



# *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, 1998*

*Prepared by the Retirement System Staff*

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# Comprehensive Annual Financial Report for the Teachers' Retirement System of Oklahoma

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## **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, 1998.

Established by legislation, the System began operation July 1, 1943, and concluded its fifty-fifth 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, 1998, the System had 633 participating employers, 80,578 active members, 10,022 inactive members and 32,032 retired members and beneficiaries receiving monthly benefits.

The 1998 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, 1998, 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 record highs. Concerns about slower growth during calendar year 1999 continue to increase. The State of Oklahoma's economy has been improving. Tax revenues were up in 1998, and projections indicate continued but slower growth during 1999.

MAJOR INITIATIVES

Over the last 10 years, several special task force groups have focused studies on the Teachers' Retirement System's financial condition and the System's ability to meet long-term obligations. The System is one of the country's five worst-funded state-operated pension plans. As of June 30, 1998, only 45.9% of the System's actuarial liabilities were covered by the actuarial value of its assets.

In March 1998, the Oklahoma Teachers' Retirement System Task Force issued its findings and recommendations after almost six months of meetings. The 100-page report concluded that the System's poor financial condition was "the most serious fiscal problem that faces the State of Oklahoma." Among the recommendations adopted by the Legislature and signed into law by the Governor was a revised funding schedule replacing the pay-out plan adopted in 1992. Under the new funding schedule, the Teachers' Retirement System will receive appropriations from the State's General Revenue Fund effective with the Fiscal Year beginning July 1, 1999. At the same time, that portion of the severance tax on natural gas, which currently represents the State's employer contribution, will no longer come to the Retirement Fund, but will be added to the General Revenue Fund. The Task Force made this recommendation based on the belief that revenues from the General Revenue Fund would provide a more consistent and reliable funding source than continued reliance on the natural gas tax. In addition, the contribution rate required from local employers was added to state statutes. Previously, the rate of annual contributions made by local employers was set by the Board of Trustees each March, predicated on a statutory contribution rate including an estimate of monies to be received from the tax on natural gas.

Enrolled Senate Bill 1037, establishing the new funding schedule, reduces the annual contributions the System will receive. Instead of eventually reaching a combined employee and employer contribution rate of 25% of employees' pay, the new law will provide an overall contribution rate of approximately 19%. This will extend the projected amortization of unfunded liabilities from 20 years to 35 years. The Task Force report concluded this was necessary because the existing accelerated funding schedule would have become increasingly burdensome to local school budgets and could not reasonably be maintained.

The Task Force also considered the effects of post-retirement benefit adjustments, looking at the impact inflation has on retirees' ability to maintain an adequate standard of living and the effect periodic adjustments have on the System's growing obligations. The Task Force recommended the Legislature carefully weigh the effect on the System of approving benefit increases and suggested that cost-of-living increases to retirees be funded by direct appropriations. Senate Bill 1037 included a retiree benefit increase ranging from 1.75% to 10% depending on length of time the member had been retired. Unfortunately, no additional funding was provided to pay for the increased benefits.

Other 1998 legislation included provisions that:

- allow retiring members to name someone other than a spouse as beneficiary of the joint-survivor retirement options;

- require all Oklahoma pension plans to deduct court-ordered child support payments;

- allow members to purchase up to 90 days' retirement credit for unpaid leave taken to care for a newborn;

- pay a full retirement check to a retiree's beneficiary or estate for the month in which the retiree dies; and

- allow active members to make installment payments when redepositing a withdrawn account.

During 1998, the System implemented an optical imaging project to scan and convert all active and retired members' paper files to optical disk. More than 3.5 million documents are now accessible to the System's personnel via the optical imaging system. The new system interfaces with the agency's internal network and mainframe computer systems. The integrated system will allow staff to access documents faster and more easily, resulting in improved service to members. And, the system provides better security and backup capabilities.

The Retirement System began preparing for Year 2000 in the early 1990s. When new data systems were planned or updated, recognition of the unique computer problems presented by January 2000 were considered. During 1998, the System's data processing department, as well as managers from other divisions have increased efforts to review and plan for the new millennium. All internal and external software is scheduled for remediation prior to December 31, 1998, and end-to-end testing will be completed by April 1999. The System will also require each contract holder, professional service provider, and major vendor to provide documentation of Y2K compliance efforts.

## FINANCIAL INFORMATION

A system of internal controls safeguards the System's assets and promotes 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 regularly provides written and oral reports to the Board of Trustees. 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. The System's administrative expenses are processed in accordance with State statutes and regulations of the Office of State Finance and Department of Central Services.

The System's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). TRS and the State's other public retirement systems 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. The 1997 and 1998 financial statements in this report have been prepared in compliance with GASB-25 requirements.

## 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 earned, and expenses are recognized when incurred.

Active member contributions for Fiscal Year 1998 were \$181 million, which represented 7% of covered payroll. This compares to \$166 million for the year ending June 30, 1997. Member contributions increased due to a change in the contribution rate on earnings and an increase in overall membership. Total salaries for active members were \$2.528 billion.

Contributions from local employers, the State of Oklahoma, and federal sources for Fiscal Year 1998 were \$263.6 million, compared to \$276.7 million for 1997. Contributions from local school districts and federal revenues increased \$6.7 million, but revenue from the tax on natural gas decreased \$19.8 million. During FY-98, TRS received 56% of the natural gas tax collected by the State of Oklahoma and this represents the employer contributions made by the State. The System will continue to receive revenues from the natural gas tax during FY-99, but will receive direct appropriations from the State's General Revenue Fund beginning July 1, 1999. This change was explained more fully under the Major Initiatives section of this letter. During Fiscal Year 1998, state and local employers' contributions exceeded the statutory funding requirements established by passage of Senate Bill 568 in 1992, but did not meet the level dollar 40-year amortization payment required under Section 17-106 of Title 70 of Oklahoma Statutes.

The results of the actuarial valuation conducted by the System's actuary as of June 30, 1998, are included in the Actuarial Section. The System's relative funded position for the year ending June 30, 1998 improved from 42.9% of assets compared to liabilities in 1997, to 45.9% in 1998. This increase was due mainly to investment returns exceeding expectations. Total unfunded liabilities increased \$94 million from \$4.712 billion to \$4.806 billion. This was \$81 million less than expected. Under the current funding schedule (SB 568), unfunded liabilities had been projected to increase by \$174.9 million. A legislatively mandated cost-of-living increase for retirees and beneficiaries added another \$178.9 million to liabilities. The actuarial yield on assets at 15.8% exceeded the 8% actuarial assumed rate of return, which increased assets above expectations by \$274.6 million. Liability loss and contributions in excess of expectations resulted in a net liability increase of \$14.7 million in these categories. During the year ending June 30, 1998, the System's actuarial assets grew by \$540 million and actuarial liabilities grew by \$634 million.

The actuary's report continues to stress that the System remains poorly funded despite the good results over the past several years. Since 1993, the System's funded ratio has improved from 39.8% to 45.9%. This increase is the results of investments earnings exceeding the anticipated 8% per year yield. The actuarial yield on assets has been above 11% in all but one year since 1993.

The current combined local school/state contribution rate is not large enough to pay the normal cost and pay interest on the unfunded accrued actuarial liabilities. Therefore, negative amortization results. This is the reason unfunded liabilities are expected to increase each year for several years. Under the vacated provisions of SB568, the System's liabilities would have increased until around 2003 before beginning to decrease. The new funding schedule enacted by SB1037 will cause unfunded liabilities to continue to increase until 2016 before declining. While this looks like very bad news, the short funding period under the old contribution schedule was misleading. It was based on future increases in local contribution rates that might not have been achievable, especially with local rates increasing at the same time the State's contribution from the gas tax revenues maybe decreasing. Under any circumstances, the State of Oklahoma must contribute more in future years to fund the pension obligations already earned by retired and active members. The new contribution schedule will eventually fund the System, but only if the schedule is maintained and new benefit increases are funded in addition to current obligations. Without an 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.

## EXPENSES

Expenses of the System are attributable to retirement benefit payments including health insurance subsidies, death and survivors benefits, refunds of member contributions and administrative expenses. During the year ended June 30, 1998, the System paid \$27.9 million more in benefits, refunds and annuity payments than the preceding year. The increase in benefits is attributed to a net increase in the number of retired members receiving retirement and health insurance benefits. Administrative expenses increased by \$866,024, mainly due to one-time expenditures for the System's new optical imaging system.

## INVESTMENTS

Net investment income including realized gains and appreciation on investments of \$902 million during FY 1998 were positive contributors to the fund's financial status. Investments totaled \$5.212 billion at market value on June 30, 1998, compared to \$4.309 billion on June 30, 1997. Included in assets is \$320 million held in trust for members who participate in the System's 403(b) Tax Sheltered Annuity Program. The System's investment portfolio mix at market value was 33% fixed income, 66% equities and 1% 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, 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, 1998, was 21.5%. This matched the 21.2% return for 1997. Annualized three-year and five-year total returns were 19.1% and 14.8%, 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 1998 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, 1998, 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, 1997. 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 fifth year the System's *Annual Report* has received this distinction.

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.

