.5%	43.4	11.1

SCHEDULE OF INCREASES AND DECREASES
OF BENEFIT RECIPIENTS
Periods Ended June 30

Fiscal Year	Beginning Balance Recipients			Ending Balance Recipients	% Increase/ (Decrease)
		Additions	Subtractions		
1988	21,854	2,021	386	23,489	7.5%
1989	23,489	985	689	23,785	1.3%
1990	23,785	1,477	755	24,507	3.0%
1991	24,507	1,736	807	25,436	3.8%
1992	25,436	1,546	784	26,198	3.0%
1993	26,198	1,700	895	27,003	3.1%
1994	27,003	1,905	896	28,012	3.7%
1995	28,012	1,973	978	29,007	3.6%
1996	29,007	1,824	847	29,984	3.4%
1997	29,984	2,038	1,120	30,902	3.1%

Total monthly benefit payments, June 30, 1996	\$31,894,092
Added to rolls and retirement allowance increases	2,651,398
Removed from rolls	<u>(1,055,467)</u>
Total monthly benefit payments, June 30, 1997	<u>\$33,490,023</u>
Net monthly benefit increase	\$1,595,931
Percentage increase	5.00%
Average monthly allowance	\$1,105

Average monthly payment is \$1,105 excluding special annuitants.

SOLVENCY TESTS

Periods Ending June 30

Date	Actuarial Accrued Liability and Percent of Active Member Payroll for:										Portion of Accrued Liabilities Covered by Assets							
	Accumulated Member Contributions Including Allocated Investment Income		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits		Actuarial Value of Assets		(1)		(2)		(3)		(4)	
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	(1)	(2)	(1)	(2)	(3)	(4)				
1988	\$1,151,800,000	77%	\$2,155,900,000	144%	\$18,400,000	1%	\$518,400,000	35%	\$1,693,900,000	100%	25%	0%	0%					
1989	798,600,000	50%	2,194,000,000	136%	54,700,000	3%	917,700,000	57%	1,795,300,000	100%	45%	0%	0%					
1990	909,700,000	52%	2,405,800,000	138%	59,900,000	3%	1,738,300,000	100%	1,951,300,000	100%	43%	0%	0%					
1991	1,044,400,000	54%	2,662,900,000	139%	68,100,000	4%	1,669,200,000	87%	2,089,600,000	100%	39%	0%	0%					
1992	1,186,700,000	59%	2,778,700,000	139%	78,500,000	4%	2,039,500,000	102%	2,287,100,000	100%	40%	0%	0%					
1993	1,333,100,000	63%	2,926,100,000	138%	90,200,000	4%	2,107,600,000	99%	2,569,200,000	100%	42%	0%	0%					
1994	1,467,900,000	67%	3,187,500,000	146%	102,500,000	5%	1,978,100,000	90%	2,697,200,000	100%	39%	0%	0%					
1995	1,628,400,000	70%	3,409,300,000	146%	96,700,000	4%	2,346,000,000	100%	2,869,900,000	100%	36%	0%	0%					
1996	1,799,100,000	76%	3,586,300,000	151%	106,700,000	4%	2,351,100,000	99%	3,103,000,000	100%	36%	0%	0%					
1997	1,967,900,000	81%	3,797,800,000	156%	114,400,000	5%	2,377,100,000	98%	3,544,900,000	100%	42%	0%	0%					

Statistical Section

SCHEDULE OF AVERAGE PAYMENT AMOUNTS
Fiscal Year Ended June 30, 1997

Date	Regular Annuitants
June 30, 1948	\$33
June 30, 1954	75
June 30, 1960	83
June 30, 1966	129
June 30, 1969	148
June 30, 1970	179
June 30, 1971	201
June 30, 1972	209
June 30, 1973	217
June 30, 1974	226
June 30, 1975	248
June 30, 1976	297
June 30, 1977	321
June 30, 1978	345
June 30, 1979	365
June 30, 1980	\$382

Date	Regular Annuitants	Special Annuitants
June 30, 1981	\$432	
June 30, 1982	480	
June 30, 1983	592	
June 30, 1984	600	
June 30, 1985	683	
June 30, 1986	761	\$150
June 30, 1987	837	159
June 30, 1988	907	159
June 30, 1989	949	159
June 30, 1990	956	159
June 30, 1991	1,013	159
June 30, 1992	1,021	159
June 30, 1993	1,030	159
June 30, 1994	1,044	159
June 30, 1995	1,084	163
June 30, 1996	1,093	163
June 30, 1997	\$1,105	\$163

Note that figures after June 30, 1989 do not include monthly medical premium.

ACTIVE PERSONNEL
Fiscal Year Ended June 30, 1997

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 yrs.	21,138	11,866	9,272
5-9	19,877	12,520	7,357
10-14	12,357	7,825	4,532
15-19	10,804	8,847	1,957
20-24	8,457	7,640	817
25-29	5,182	4,899	283
30-34	1,340	1,274	66
35-39	284	273	11
40-44	61	59	2
45-49	6	5	1
50-54	4	2	2
TOTALS	79,510	55,210	24,300

Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	366	160	206
5001-10,000	3,722	274	3,448
10,001-15,000	6,710	898	5,812
15,001-20,000	5,739	1,012	4,727
20,001-25,000	6,558	2,774	3,784
25,001-30,000	19,509	16,650	2,859
30,001-35,000	16,305	14,851	1,454
35,001-40,000	7,888	7,068	820
40,001-45,000	3,985	3,532	453
45,001-50,000	2,550	2,272	278
50,001-55,000	1,711	1,554	157
55,001-60,000	1,238	1,143	95
60,001-65,000	814	751	63
65,001-70,000	625	582	43
70,001-75,000	427	405	22
75,001 and Above	1,363	1,284	79
TOTALS	79,510	55,210	24,300

Average Age (years)	43.6	43.1	44.7
Average Salary	\$30,546	\$35,182	\$20,011
Average Service (years)	11.2	12.8	7.5

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS
 Selected Plan Options
 Fiscal Year Ended June 30, 1997

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	2,236	8,631	10,867	\$1,047	35.17%
Option 1	3,219	8,114	11,333	1,108	36.67%
Option 2	2,588	825	3,413	1,243	11.04%
Option 3	1,459	686	2,145	1,414	6.94%
Option 4	188	236	424	1,088	1.37%
Options 5, 6 & 7	886	110	996	832	3.22%
Disability	264	629	893	776	2.89%
Special Annuitants	116	715	831	163	2.69%
TOTALS	10,956	19,946	30,902	\$1,105	100.00%

Average monthly payment is \$1,105 excluding special annuitants

Maximum - provides for the greatest possible benefit. In the event payments to members are less than member's account balance, the remaining balance is paid to a designated beneficiary or in the event no beneficiary is named to the member's estate.

Option 1 - provides for a decreased rate of reduction of member's account balance. In the event a balance exists at the death of member, the remaining balance of the account is paid to a designated beneficiary or in the event a beneficiary was not named to the member's estate.

Option 2 - provides for a reduced monthly benefit to the member for life. Upon death of the member, the designated surviving spouse will continue to receive the same monthly benefit for life.

Option 3 - provides a similar benefit as Option 1, however, upon death of the member, the monthly benefit to the designated surviving spouse is one-half of the benefit of the member.

Option 4 - provides a reduced monthly benefit. In the event of the member's death within 120 months from the date of retirement, the balance of the payments are continued to the beneficiary designated at the time of retirement.

Options 5, 6 & 7 - represents beneficiaries of options 2, 3 & 4.

Disability - upon meeting requirements, a vested member may receive a monthly benefit.

Special Annuitants - a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943.

DISTRIBUTION BY YEARS OF SERVICE
Fiscal Year Ended June 30, 1997

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
Under 10	25	78	103	\$208
10-14	949	2,672	3,621	330
15-19	1,065	2,878	3,943	549
20-24	1,351	4,005	5,356	890
25-29	2,221	4,090	6,311	1,293
30-34	2,613	3,025	5,638	1,494
35-39	1,692	1,529	3,221	1,600
40-44	826	812	1,638	1,753
45-49	92	136	228	1,847
50 and Over	6	6	12	2,685
TOTALS	10,840	19,231	30,071	\$1,105

Does not include 831 special annuitants

DISTRIBUTION BY AGE AT RETIREMENT

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service
	Male	Female	Total		
40 and Under	17	41	58	\$525	13.7
41-45	29	66	95	691	15.9
46-50	210	268	478	1,338	25.2
51-55	2,532	2,671	5,203	1,403	27.4
56-60	2,858	5,224	8,082	1,135	25.8
61-65	4,500	9,649	14,149	1,011	25.8
66-70	605	1,137	1,742	898	23.2
71-75	73	147	220	606	20.7
76-80	11	26	37	557	22.3
Over 80	5	2	7	559	18.4
TOTALS	10,840	19,231	30,071	\$1,105	25.8

Does not include 831 special annuitants.