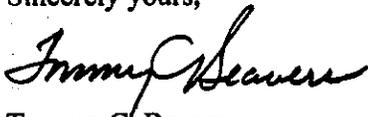
## ACKNOWLEDGMENTS

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, 1998



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 of the funding, nor of determining the level of 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 \$5.2 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 \$4.8 billion. It is, in fact, one of the most poorly funded Systems in the country with assets representing only 46% 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

# **The Teachers' Retirement System of Oklahoma Board of Trustees**

Dr. C. Wayne Bland, Chairman  
Tulsa

Retired TRS member representative, House Speaker Appointee

Mr. Tommy G. Fulton, Vice Chairman  
Del City

Retired TRS member representative, Senate President Pro Tempore Appointee

Ms. Susan L. Raasch, Secretary  
Claremore

Classroom teacher representative, Senate President Pro Tempore Appointee

Mr. George W. Barnes, Member  
Oklahoma City  
Governor Appointee

Mr. Thomas E. Daxon, Member Ex Officio  
Director of State Finance

Ms. Sandy Garrett, Member Ex Officio  
State Superintendent of Public Instruction

Mr. Robert C. Gates, Member  
Broken Arrow  
Governor Appointee

Mr. John C. Kahre, Member  
Tulsa

Higher education representative, Governor Appointee

Ms. Barbara G. Osborn, Member  
Checotah

Non-classified optional personnel representative, Governor Appointee

Ms. Helen Snyder Rambo, Member  
Oklahoma City  
Governor Appointee

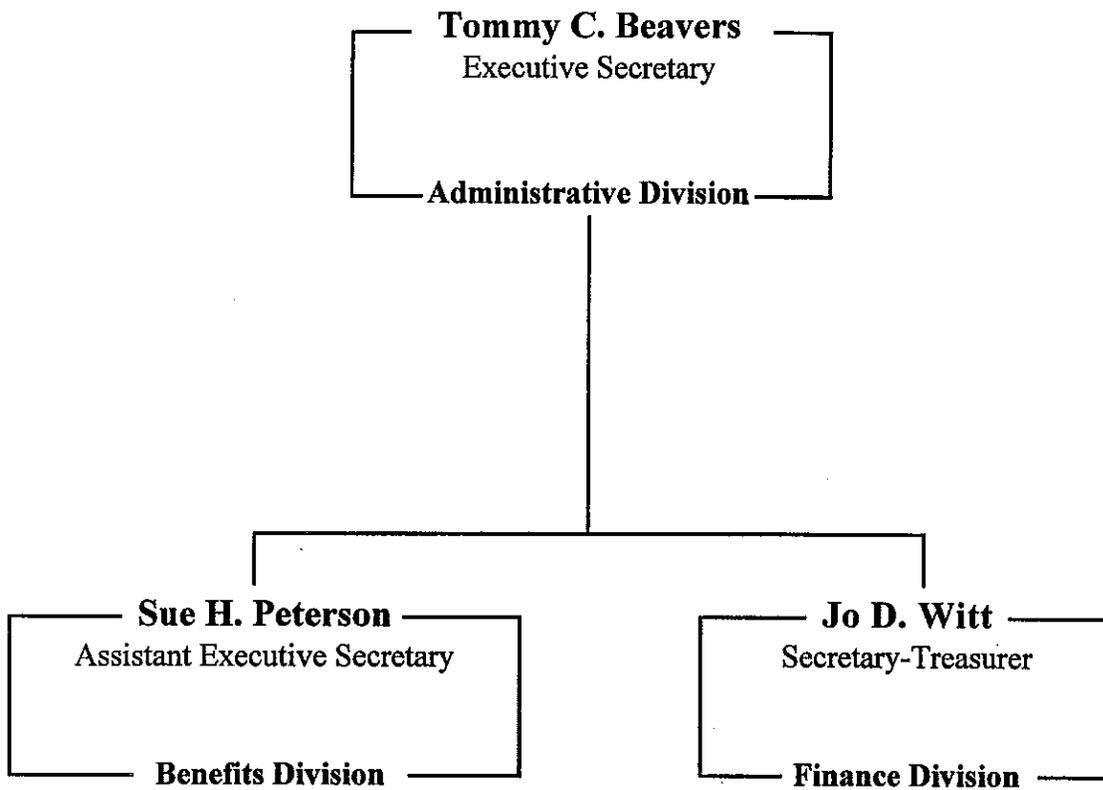
Ms. Celeste L. Tillery, Member  
Claremore

Classroom Teacher representative, House Speaker Appointee

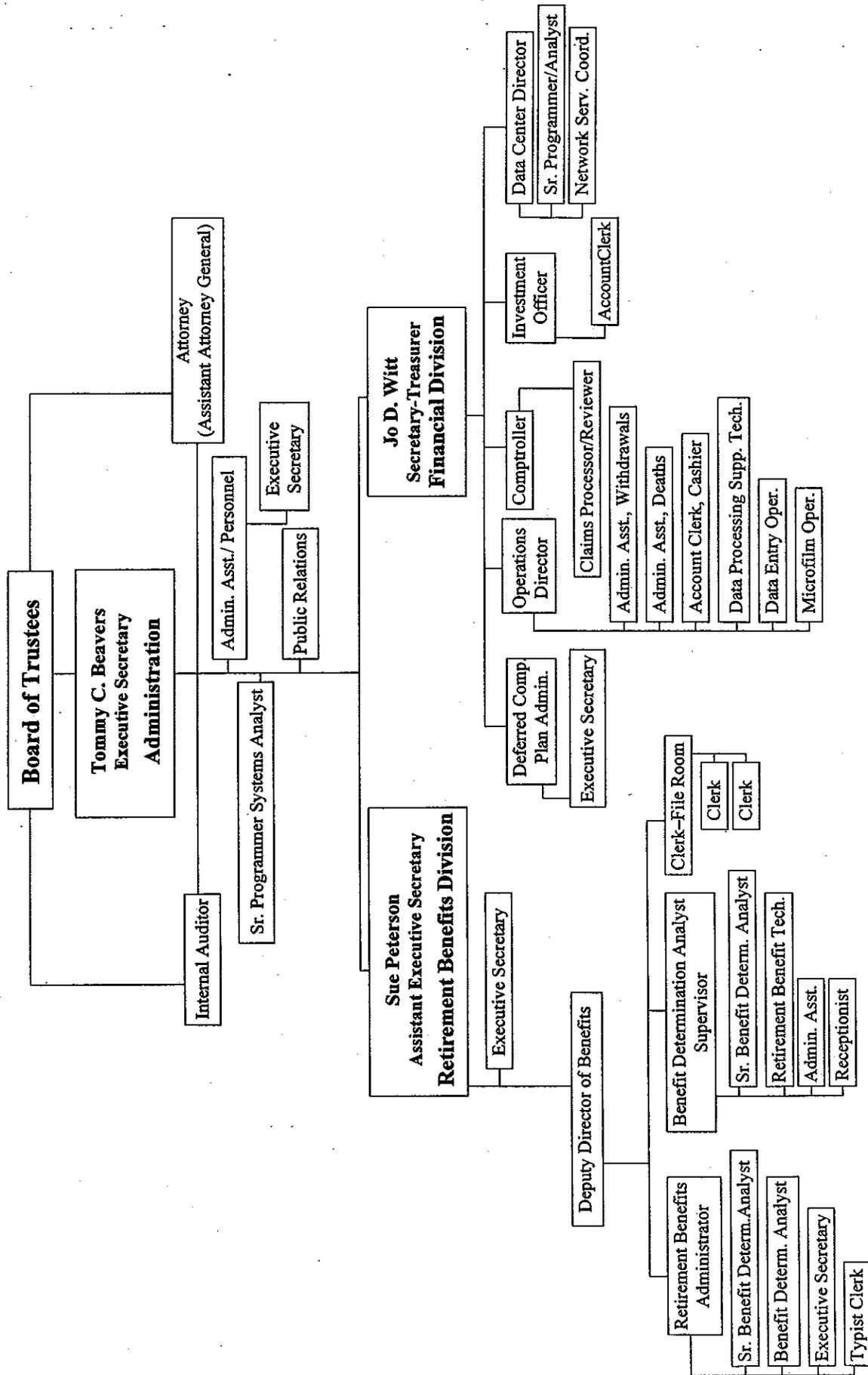
Mr. Ron Wallace, Member  
Oklahoma City  
Governor Appointee

Dr. Gregory Z. Winters, Member Ex Officio  
Designee of Dr. Roy Peters, State Director of Vocational and Technical Education

# The Teachers' Retirement System of Oklahoma Administration



# The Teachers' Retirement System of Oklahoma Organization



**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA  
1998-99 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. Certain employees at the University of Oklahoma and Oklahoma State University who were employed prior to July 1, 1995, contribute on less than total compensation. However, these members' retirement benefits also will be calculated to reflect the lower contributions.

The law also requires employers to contribute a percentage of applicable employee earnings. The total employer contribution rate for 1998-99 is 11.5%. The contribution amount that local schools must pay is reduced by revenue TRS receives from the natural gas tax. Local schools will pay 4.8% of the employer contribution rate for the 1998-99 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 also may 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 plans, each providing a life benefit to the member and either lump sum or continued payments to the surviving beneficiary(s).

**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 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 (not dependents). 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's Employees Group 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 beneficiary may choose a monthly benefit instead of the lump sum payment.

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 payment 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 beneficiary(s) 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 to withdraw after your last day of work. 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 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 may redeposit the entire amount of the withdrawn account in one lump sum or through installment payments for up to 60 months. Redepositing your withdrawn account reinstates your initial membership date. If you rejoin TRS but do not redeposit your withdrawn contributions, your official membership date 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 TRS membership. 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 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 plan available to its employees and you sign a salary reduction agreement with your employer. 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**

While TRS publications provide answers to general questions, *you* are responsible for resolving any questions about your retirement account. 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 of how statutes and administrative rules may affect your retirement account, contact:

**Teachers' Retirement System of Oklahoma**  
**P.O. Box 53524**  
**Oklahoma City, OK 73152**  
**2801 North Lincoln Blvd.**  
**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.

# 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, 1997

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.