DISTRIBUTION BY RETIREE AGE
Fiscal Year Ended June 30, 1997

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	131	15.6	\$738
50-54	1,227	27.8	1,613
55-59	3,245	26.5	1,415
60-64	5,283	24.4	1,172
65-69	5,704	24.0	1,072
70-74	4,717	24.8	1,009
75-79	3,805	26.0	948
80-84	2,800	27.4	958
85-89	1,973	29.6	1,020
Over 90	1,186	31.0	1,009
TOTALS	30,071	25.8	\$1,105

Does not include 831 special annuitants

DISTRIBUTION BY MONTHLY INCOME
Fiscal Year Ended June 30, 1997

Monthly Income	Retired Members	Total	Average Payment
Under \$100	84	\$7,103	\$85
\$101-200	952	148,662	156
\$201-\$300	1,499	375,482	250
\$301-\$400	1,713	598,879	350
\$401-\$500	1,558	700,212	449
\$501-\$600	1,504	826,004	549
\$601-\$700	1,487	966,260	650
\$701-\$800	1,329	997,163	750
\$801-\$900	1,395	1,186,305	850
\$900-\$1,000	1,431	1,361,700	952
\$1,001-\$1,100	1,676	1,760,654	1,051
\$1,101-\$1,200	1,862	2,141,757	1,150
\$1,201-\$1,300	1,895	2,366,794	1,249
\$1,301-\$1,400	1,971	2,719,336	1,380
\$1,401-\$1,500	1,885	2,731,726	1,449
\$1,501-\$1,600	1,711	2,649,133	1,548
\$1,601-\$1,700	1,431	2,358,464	1,648
\$1,701-\$2,000	2,813	5,238,930	1,862
\$2,001-\$2,500	1,596	3,468,927	2,174
Over \$2,500	279	751,079	2,692
TOTALS	30,071	\$33,354,570	\$1,105

Does not include 831 special annuitants

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Schedule of Cash Receipts and Disbursements
Years Ended June 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Cash balance, beginning of year	\$3,713,877	\$3,168,861
<u>Receipts:</u>		
Members' contributions	170,342,353	149,884,939
Employer contributions	109,184,110	55,111,484
State of Oklahoma and various federal sources	163,278,688	120,671,585
Interest income	113,016,403	107,921,542
Dividends	47,912,768	45,961,215
Net gain on investments	377,602,516	244,018,444
Other revenue	197,238	84,740
* Investments sold	<u>10,611,223,716</u>	<u>7,169,706,738</u>
	<u>11,592,757,792</u>	<u>7,893,360,687</u>
<u>Disbursements:</u>		
	981,534,076	
Retirement, death, survivor, and health benefits	417,704,475	396,305,026
Refund of member contributions and annuity payments	34,633,635	31,814,168
Administrative expenses	2,236,907	2,161,674
Investment expenses	7,589,806	6,816,327
Equipment purchases	222,302	55,357
* Investment purchases	<u>11,129,235,512</u>	<u>7,455,663,119</u>
Total disbursements	<u>11,591,622,637</u>	<u>7,892,815,671</u>
Balance of cash, June 30	<u>\$4,849,032</u>	<u>\$3,713,877</u>

* Includes equities, fixed income and short-term investments.

Schedule of Revenue by Source

<u>Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>State of Oklahoma & Various Federal Sources</u>		<u>Investment Income</u>	<u>Other Revenue</u>	<u>Total</u>
1988	\$95,552,682	\$0	\$121,426,909		\$129,199,232	\$0	\$346,178,823
1989	100,893,240	-	132,469,504		147,123,656	-	380,486,400
1990	119,666,636	7,571,476	138,731,872		186,573,312	221,342	452,764,638
1991	140,467,139	17,408,243	133,090,790		156,698,023	9,342	447,673,537
1992	139,602,837	28,255,158	121,671,483		240,490,996	21,598	530,042,071
1993	147,016,766	39,596,167	159,199,746		243,037,507	-	588,850,186
1994	147,887,923	41,762,035	157,752,704		246,892,624	275,097	594,570,383
1995 *	152,294,253	43,689,553	117,606,990		419,768,907	115,290	733,474,993
1996 *	149,884,939	55,111,484	122,083,443		461,422,892	84,740	788,587,498
1997 *	\$173,003,479	\$114,626,865	\$162,115,124		\$736,198,033	\$197,238	\$1,186,140,739

* - Investment income includes both realized and unrealized gains and losses on investments.