*Douglas R. Ellsworth*  
President

*Jeffrey L. Esser*  
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

Denver Investment Advisors, Small Capitalization Value  
Denver, Colorado

Shapiro Capital Management Company, Small Capitalization Value  
Atlanta, Georgia

Kopp Investment Advisors, Small Capitalization Growth  
Edina, Minnesota

### **Domestic Fixed Income Managers**

Mellon Bond Associates, Passive Intermediate/Aggregate Index Fund  
Philadelphia, Pennsylvania

Neuberger & Berman Pension Management, Active Core  
New York, New York

### **International Managers**

Brinson Partners, International Balanced Management  
Chicago, Illinois

Brandes Investment Partners, International Equity  
San Diego, California

Bank of Ireland Asset Management, International Equity  
Santa Monica, California

### **Advisors and Consultants**

Bankers Trust Company, Global 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

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## **Financial Section**



# **Teachers' Retirement System of Oklahoma**

**FINANCIAL STATEMENTS  
JUNE 30, 1998, AND 1997**

**(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, 1998 and 1997, 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 \$4,806,200,000. 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, 1998 and 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued a report dated October 31, 1998, 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 17-19 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*

October 31, 1998

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

**Statements of Plan Net Assets**

**June 30, 1998 and 1997**

<u>Assets</u>	<u>1998</u>	<u>1997</u>
Cash	\$ 3,657,396	4,849,032
Short-term investments	157,947,479	220,108,437
Long-term investments	5,050,362,061	4,068,686,826
Security lending institutional daily assets fund	567,171,327	341,361,543
Accrued interest and dividends receivable	26,968,846	25,390,457
Contribution receivable	22,970,143	25,224,624
Receivable from state of Oklahoma	9,140,257	9,863,177
Due from brokers for securities sold	39,479,824	1,376,842
Land, furniture and fixtures, net	<u>501,433</u>	<u>314,233</u>
<b>Total assets</b>	<b><u>5,878,198,766</u></b>	<b><u>4,697,175,171</u></b>
<b><u>Liabilities and Reserved Funds</u></b>		
Benefits in process of payment	36,889,211	15,539,978
Due to brokers for securities purchased	59,803,742	30,630,632
Payable under security lending agreement	567,171,327	341,361,543
Accrued investment fees	2,558,432	-
Compensated absences	<u>127,801</u>	<u>127,803</u>
<b>Total liabilities</b>	<b><u>666,550,513</u></b>	<b><u>387,659,956</u></b>
Net assets held in trust for pension benefits and annuity benefits of electing members (a schedule of funding progress is presented on page 42)	<b><u>\$ 5,211,648,253</u></b>	<b><u>4,309,515,215</u></b>

See accompanying notes to financial statements.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Statements of Changes in Plan Net Assets

Years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>Additions:</b>		
<b>Contributions:</b>		
Members	\$ 181,197,041	166,419,571
Member tax-shelter	8,493,698	6,583,908
Employer statutory requirement from local school districts	120,164,225	114,626,865
Federal matching	9,889,189	8,732,368
Dedicated gas tax	<u>133,541,781</u>	<u>153,382,756</u>
Total contributions	<u>453,285,934</u>	<u>449,745,468</u>
<b>Investment income:</b>		
Interest	108,618,403	107,430,221
Dividends	53,503,659	47,881,173
Net appreciation in fair value of investments	780,014,825	588,476,445
Less investment expenses	<u>(11,175,835)</u>	<u>(7,589,806)</u>
Net investment income	<u>930,961,052</u>	<u>736,198,033</u>
Other revenue	<u>1,700,026</u>	<u>197,238</u>
Total additions	<u>1,385,947,012</u>	<u>1,186,140,739</u>
<b>Deductions:</b>		
Retirement, death, survivor, and health benefits	439,213,465	418,015,034
Refund of member contributions and annuity payments	41,332,758	34,633,635
Administrative expenses	<u>3,267,751</u>	<u>2,401,727</u>
Total deductions	<u>483,813,974</u>	<u>455,050,396</u>
Net increase	902,133,038	731,090,343
Cumulative effect of a change in an accounting policy (note 3a)	-	17,027,750
<b>Net assets held in trust for pension benefits:</b>		
Beginning of year	<u>4,309,515,215</u>	<u>3,561,397,122</u>
End of year	<u>\$ 5,211,648,253</u>	<u>4,309,515,215</u>

See accompanying notes to financial statements.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1998 and 1997

### (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>1998</u>	<u>1997</u>
Retirees and beneficiaries currently receiving benefits	\$ 32,032	30,902
Terminated vested participants	2,959	2,772
Active participants	<u>80,578</u>	<u>79,510</u>
	<u>115,569</u>	<u>113,184</u>

There are 633 contributing employers in the System. In addition, there were 7,063 and 7,017 of nonvested inactive participants at June 30, 1998 and 1997, 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.

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### Notes to Financial Statements, Continued

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 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 for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are one-twelfth of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities.

- 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 as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for by the retirement option selected by the member.
- Senate Bill 768 changes the joint options to "pop-up" options. This change was made for both current and future retirees. 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.
- 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 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

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements, Continued

System performs no administrative functions related to the health insurance coverage provided through the Board. Such amounts were approximately \$19,774,000 and \$19,580,000 in 1998 and 1997, respectively, and are included in retirement, death, survivor and health benefits. Amounts due to the Board at June 30, 1998 and 1997, respectively are approximately \$1,638,000 and \$1,629,000, and are included in benefits in process of payment.

### (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, 1997. This is mainly due to the better than expected return on actuarial assets. 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 \$634 million and the actuarial value of assets increased \$540 million. The System's unfunded actuarial accrued liabilities increased \$94 million. Despite the system's results this year, it should be noted that unfunded liabilities are expected to increase until the year 2016, due to the negative amortization created by the current funding schedule that increases employer contribution rates by 1% per year until 2003 when the employer contribution rate from the state and local school districts reaches 14.05% 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 45.9% and 42.9% at June 30, 1998 and 1997, respectively.

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 (see note 6, Senate Bill 1037). 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 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 investment 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

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### Notes to Financial Statements, Continued

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.

#### **(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 14 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 System'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 consist of commercial paper and US government securities with short maturities and 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. The cost of securities sold is determined by specific identification method. Purchases of investments are recorded as of the trade date.

The Security lending 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.

#### **(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.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements, Continued

	<u>1998</u>	<u>1997</u>
Land	\$ -	187,616
Furniture and fixtures	<u>1,274,364</u>	<u>815,407</u>
Total	1,274,364	1,003,023
Accumulated depreciation	<u>772,931</u>	<u>688,790</u>
Net land, furniture, and fixtures	\$ <u>501,433</u>	<u>314,233</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, 1998, were approximately \$124,000. 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, 1998 and 1997.

### (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, of which the monetary obligation is recognized as an expense when incurred.

### (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.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements, Continued

- The Furniture and Fixtures Fund represents amounts used to purchase various furniture and fixtures for the System.

	<u>1998</u>	<u>1997</u>
Teachers' Deposit Fund (tax-sheltered annuities)	\$ 327,263,000	268,122,000
Expense Fund	19,477,000	14,439,000
Furniture and Fixtures Fund	<u>501,000</u>	<u>314,000</u>
	<u>\$ 347,241,000</u>	<u>282,875,000</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.
- (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) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### (k) Reclassifications

Certain amounts in 1997 have been reclassified to conform to the current year presentation.

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### Notes to Financial Statements, Continued

#### (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, 1998) 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 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.

The investments held by broker dealers under the collateralized securities lending program are classified under GASB Statement No. 3 based upon the nature of the collateral. If the collateral received is cash, then the investments lent are noncategorized since the cash is reflected on the balance sheet. If the collateral received is securities and letters of credit, then the investments lent are categorized according to the characteristics of the collateral received.

Deposits and investments as of June 30, 1998 and 1997, are categorized as follows on page 12.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements, Continued

	Fair Value	
	1998	1997
Deposits (category 1):		
Money market account:		
Domestic	\$ 1,987,000	2,605,000
International	<u>23,936,000</u>	<u>13,614,000</u>
Total deposits	<u>25,923,000</u>	<u>16,219,000</u>
Short-term investments (category 1):		
Commercial paper	127,663,000	194,544,000
U.S. government	<u>4,361,000</u>	-
Total short-term investments (category 1)	<u>132,024,000</u>	<u>194,544,000</u>
Short-term investments (noncategorized):		
U.S. government	-	<u>9,345,000</u>
Total deposits and short-term investments	<u>157,947,000</u>	<u>220,108,000</u>
Long-term investments (category 1):		
Fixed income:		
U.S. government	370,698,000	243,109,000
U.S. government agency securities	379,029,000	267,085,000
Corporate	297,583,000	280,338,000
International	214,498,000	158,088,000
Equities:		
Common stock	2,664,558,000	2,372,882,000
International	<u>467,622,000</u>	<u>149,155,000</u>
Total long-term investments (category 1)	<u>4,393,988,000</u>	<u>3,470,657,000</u>
Investments held by broker dealers under collateralized securities lending program:		
Long-term investments (category 3):		
Fixed income:		
U.S. government	78,421,000	154,373,000
U.S. government agency securities	4,417,000	-
Corporate	2,194,000	876,000
International	3,744,000	6,064,000
Equities:		
Domestic	10,953,000	98,237,000
International	<u>12,951,000</u>	<u>17,798,000</u>
Total long-term investments (category 3)	<u>112,680,000</u>	<u>277,348,000</u>
Long-term investments (noncategorized):		
Fixed income:		
U.S. government	137,224,000	217,026,000
U.S. government agency securities	2,965,000	5,347,000
Corporate	14,281,000	7,918,000
International	26,762,000	23,081,000
Equities:		
Domestic	265,902,000	47,178,000
International	<u>96,560,000</u>	<u>20,132,000</u>
Total long-term investments (noncategorized)	<u>543,694,000</u>	<u>320,682,000</u>
Total investments held by broker dealers under collateralized securities lending program	<u>656,374,000</u>	<u>598,030,000</u>
Total long-term investments	<u>5,050,362,000</u>	<u>4,068,687,000</u>
Collateral (noncategorized):		
Security lending institutional daily assets fund	<u>567,171,000</u>	<u>341,362,000</u>
Total deposits and investments	<u>\$ 5,775,480,000</u>	<u>4,630,157,000</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 \$656,374,000 and \$598,030,000 at June 30, 1998 and 1997, respectively. The underlying collateral for these securities had a market value of approximately \$683,263,000 and \$626,758,000 at June 30, 1998 and 1997, respectively. Collateral of securities and letters of credit represented approximately \$116,090,000 and \$285,396,000 of total collateral at June 30, 1998 and 1997, 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, 1998 and 1997, 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 the lending agent'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 1998 or 1997 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 \$333,435,000 and \$318,353,000 at June 30, 1998 and 1997, respectively. These securities are backed by the full faith of the U.S. government and/or U.S. government agencies. The market risk including interest rate risk and prepayment 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 of the Oklahoma Statutes; 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* those members employed by the state's two comprehensive universities:

Fiscal Year	Rate of Pay Up to \$25,000	Rate of Pay Over \$25,000
1997	6.5%	7% (required)
1998	7%	7%

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

Enrolled House Bill 1873 of the 1997 Legislative Session provided that each teacher, meeting minimum salary requirements, shall have a specific amount paid by the State of the employee's required contribution to the system. The credit amount is determined by years of service. Contributions by the State totaled approximately \$32,663,000 for 1998.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 10.5% and 9.5%, for 1998 and 1997 is applied to annual compensation up to defined caps depending upon the member's elections as previously described.

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

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### Notes to Financial Statements, Continued

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 (Senate Bill 568 has been replaced by senate Bill 1037, see note 6).

#### (6) Plan Amendments

In 1998, the Oklahoma Legislature passed the following bills which provide the following changes to the System, effective July 1, 1998:

##### Senate Bill 776

- Extends the provisions of House Bill 1873 for the 1998-99 School year. The State will continue to pay a portion of each teacher's retirement contribution, ranging from an annual credit of \$60.15 for first year teachers to \$1,411 for teachers with 25 years or more. The amount paid by the State for each member must be added to the teacher's compensation at the local employer level.

##### Senate Bill 902

- This bill increases the minimum salary for each step in the minimum salary schedule for three or more years experience.
- A Flexible Benefit Plan is established whereby the System would pay a portion of member's health insurance premiums.

##### Senate Bill 1037

- This bill grants a cost-of-living increase to retirees and modifies the employers' and the State's funding of the System in the future.
- The System will receive 3.25% of available money from the State's General Revenue Fund during fiscal year 2000 and 3.5% for year thereafter in lieu of the dedicated tax contributed to the System through June 30, 1999.
- The new law permanently sets the contribution rate employers pay. The rate will remain at the present rate of 4.8% for the 1998-1999 and the 1999-2000 school years. The rate will increase to 5.8% for the 2000-2001 and will be 6.8% during the 2001-2002 school year. Beginning with the 2002-2003 school year, the rate will level off at 7.05%.

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**REQUIRED 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, 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
June 30, 1998	4,085.0	8,891.3	4,806.2	45.9	2,537.7	189.4

(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

## Notes to Required Supplementary Information

June 30, 1998

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, 1998
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.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA****Required Supplementary Information****Schedule of Contributions from Employers and other Contributing Entities  
(unaudited)**

<b>Fiscal Year ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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
1998	446,219,296	59.1

See accompanying independent auditors' report.

**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, 1998, and have issued our report thereon dated October 31, 1998, which includes 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 31, 1998.

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.

*KPM/A Peat Marwick LLP*

October 31, 1998

## **Investment Section**



## **INVESTMENT REPORT**

The Oklahoma Teachers' Retirement System enjoyed the good fortune of a total investment return above 20% again in Fiscal Year 1998. The actual return was 21.54% on the entire portfolio, giving a three-year annualized return of 19.07%. Although a pension plan cannot expect returns of this nature every year, the 1998 return allowed the increase in the UAAL to be \$274.6 less than it would otherwise have been. The Oklahoma Teachers' Retirement System is one of the two hundred largest pension funds in the United States.

### **Fiduciary Responsibility**

The Board of Trustees of the Oklahoma Teachers' Retirement System is authorized by statute to invest the assets of the System solely in the interest of the participants and beneficiaries of the System. The Board is guided by the provisions of the prudent person rule, which affords the standard, "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims." The Board is authorized to establish an investment committee which is to make recommendations to the full Board of Trustees on all matters related to the choice of custodians and managers of the assets of the System, and the establishment of investment guidelines.

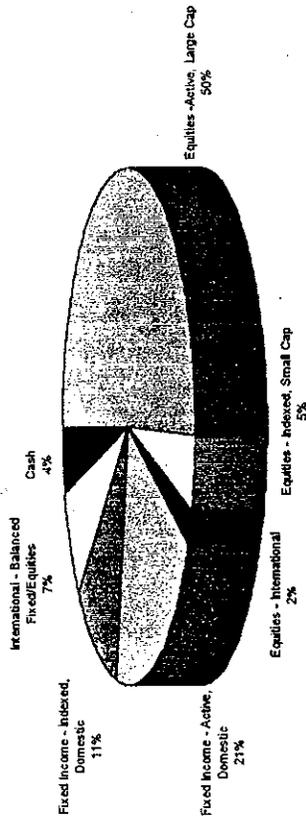
### **Asset Allocation and Diversification**

The Board adopted a slightly more aggressive asset allocation model of 65% in equity investments and 35% in fixed income in 1996. The ensuing one and one-half years has been spent on fine-tuning this mix into sub asset classes to accomplish a more defined diversification of the assets. The asset allocation mix is considered to be one of the most important decisions in money management, as over 90% of a portfolio's total return can be attributed to asset allocation.

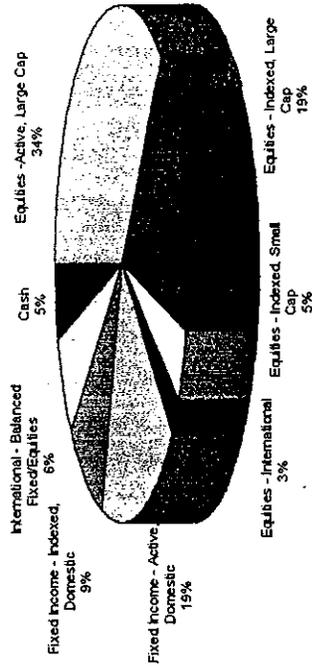
The initial step in the advancement of the new model was the movement of a portion of the actively managed large capitalization equities into a portfolio indexed to the S&P 500, assuring index-like returns and reducing management fees. This was followed by an increase in the allocation to international equities and fixed income and the movement of funds managed in a small capitalization index to active management. Capitalization sizes include core, growth and value portfolios. The System's equity returns rank among the top returns of all U. S. public pension plans. Additional work will concentrate on further diversification of the fixed income portfolios.

The following charts demonstrate changes in asset allocation the past three years.

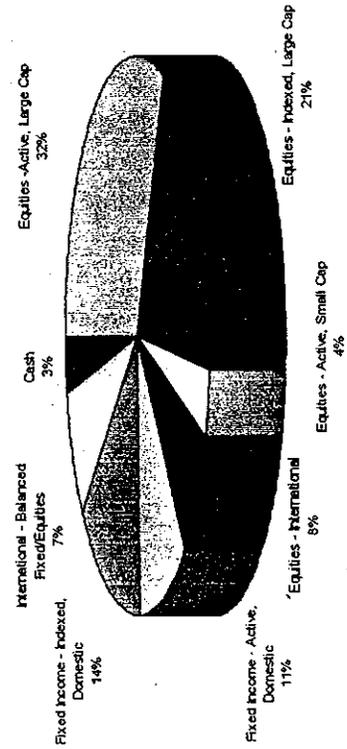
Asset Diversification, June 30, 1986



Asset Diversification, June 30, 1997



Asset Diversification, June 30, 1998

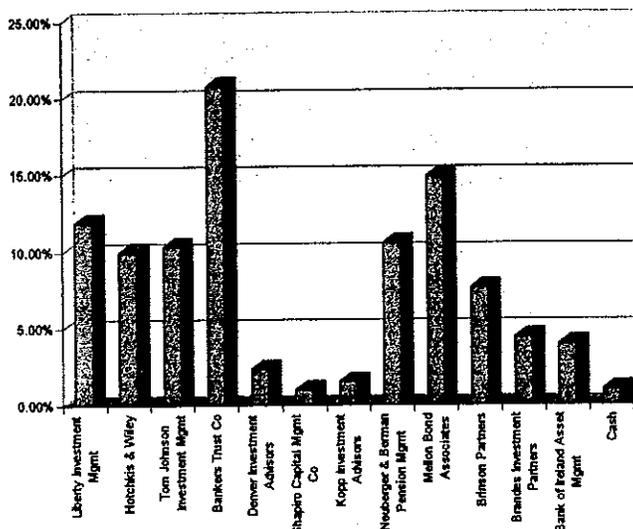


## Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. 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. Firms employed by the Board on June 30, 1998 were as follows:

<u>Manager and Style</u>	<u>Funds under Management (millions)</u>
1. Liberty Investment Management, Inc., Active Large Capitalization Growth Equity	\$618
2. Hotchkis & Wiley, Active Large Capitalization Value Equity	\$518
3. Tom Johnson Investment Management, Active Large Capitalization Core Equity	\$535
4. Bankers Trust Company, S&P 500 Index	\$1,083
5. Denver Investment Advisors, Small Capitalization Value Equity	\$121
6. Shapiro Capital Management Company, Inc., Small Capitalization Value Equity	\$52
7. Kopp Investment Advisors, Small Capitalization Growth Equity	\$77
8. Neuberger & Berman Pension Management, Active Intermediate Fixed Income	\$549
9. Mellon Bond Associates, Passive Intermediate/ Aggregate Fixed Income	\$776
10. Brinson Partners, Inc., Active International Balanced	\$397
11. Brandes Investment Partners, Active International Equity	\$227
12. The Bank of Ireland Asset Management, Active International Equity	\$205