Schedule of Expenses by Type

<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1988	\$230,144,148	\$15,865,723	\$1,733,829	\$3,300,000	\$251,043,700
1989	265,550,823	18,334,612	1,653,034	36,300,000	\$321,838,469
1990	274,568,647	17,918,413	1,840,350	0	\$294,327,410
1991	304,806,218	21,075,707	1,977,323	0	\$327,859,248
1992	317,540,438	20,287,267	2,049,436	0	\$339,877,141
1993	332,087,795	19,809,556	2,137,540	0	\$354,034,891
1994	348,889,153	19,208,770	2,136,808	0	\$370,234,731
1995	377,520,148	29,946,427	2,255,992	0	\$409,722,567
1996	396,147,031	31,814,168	2,214,437	0	\$430,175,636
1997	\$418,015,034	\$34,633,635	\$2,401,727	\$0	\$455,050,396

Administrative Expenses for the Respective Years

	<u>1997</u>	<u>1996</u>
Salaries and benefits	\$1,412,026	\$1,288,595
General and miscellaneous	473,741	415,586
Professional services	184,865	198,647
State of Oklahoma interagency	236,497	217,411
Travel and related expenses	42,053	36,284
Depreciation expense	<u>52,545</u>	<u>57,914</u>
Total administrative expenses	<u>\$2,401,727</u>	<u>\$2,214,437</u>

1997 Participating Employers

Public School Districts	Bluejacket	Central	Depew
Achille	Boise City	Chandler	Dewar
Ada	Bokoshe	Chattanooga	Dewey
Adair	Boley	Checotah	Dibble
Afton	Boone-Apache	Chelsea	Dickson
Agra	Boswell	Cherokee	Dover
Albion	Bowlegs	Cheyenne	Drummond
Alex	Bowring	Chickasha	Drumright
Aline-Cleo Springs	Boynton	Chisholm	Duke
Allen Bowden	Braggs	Choctaw Nicoma Park	Duncan
Allen	Braman	Chouteau Mazie	Durant
Altus	Bray Doyle	Cimarron	Dustin
Alva	Bridge Creek	Claremore	Eagletown
Amber Pocasset	Briggs	Clayton	Eakly
Anadarko	Bristow	Cleora	Earlsboro
Anderson	Broken Arrow	Cleveland	Edmond
Antlers	Broken Bow	Clinton	El Reno
Arapaho	Brushy	Coalgate	Eldorado
Ardmore	Buffalo	Colbert	Elgin
Arkoma	Buffalo Valley	Colcord	Elk City
Arnett	Burbank	Coleman	Elmore City-Pernell
Asher	Burlington	Collinsville	Empire
Atoka	Burns Flat-Dill City	Comanche	Enid
Avant	Butler	Commerce	Erick
Balko	Butner	Copan	Eufaula
Banner	Byars	Cordell	Fairland
Barnsdall	Byng	Cottonwood	Fairview
Bartlesville	Cache	Covington Douglas	Fanshawe
Battiest	Caddo	Coweta	Fargo
Bearden	Calera	Coyle	Farris
Beaver	Calumet	Crescent	Faxon
Beggs	Calvin	Crooked Oak	Felt
Belfonte	Cameron	Crowder	Fletcher
Bell	Canadian	Crutcho	Flower Mound
Bennington	Caney	Cushing	Forest Grove
Berryhill	Caney Valley	Cyril	Forgan
Bethany	Canton	Dahlongegah	Fox
Bethel	Canute	Dale	Foyil
Big Pasture	Carnegie	Darlington	Frederick
Billings	Carney	Davenport	Freedom
Binger-Oney	Carter	Davidson	Friend
Bishop	Cashion	Davis	Frink Chambers
Bixby	Catoosa	Deer Creek	Frontier
Blackwell	Cave Springs	Deer Creek-Lamont	Ft Cobb-Broxton
Blair	Cement	Delaware	Ft Gibson
Blanchard	Central High	Denison	Ft Supply