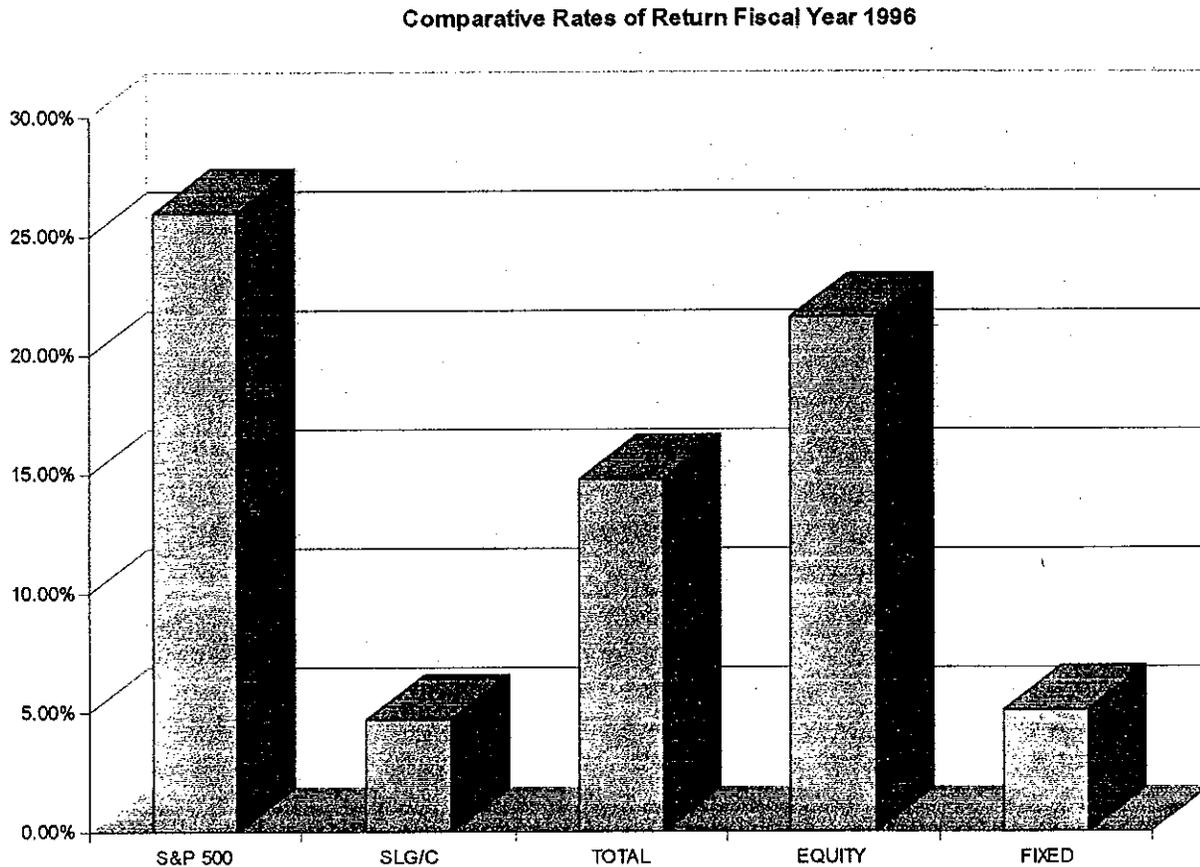
Percentage of Assets Under Management



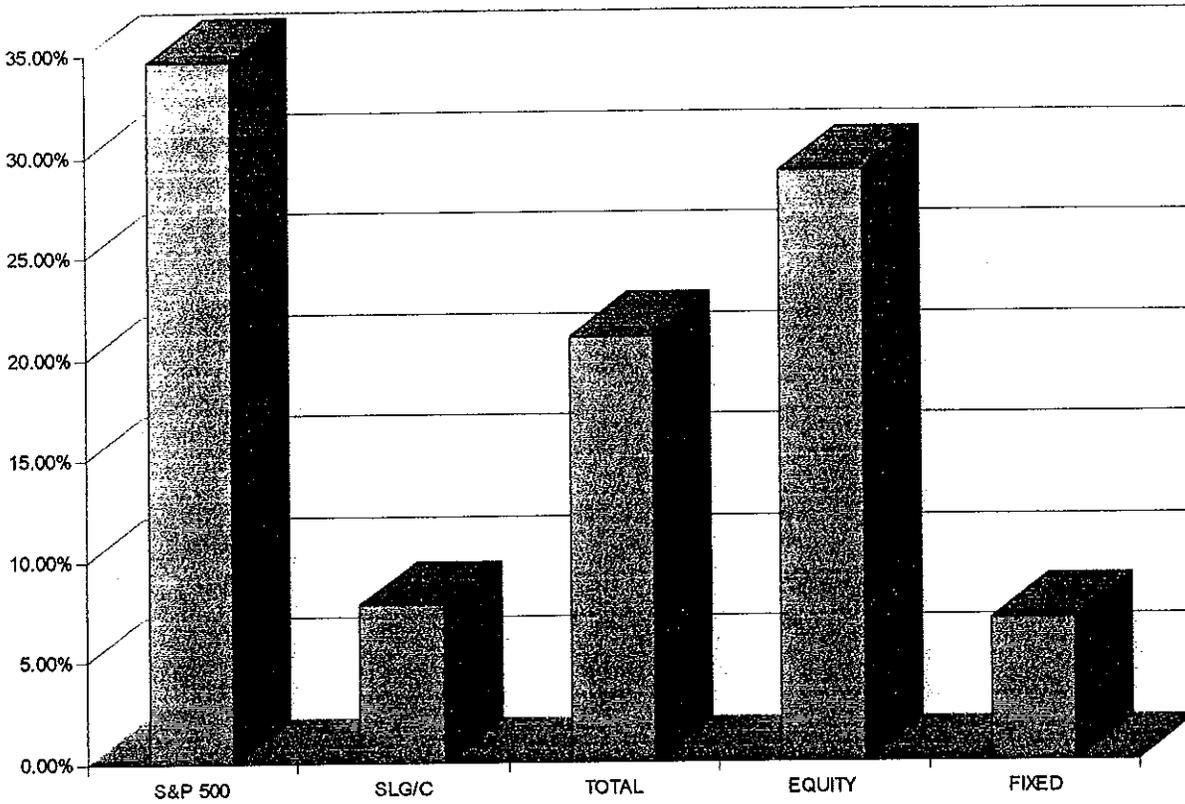
## Investment Performance

The Teachers' Retirement System compares total return on equity investments to the S&P 500 and total fixed income return to the Lehman Brothers Government/Corporate Index. Individualized benchmarks for the separately managed portfolios include the Russell 1000 Value, the Russell 1000 Growth, the S&P 500, the Russell 2000, the Lehman Brothers Intermediate and Aggregate indices and the MSCI EAFE and the Salomon Non-U.S.

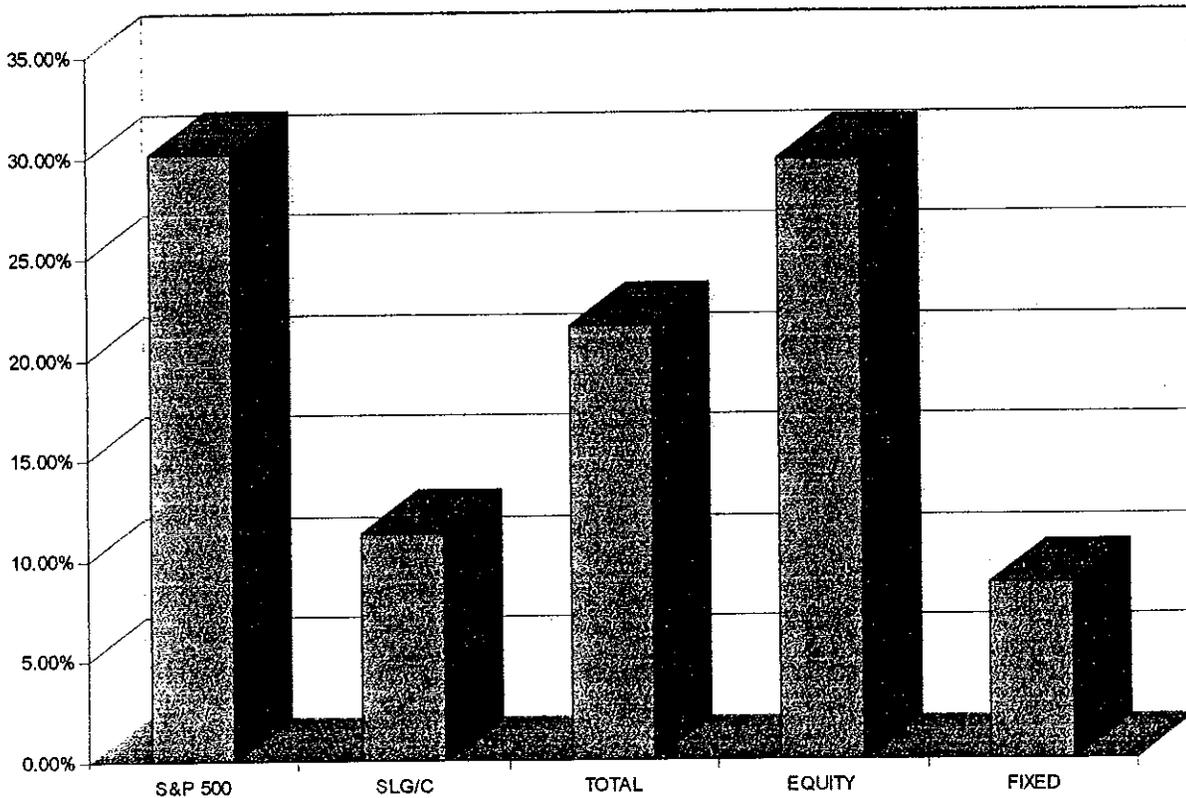
The following charts show comparative returns for the major asset classes:



Comparative Rates of Return Fiscal Year 1997



Comparative Rates of Return Fiscal Year 1998



## Investment Expenses

Investment fees paid to investment management firms employed by the System were as follows in Fiscal Year 1998:

<u>Investment Manager</u>	<u>Fee Paid</u>
Liberty Investment Management	\$1,467,496
Hotchkis & Wiley	1,541,576
Tom Johnson Investment Management	685,717
Bankers Trust Company S&P 500 Index	87,156
Bankers Trust Company Small Cap Index	85,916
Denver Investment Advisors	394,065
Kopp Investment Advisors	367,037
Shapiro Capital Management	241,917
Investment Advisors, Inc.	532,599
Liberty Bank & Trust	40,032
Mellon Bond Associates	121,851
Neuberger & Berman	596,077
Brinson Partners	1,400,019
Brandes Investment Partners	989,414
Bank of Ireland Asset Management	<u>646,243</u>
Total	\$9,197,115

### Domestic Stock Brokerage Commissions Paid:

<u>Brokerage Firms</u>	<u>Shares Traded</u>	<u>Commission Cost</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
Allen	75,500	\$ 3,775	.05
BNY ESI & Co Alpha Div	1,795,696	69,712	.039
Bear, Stearns & Co	1,146,429	53,042	.046
J-C Bradford & Co	54,294	3,258	.06
Bridge Trading	106,034	6,345	.06
BT Alex Brown	34,100	2,046	.06
BT Brokerage	6,976,479	92,545	.013
Buckingham Research	8,000	480	.06
Cantor, Fitzgerald	450,920	23,259	.052
Capital Institutional Services	2,311,981	51,263	.022
Conning & Co	13,000	780	.06
Cowen	210,000	11,100	.053
CS First Boston	234,258	9,104	.039
Dain Rauscher, Inc	271,300	5,406	.02
Deutsche Morgan Greenfeld	303,300	7,362	.024
Donaldson & Co.	2,157,547	113,509	.053
Donaldson, Lufkin & Jenrette	1,520,000	77,343	.05
A. G. Edwards, Inc.	40,000	2,400	.06

Domestic Stock Brokerage Commissions Paid (Cont.):

<u>Brokerage Firms</u>	<u>Shares Traded</u>	<u>Commission Cost</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
Fox Pitt Kelton	237,470	\$ 10,984	.046
Frank Russell Securities	6,500	325	.05
Gerard Klaver Mattson	21,000	1,260	.06
C L Glazer & Co	9,000	450	.05
Goldman, Sachs & Co.	521,230	18,152	.035
Instinet	3,172,500	53,467	.017
Interstate Johnson Lane	32,300	1,615	.05
Investment Technology Group	3,060,600	61,212	.02
Jefferies & Co.	667,479	16,791	.025
Johnson Securities	102,200	5,110	.05
Jones & Associates	100,100	2,310	.023
Josephal Lyon & Ross	27,600	610	.022
Langen McAlenney	72,600	3,630	.05
C J Lawrence Inc	70,200	1,572	.022
Lehman Brothers	2,493,004	119,503	.048
Lipper Analytical	5,000	150	.03
Lynch, Jones & Ryan	8,412,983	176,432	.02
Maxus Corp	51,276	2,564	.05
Merrill Lynch	7,321,543	120,925	.017
Montgomery Securities	358,798	10,762	.03
J P Morgan	783,098	35,373	.045
Morgan Stanley Dean Witter	834,589	41,596	.05
Oppenheimer Corp	668,520	22,736	.034
Paine Webber Inc	597,984	29,137	.049
Pershing	776,285	38,152	.049
Prudential Securities Inc	400,940	14,252	.036
Raymond James & Associates	244,600	9,070	.037
Rochdale Securities	24,800	1,488	.06
Salomon Smith Barney	1,835,269	83,488	.045
Sanford Bernstein	871,674	50,102	.057
SBC Warburg Dillon Read	343,020	12,855	.037
Schroder & Co	45,300	2,265	.05
Shearson American Express	16,600	996	.06
Shemano Group	85,000	1,100	.013
Shields Capital Corp.	65,300	3,265	.05
Southwest Securities	105,997	5,300	.05
Standard & Poors	775,590	45,735	.059
Sutro & Co.	18,200	1,150	.063
UBS Securities	53,000	700	.013
Vasiliou & Co	23,500	1,175	.05
Volpe Brown Whelan & Co	79,600	930	.012
Wagner Stott	14,200	426	.03

Domestic Stock Brokerage Commissions Paid (Cont.):

<u>Brokerage Firms</u>	<u>Shares Traded</u>	<u>Commission Cost</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
Wasserstein	12,000	\$ 720	.06
Weeden & Co	127,956	3,841	.03
Wertheim - Schroder	271,000	15,084	.056

The System has a recaptured brokerage program in place. Cents per share is shown prior to commission rebate. Brokers whose commission is primarily zero cents per share are not included.

Investment Report Prepared By:  
Jo D. Witt  
Secretary-Treasurer



FIXED INCOME INVESTMENTS (Con'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
FHLMC GROUP #251821	13.000%	11/01/14	10,000	FHLMC GROUP #D31939	8.000%	03/01/23	314,722
FHLMC GROUP #256218	13.000%	06/01/15	21,615	FHLMC GROUP #D52991	7.500%	05/01/24	427,206
FHLMC GROUP #256807	13.000%	02/01/15	2,969	FHLMC GROUP #D65109	7.000%	10/01/25	355,063
FHLMC GROUP #261046	9.500%	11/01/19	102,462	FHLMC GROUP #D66964	7.000%	01/01/26	465,453
FHLMC GROUP #271900	13.000%	09/01/15	165,185	FHLMC GROUP #D67619	7.500%	02/01/26	777,690
FHLMC GROUP #272602	6.750%	04/01/00	11,325	FHLMC GROUP #D68850	6.500%	03/01/26	451,411
FHLMC GROUP #280491	9.000%	11/01/16	91,131	FHLMC GROUP #D73216	7.500%	07/01/26	663,172
FHLMC GROUP #292637	8.000%	05/01/17	361,085	FHLMC GROUP #D82248	7.000%	09/01/27	478,417
FHLMC GROUP #294662	8.500%	06/01/17	40,641	FHLMC GROUP #D84913	7.000%	12/01/27	498,308
FHLMC GROUP #303927	9.000%	05/01/18	36,712	FHLMC GROUP #D86692	6.500%	02/01/28	999,986
FHLMC GROUP #304659	9.000%	06/01/18	62,206	FHLMC GROUP #D86891	6.500%	03/01/28	2,001,535
FHLMC GROUP #306397	10.000%	08/01/18	32,398	FHLMC GROUP #E00067	8.500%	01/01/07	28,633
FHLMC GROUP #308326	9.500%	07/01/18	6,952	FHLMC GROUP #E00071	7.500%	01/01/07	98,279
FHLMC GROUP #308327	8.500%	06/01/18	78,776	FHLMC GROUP #E00185	7.000%	01/01/08	315,116
FHLMC GROUP #308457	10.000%	11/01/18	48,588	FHLMC GROUP #E00221	6.000%	04/01/08	596,952
FHLMC GROUP #360021	10.000%	02/01/18	33,695	FHLMC GROUP #E00268	6.000%	12/01/08	436,106
FHLMC GROUP #360098	9.500%	03/01/20	87,510	FHLMC GROUP #E00292	6.500%	04/01/09	644,359
FHLMC GROUP #360122	9.500%	10/01/20	28,032	FHLMC GROUP #E00542	6.500%	04/01/13	16,276
FHLMC GROUP #380040	10.000%	02/01/04	23,500	FHLMC GROUP #E00548	6.500%	05/01/13	4,329,108
FHLMC GROUP #501688	8.500%	06/01/03	31,232	FHLMC GROUP #E20015	7.000%	03/01/08	238,546
FHLMC GROUP #502265	10.500%	05/01/04	12,003	FHLMC GROUP #E20017	6.500%	03/01/08	250,369
FHLMC GROUP #503923	8.500%	05/01/06	40,946	FHLMC GROUP #E20037	7.000%	07/01/08	493,637
FHLMC GROUP #539462	8.500%	10/01/19	24,800	FHLMC GROUP #E20237	6.000%	05/01/11	2,397,029
FHLMC GROUP #540090	9.000%	10/01/19	43,947	FHLMC GROUP #E36304	7.500%	04/01/07	135,740
FHLMC GROUP #542546	11.000%	10/01/19	6,258	FHLMC GROUP #E45787	7.500%	04/01/08	339,194
FHLMC GROUP #542819	7.500%	01/01/19	47,736	FHLMC GROUP #E50093	6.500%	08/01/08	771,352
FHLMC GROUP #544194	8.500%	05/01/19	185,208	FHLMC GROUP #E70028	6.000%	04/01/13	983,404
FHLMC GROUP #544794	9.500%	01/01/20	36,593	FHLMC GROUP #G00365	8.000%	06/01/25	1,034,680
FHLMC GROUP #548780	9.500%	04/01/20	49,078	FHLMC GROUP #G00693	7.500%	03/01/27	7,172,760
FHLMC GROUP #552314	9.000%	08/01/20	66,506	FHLMC GROUP #G00726	8.000%	05/01/27	1,555,063
FHLMC GROUP #554845	8.500%	05/01/21	82,158	FHLMC GROUP #M80008	6.500%	10/01/99	2,482,697
FHLMC GROUP #554866	8.500%	06/01/21	41,130	FHLMC GROUP #M90336	5.500%	05/01/99	483,849
FHLMC GROUP #B00096	8.500%	05/01/06	50,806	FHLMC GROUP #M90340	6.500%	05/01/99	514,145
FHLMC GROUP #C00206	7.500%	01/01/23	323,485	FHLMC GROUP #M90345	7.000%	05/01/99	242,163
FHLMC GROUP #C00078	9.000%	11/01/21	49,398	FHLMC GROUP #N97017	7.000%	09/01/03	317,609
FHLMC GROUP #C00109	8.000%	04/01/22	791,756	FHLMC MULTICLASS MTC	7.000%	09/01/07	208,086
FHLMC GROUP #C00249	7.000%	07/01/23	954,718	FHLMC DEBENTURES	7.100%	04/10/07	1,086,720
FHLMC GROUP #C00262	7.000%	10/01/23	1,248,475	FHLMC DISCOUNT NOTE	0.000%	07/14/98	7,984,042
FHLMC GROUP #C00294	6.500%	02/01/24	776,708	FHLMC SER A	6.375%	12/23/03	3,782,786
FHLMC GROUP #C00431	8.000%	11/01/25	1,034,530	FHLMC SER A	6.800%	03/19/07	11,288,085
FHLMC GROUP #C00449	7.000%	03/01/26	505,876	FNMA POOL #000025	6.500%	01/01/28	992,872
FHLMC GROUP #C00495	7.000%	01/01/27	459,949	FNMA POOL #000032	7.000%	01/01/13	2,697,265
FHLMC GROUP #C00530	7.500%	07/01/27	426,613	FNMA POOL #000040	6.500%	03/01/13	3,090,029
FHLMC GROUP #C00563	8.000%	11/01/27	449,043	FNMA POOL #000041	6.000%	03/01/13	3,698,289
FHLMC GROUP #C00571	8.000%	12/01/27	1,034,370	FNMA POOL #000042	6.500%	04/01/28	3,011,271
FHLMC GROUP #C00592	7.000%	03/01/28	981,223	FNMA POOL #000QS6	6.500%	02/26/28	490,854
FHLMC GROUP #C00596	6.500%	03/01/28	1,553,814	FNMA POOL #000V51	6.250%	10/25/22	301,421
FHLMC GROUP #C00609	7.000%	05/01/28	8,613,036	FNMA POOL #002463	11.000%	09/01/15	41,639
FHLMC GROUP #C10246	6.000%	05/01/28	965,250	FNMA POOL #007238	8.000%	06/01/08	363,039
FHLMC GROUP #C12744	6.500%	07/01/28	1,384,272	FNMA POOL #009152	12.500%	12/01/13	54,391
FHLMC GROUP #C80091	6.500%	01/01/24	1,080,763	FNMA POOL #021002	12.500%	04/01/12	99,898
FHLMC GROUP #C80174	7.500%	07/01/24	671,205	FNMA POOL #031946	9.000%	08/01/01	8,318
FHLMC GROUP #C80334	8.500%	08/01/25	588,881	FNMA POOL #033611	9.000%	09/01/01	6,885
FHLMC GROUP #C80362	8.500%	10/01/25	513,494	FNMA POOL #038794	9.500%	12/01/16	51,754
FHLMC GROUP #C80409	8.000%	06/01/26	532,468	FNMA POOL #041028	9.500%	10/01/01	12,990
FHLMC GROUP #C80454	8.000%	12/01/26	366,555	FNMA POOL #045681	9.000%	04/01/17	19,027
FHLMC GROUP #D05867	9.000%	06/01/21	59,250	FNMA POOL #050150	9.500%	12/01/18	54,872
FHLMC GROUP #D09716	9.000%	10/01/21	88,463	FNMA POOL #050219	10.000%	08/01/04	25,958
FHLMC GROUP #D18415	9.000%	05/01/22	199,954	FNMA POOL #050252	9.000%	11/01/04	30,926