Ft Towson	Hollis	Liberty (Tulsa)	Morris
Gage	Holly Creek	Lindsay	Morrison
Gans	Hominy	Little Axe	Moseley
Garber	Hooker	Locust Grove	Moss
Garrett	Howe	Lomega	Mounds
Geary	Hugo	Lone Grove	Moyers
Geronimo	Hulbert	Lone Star	Mt View-Gotebo
Glencoe	Hydro	Lone Wolf	Muldrow
Glenpool	Idabel	Lookeba Sickles	Mulhall-Orlando
Glover	Indiahoma	Lost City	Muskogee
Goodland	Indianola	Lowrey	Mustang
Goodwell	Inola	Lukfata	Nashoba
Gore	Jay	Luther	Navajo
Gracemont	Jenks	Macomb	New Lima
Graham	Jennings	Madill	Newcastle
Grandfield	Jones	Mangum	Newkirk
Grand View (Cherokee)	Justice	Mannford	Ninnekah
Grandview (Stephens)	Justus-Tiawah	Mannsville	Noble
Granite	Kansas	Maple	Norman
Grant	Kaw City	Marble City	North Rock Creek
Greasy	Kellyville	Marietta	Norwood
Greenville	Kenwood	Marlow	Nowata
Grove (Delaware)	Keota	Maryetta	Nuyaka
Grove (Pottawatomie)	Ketchum	Mason	Oak Grove
Gum Springs	Keyes	Maud	Oakdale
Guthrie	Keys	Maysville	Oaks Mission
Guymon	Keystone	Mc Alester	Oilton
Gypsy	Kiefer	Mc Cord	Okarche
Haileyville	Kildare	Mc Curtain	Okay
Hammon	Kingfisher	Mc Lish	Okeene
Hanna	Kingston	Mc Loud	Okemah
Hardesty	Kinta	Medford	Okla City
Harmony	Kiowa	Meeker	Oklahoma Union
Harrah	Konawa	Merritt	Okmulgee
Hartshorne	Krebs	Miami	Oktaha
Haskell	Kremlin-Hillsdale	Middleberg	Olive
Haworth	Lane	Midway	Olney
Haywood	Latta	Midwest City-Del City	Olustee
Healdton	Laverne	Milburn	Oologah-Talala
Heavener	Lawton	Milfay	Optima
Hennessey	Leach	Mill Creek	Osage Hills
Henryetta	Leedey	Millwood	Osage
Hilldale	LeFlore	Minco	Owasso
Hinton	Leonard	Moffett	Paden
Hobart	Lexington	Monroe	Panama
Hodgen	Liberty (Okmulgee)	Moore	Panola
Holdenville	Liberty (Sequoyah)	Mooreland	Paoli

Pauls Valley	Roland	Sweetwater	Washita Hgts
Pawhuska	Rush Springs	Swink	Watonga
Pawnee	Ryal	Tahlequah	Watson
Peavine	Ryan	Talihina	Watts
Peckham	Salina	Taloga-Oakwood	Waukomis
Peggs	Sallisaw	Tannehill	Waurika
Perkins-Tryon	Sand Springs	Tecumseh	Wayne
Perry	Sapulpa	Temple	Waynoka
Picher-Cardin	Sasakwa	Tenkiller	Weatherford
Pickett Center	Savanna	Terral	Webbers Falls
Piedmont	Sayre	Texhoma	Welch
Pioneer	Schulter	Thackerville	Weleetka
Pioneer Pleasant Vale	Seiling	Thomas-Fay-Custer	Wellston
Pittsburg	Seminole	Timberlake	Western Hgts
Plainview (Carter)	Sentinel	Tipton	Westville
Plainview (Cimarron)	Sequoyah	Tishomingo	Wetumka
Pleasant Grove	Shady Grove	Tom	Wewoka
(Pottawatomie)	Shady Point	Tonkawa	White Oak
Pleasant Grove	Sharon-Mutual	Tulsa	White Rock
(Seminole)	Shattuck	Tupelo	Whitebead
Pocola	Shawnee	Turkey Ford	Whitefield
Ponca City	Shidler	Turner	Whitesboro
Pond Creek-Hunter	Silo	Turpin	Wickliffe
Porter Consolidated	Skelly	Tushka	Wilburton
Porum	Skiatook	Tuskahoma	Wilson (Carter)
Poteau	Smithville	Tuttle	Wilson (Okmulgee)
Prague	Snyder	Twin Hills	Wister
Preston	Soper	Tyrone	Woodall
Pretty Water	South Coffeyville	Union City	Woodland
Prue	South Rock Creek	Union	Woodward
Pryor	Spavinaw	Valliant	Wright City
Purcell	Sperry	Vanoss	Wyandotte
Putnam City	Spiro	Varnum	Wynnewood
Quapaw	Springer	Velma-Alma	Wynona
Quinton	Sterling	Verden	Yale
Rattan	Stidham	Verdigris	Yarborough
Ravia	Stigler	Vian	Yukon
Red Oak	Stillwater	Vici	Zaneis
Reydon	Stilwell	Vinita	Zion
Ringling	Stonewall	Wagoner	
Ringwood	Straight	Wainwright	
Ripley	Stratford	Wakita	
Riverside	Stringtown	Walters	
Robin Hill	Strother	Wanette	
Rock Creek	Stroud	Wapanucka	
Rocky Mountain	Stuart	Warner	
Roff	Sulphur	Washington	