FIXED INCOME INVESTMENTS (Con'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
FNMA POOL #050265	9.500%	01/01/05	23,765	FNMA POOL #184634	8.000%	10/01/20	168,508
FNMA POOL #050275	9.000%	02/01/20	108,695	FNMA POOL #190967	7.500%	08/01/09	3,120,414
FNMA POOL #050291	9.000%	04/01/20	76,971	FNMA POOL #220521	6.500%	06/01/08	549,458
FNMA POOL #050308	9.500%	06/01/20	26,762	FNMA POOL #245598	7.000%	12/01/23	2,016,855
FNMA POOL #050353	9.500%	10/01/20	33,045	FNMA POOL #250005	7.000%	04/01/24	734,037
FNMA POOL #050402	9.000%	02/01/21	41,322	FNMA POOL #250039	6.000%	04/01/01	310,167
FNMA POOL #050432	8.500%	05/01/21	56,743	FNMA POOL #250059	7.000%	06/01/24	776,090
FNMA POOL #050437	8.000%	06/01/06	146,255	FNMA POOL #250062	6.000%	04/01/24	166,743
FNMA POOL #050478	9.000%	09/01/21	85,953	FNMA POOL #250097	7.500%	05/01/01	162,751
FNMA POOL #050492	9.000%	10/01/21	24,587	FNMA POOL #250188	8.000%	01/01/25	1,045,663
FNMA POOL #050505	8.000%	11/01/06	20,899	FNMA POOL #250284	8.000%	06/01/25	1,045,663
FNMA POOL #050542	7.500%	02/01/07	123,221	FNMA POOL #250460	7.000%	01/01/26	840,098
FNMA POOL #050573	8.000%	05/01/22	209,963	FNMA POOL #250576	7.000%	06/01/26	660,899
FNMA POOL #050576	7.500%	05/01/07	145,261	FNMA POOL #250953	7.000%	06/01/12	396,557
FNMA POOL #050577	8.000%	03/01/07	87,452	FNMA POOL #250972	8.000%	05/01/27	638,659
FNMA POOL #050588	8.500%	06/01/22	282,247	FNMA POOL #251125	7.500%	07/01/04	247,934
FNMA POOL #050589	7.500%	06/01/07	158,167	FNMA POOL #251298	7.500%	11/01/27	463,594
FNMA POOL #050656	7.500%	11/01/22	1,028,529	FNMA POOL #251336	7.500%	12/01/27	463,637
FNMA POOL #050682	7.000%	01/01/08	220,356	FNMA POOL #251427	6.500%	12/01/12	40,437
FNMA POOL #050688	8.000%	02/01/23	1,047,238	FNMA POOL #251898	6.500%	07/01/28	987,528
FNMA POOL #050920	7.500%	09/01/08	228,089	FNMA POOL #251909	6.000%	06/01/05	1,196,856
FNMA POOL #050929	6.500%	11/01/23	754,420	FNMA POOL #261726	6.000%	12/01/23	266,272
FNMA POOL #050945	6.000%	12/01/23	739,290	FNMA POOL #263199	6.000%	01/01/09	450,958
FNMA POOL #050951	6.000%	12/01/08	582,941	FNMA POOL #264902	6.000%	01/01/24	19,217
FNMA POOL #050952	6.500%	12/01/08	562,355	FNMA POOL #267733	6.500%	01/01/24	745,223
FNMA POOL #052576	9.500%	07/01/02	20,696	FNMA POOL #274786	6.000%	03/01/24	105,147
FNMA POOL #054527	8.000%	07/01/17	186,578	FNMA POOL #287411	7.500%	07/01/24	719,498
FNMA POOL #056437	8.500%	07/01/17	18,123	FNMA POOL #291648	7.500%	08/01/24	502,061
FNMA POOL #062424	9.500%	11/01/17	78,050	FNMA POOL #303273	8.000%	05/01/25	2,091,326
FNMA POOL #063366	8.500%	06/01/18	26,965	FNMA POOL #303786	7.500%	02/01/11	440,553
FNMA POOL #070412	8.500%	10/01/19	135,137	FNMA POOL #303933	6.500%	06/01/26	468,012
FNMA POOL #070425	9.000%	01/01/02	21,869	FNMA POOL #303948	7.500%	06/01/26	43,603
FNMA POOL #080469	9.500%	04/01/18	54,393	FNMA POOL #313041	8.000%	08/01/26	522,831
FNMA POOL #081871	12.500%	12/01/13	38,077	FNMA POOL #313275	7.500%	04/01/26	8,720,405
FNMA POOL #083790	8.000%	01/01/03	42,590	FNMA POOL #313324	9.000%	06/01/17	1,657,817
FNMA POOL #088708	8.500%	01/01/20	73,440	FNMA POOL #313589	6.500%	06/01/12	439,787
FNMA POOL #097679	9.500%	07/01/20	25,787	FNMA POOL #313644	7.000%	08/01/27	12,890,325
FNMA POOL #099336	10.000%	07/01/20	19,203	FNMA POOL #320013	7.500%	08/01/25	394,194
FNMA POOL #107878	9.000%	11/01/05	18,690	FNMA POOL #323005	6.305%	02/01/08	7,595,174
FNMA POOL #111744	9.000%	12/01/20	9,123	FNMA POOL #330358	6.000%	05/01/24	655,891
FNMA POOL #112137	9.500%	12/01/20	28,041	FNMA POOL #337790	6.500%	02/01/26	561,898
FNMA POOL #113143	9.000%	01/01/21	38,202	FNMA POOL #364470	7.500%	12/01/26	388,610
FNMA POOL #114232	9.000%	02/01/21	6,560	FNMA POOL #364648	7.000%	01/01/12	456,390
FNMA POOL #114548	9.000%	02/01/21	131,282	FNMA POOL #365459	7.500%	11/01/11	1,349,107
FNMA POOL #116855	9.500%	02/01/21	41,027	FNMA POOL #370159	7.500%	03/01/27	550,754
FNMA POOL #120271	9.500%	05/01/01	46,147	FNMA POOL #377354	7.500%	05/01/27	758,325
FNMA POOL #124087	8.000%	01/01/22	147,066	FNMA POOL #395447	7.000%	01/01/28	842,987
FNMA POOL #124418	8.000%	08/01/99	129,481	FNMA POOL #404746	7.500%	10/01/12	1,037,775
FNMA POOL #125133	8.500%	07/01/22	160,574	FNMA POOL #411335	7.500%	05/01/12	1,040,138
FNMA POOL #125178	8.000%	01/01/23	491,846	FNMA POOL #411402	6.000%	05/01/28	486,715
FNMA POOL #134325	8.500%	10/01/21	58,624	FNMA POOL #413679	6.500%	01/01/28	842,691
FNMA POOL #138130	9.000%	11/01/21	122,963	FNMA POOL #415664	6.500%	03/01/28	2,993,613
FNMA POOL #147256	8.500%	02/01/22	326,624	FNMA POOL #415850	6.000%	09/01/25	1,610,730
FNMA POOL #151099	8.000%	02/01/07	76,126	FNMA POOL #416128	6.500%	03/01/28	2,390,198
FNMA POOL #155611	8.000%	04/01/22	270,001	FNMA POOL #420676	6.000%	04/01/13	735,258
FNMA POOL #157207	8.000%	04/01/22	93,643	FNMA POOL #50659	7.000%	11/01/07	327,240
FNMA POOL #164997	8.000%	08/01/07	102,869	FNMA POOL #50964	6.000%	01/01/24	82,046
FNMA POOL #175241	8.500%	07/01/22	49,795	FNMA REMIC	6.425%	02/17/30	8,243,625
FNMA POOL #180152	6.500%	09/01/07	225,606	FNMA DEBENTURES	8.200%	03/10/16	2,160,053