**VOCATIONAL-TECHNICAL
SCHOOLS**

Caddo-Kiowa
 Canadian Valley
 El Reno
 Chickasha
 Central Oklahoma
 Drumright
 Sapulpa
 Chisholm Trail
 E. Oklahoma Co.
 Francis Tuttle
 Gordon Cooper
 Great Plains
 Lawton
 Frederick
 Green Country
 High Plains
 Indian Capital
 Muskogee
 Sallisaw
 Stilwell
 Tahlequah
 Kiamichi
 Atoka
 Durant
 Hugo
 Idabel
 McAlester
 Poteau
 Spiro
 Stigler
 Talihina
 Wilburton
 Meridian
 Metro Tech
 Mid-America
 Moore-Norman
 NE Oklahoma
 Afton
 Pryor
 NW Oklahoma
 Alva
 Fairview
 O.T. Autry
 Pioneer
 Pontotoc
 Red River
 S. Oklahoma
 Southwest
 Tri-County
 Tulsa County
 Wes Watkins
 Western Oklahoma
 Burns Flat
 Sayre

**COLLEGES AND
UNIVERSITIES**

Cameron University
 East Central University
 Langston University
 Northeastern Oklahoma State
 University
 Northwestern Oklahoma
 State University
 Oklahoma Panhandle
 State University
 Oklahoma State University
 Rogers University
 Claremore Campus
 Tulsa Campus
 Southeastern Oklahoma
 State University
 Southwestern Oklahoma
 State University
 University of Central
 Oklahoma
 University of Oklahoma
 University of Oklahoma
 Health Sciences Center
 University of Science and
 Arts of Oklahoma

**STATE JUNIOR
COLLEGES**

Carl Albert St. College
 Connors State College
 Eastern Oklahoma State
 College
 Murray State College
 Northeastern Oklahoma
 A&M
 Northern Oklahoma College
 Oklahoma City Community
 College
 Redlands Community
 College
 Rogers State College
 Rose State College
 Seminole State College
 Tulsa Junior College
 Western Oklahoma State
 College

PARTICIPATING ENTITIES

ABC Coop
 Atoka-Coal Interlocal
 Board of Private
 Vocational Schools
 Board of Regents of
 Oklahoma Colleges
 Cherokee County Interlocal
 Coop
 Cleveland County Interlocal
 Coop
 Garfield County Interlocal
 Coop
 Higher Education Alumni
 Council
 McCurtain County
 Educational Coop
 Mid-Del Association of
 Classroom Teachers
 Midwest City Central Foods
 Moore Association of
 Classroom Teachers
 OCAST
 Oklahoma City Federation
 of Teachers
 Oklahoma Department of
 Corrections
 Oklahoma Department of
 Education
 Oklahoma Department of
 Human Services
 Oklahoma Department of
 Rehabilitation Services
 Oklahoma Department of
 Veterans Affairs
 Oklahoma Department of
 Vocational and Technical
 Education Vo-Tech Skills
 Centers
 Boley
 Ft. Supply
 Granite
 Helena
 Hodgen
 Hominy
 Joseph Harp
 Lane
 Lexington
 Mabel Basset
 McCloud
 Oklahoma City
 Ouachita
 Stringtown
 Stillwater
 Taft
 Tinker AFB
 Tahlequah
 Oklahoma Education
 Association
 Oklahoma School of
 Science and Mathematics
 Oklahoma Secondary
 Schools Activity
 Association
 Oklahoma State Election
 Board
 Oklahoma State House
 of Representatives
 Oklahoma State Regents for
 Higher Education
 Oklahoma State Senate
 Oklahoma Student Loan
 Authority
 Osage County Interlocal
 Coop
 Teachers' Retirement
 System
 Tri-County Interlocal Coop
 Western Heights Food
 Service

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