FIXED INCOME INVESTMENTS (Con'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
FNMA MED TERM NTS	5.625%	03/15/01	6,290,172	GNMA POOL #279072	10.500%	12/15/13	66,360
FNMA MED TERM NTS	5.650%	02/22/28	1,251,042	GNMA POOL #282824	8.500%	01/15/20	83,905
FNMA MED TERM NTS	5.750%	02/15/08	4,468,942	GNMA POOL #284663	9.000%	02/15/20	56,527
FNMA MED TERM NTS	5.860%	07/30/99	2,876,285	GNMA POOL #286697	9.500%	07/15/20	39,001
FNMA MED TERM NTS	6.170%	10/21/02	8,287,334	GNMA POOL #289097	9.000%	05/15/20	31,777
FNMA MED TERM NTS	6.920%	03/19/07	2,250,927	GNMA POOL #290324	10.000%	05/15/20	61,911
GNMA POOL #015861	7.500%	03/15/07	351,567	GNMA POOL #291199	9.500%	07/15/20	54,404
GNMA POOL #016755	8.000%	09/15/07	111,317	GNMA POOL #295474	10.000%	12/15/20	72,940
GNMA POOL #023421	9.000%	09/15/08	81,551	GNMA POOL #297500	10.000%	11/15/20	68,748
GNMA POOL #023423	8.500%	08/15/08	91,994	GNMA POOL #299710	9.000%	03/15/21	62,588
GNMA POOL #024439	8.500%	07/15/08	86,151	GNMA POOL #300829	9.500%	01/15/21	8,503
GNMA POOL #024712	8.000%	03/15/08	78,135	GNMA POOL #301699	8.000%	12/15/21	230,381
GNMA POOL #024975	8.000%	04/15/08	44,248	GNMA POOL #303789	8.000%	03/15/22	133,509
GNMA POOL #025062	8.000%	03/15/08	156,050	GNMA POOL #304488	9.000%	03/15/01	42,779
GNMA POOL #025306	8.000%	04/15/18	222,107	GNMA POOL #310324	9.000%	08/15/21	65,633
GNMA POOL #027078	9.000%	11/15/08	146,002	GNMA POOL #310727	8.000%	05/15/22	52,701
GNMA POOL #031007	9.000%	04/15/09	29,371	GNMA POOL #313005	8.500%	10/15/21	64,616
GNMA POOL #042932	9.000%	10/15/10	33,463	GNMA POOL #317684	7.500%	02/15/07	53,615
GNMA POOL #104302	13.000%	09/15/13	148,883	GNMA POOL #323284	8.000%	05/15/22	356,232
GNMA POOL #116273	13.000%	06/15/14	11,171	GNMA POOL #328950	7.000%	12/15/22	369,042
GNMA POOL #120665	12.500%	09/15/14	403,942	GNMA POOL #335642	7.000%	03/15/08	230,423
GNMA POOL #127322	11.000%	08/15/15	5,108	GNMA POOL #343613	7.500%	05/15/23	489,080
GNMA POOL #138005	11.000%	12/15/00	25,629	GNMA POOL #344243	7.500%	03/15/03	1,438,695
GNMA POOL #140507	11.000%	10/15/15	3,854	GNMA POOL #345885	7.000%	09/15/23	763,291
GNMA POOL #155675	9.000%	09/15/01	51,434	GNMA POOL #345965	7.000%	11/15/23	1,487,377
GNMA POOL #155969	9.000%	07/15/16	124,628	GNMA POOL #346374	7.500%	01/15/23	461,476
GNMA POOL #155986	9.000%	05/15/16	117,646	GNMA POOL #351408	6.500%	01/15/24	777,379
GNMA POOL #159478	9.000%	06/15/16	26,669	GNMA POOL #354832	7.000%	06/15/24	4,089,132
GNMA POOL #161371	9.000%	06/15/16	31,299	GNMA POOL #355688	7.500%	06/15/23	529,353
GNMA POOL #161692	9.500%	01/15/20	83,856	GNMA POOL #361382	6.500%	11/15/23	794,727
GNMA POOL #162138	9.000%	09/15/16	55,432	GNMA POOL #367967	7.500%	10/15/23	591,817
GNMA POOL #162698	9.000%	10/15/19	63,084	GNMA POOL #368924	7.000%	05/15/24	835,438
GNMA POOL #166004	9.500%	10/15/16	38,053	GNMA POOL #374555	6.500%	01/15/24	1,983,089
GNMA POOL #169342	9.500%	08/15/16	66,078	GNMA POOL #386583	7.000%	12/15/27	4,996,768
GNMA POOL #173875	10.000%	10/15/16	19,389	GNMA POOL #389618	8.000%	10/15/24	1,029,978
GNMA POOL #181658	8.500%	11/15/01	70,814	GNMA POOL #397005	7.000%	01/15/28	1,011,462
GNMA POOL #182898	8.000%	11/15/16	125,138	GNMA POOL #399601	8.500%	12/15/24	248,993
GNMA POOL #185865	9.500%	07/15/17	39,761	GNMA POOL #410250	7.500%	12/15/25	521,187
GNMA POOL #189629	10.000%	08/15/17	74,612	GNMA POOL #412582	7.000%	04/15/26	1,669,021
GNMA POOL #200750	8.000%	03/15/17	110,632	GNMA POOL #416181	7.000%	03/15/26	4,074,708
GNMA POOL #201689	9.000%	01/15/17	43,939	GNMA POOL #423877	8.000%	07/15/26	15,935,967
GNMA POOL #201804	8.000%	03/15/17	343,456	GNMA POOL #424222	7.000%	07/15/11	442,797
GNMA POOL #203186	8.500%	01/15/17	41,071	GNMA POOL #42649	7.000%	04/15/26	235,524
GNMA POOL #204730	8.000%	05/15/17	210,660	GNMA POOL #429349	7.000%	03/15/26	4,368,413
GNMA POOL #208182	8.000%	03/15/17	262,984	GNMA POOL #430901	8.000%	07/15/26	2,511,867
GNMA POOL #209804	7.500%	03/15/17	256,637	GNMA POOL #432127	8.000%	10/15/26	92,166
GNMA POOL #210811	10.000%	08/15/18	65,999	GNMA POOL #439664	8.500%	10/15/26	3,192,862
GNMA POOL #224571	9.500%	07/15/17	85,852	GNMA POOL #441108	8.000%	02/15/27	478,480
GNMA POOL #229860	8.500%	07/15/17	128,363	GNMA POOL #443285	7.000%	06/15/28	2,011,541
GNMA POOL #231202	8.500%	08/15/17	121,388	GNMA POOL #447399	7.500%	07/15/27	487,596
GNMA POOL #233089	10.500%	12/15/17	63,098	GNMA POOL #447454	8.500%	03/15/27	2,297,650
GNMA POOL #245457	7.000%	11/15/27	503,083	GNMA POOL #454136	6.500%	05/15/15	1,016,468
GNMA POOL #246455	9.500%	02/15/18	43,621	GNMA POOL #454151	7.500%	07/15/27	634,852
GNMA POOL #248333	9.000%	06/15/03	23,474	GNMA POOL #457595	8.000%	08/15/27	135,917
GNMA POOL #251806	9.500%	06/15/20	34,678	GNMA POOL #460718	7.000%	01/15/28	1,293,330
GNMA POOL #260331	10.000%	11/15/18	63,845	GNMA POOL #462440	7.500%	12/15/27	7,601,577
GNMA POOL #267848	10.500%	07/15/19	66,490	GNMA POOL #465747	6.500%	06/15/28	987,832
GNMA POOL #276788	9.500%	08/15/19	52,314	GNMA POOL #780047	9.000%	12/15/17	3,261,060
GNMA POOL #277809	10.000%	07/15/19	77,375	GNMA POOL #780250	7.500%	09/15/25	460,705

FIXED INCOME INVESTMENTS (Con'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
GNMA POOL #780339	8.000%	12/15/23	4,848,170	DAYTON HUDSON CORP	9.750%	11/01/98	748,858
GNMA POOL #780340	9.000%	11/15/17	956,576	DAYTON HUDSON CORP	9.625%	02/01/08	122,868
GNMA POOL #780411	6.500%	10/15/24	991,852	DAYTON HUDSON CORP	6.750%	01/01/28	606,630
GNMA POOL #780413	6.500%	07/15/26	1,289,107	DAYTON HUDSON CC TR	6.100%	02/25/02	3,571,107
GNMA POOL #780452	7.000%	10/15/26	8,228,650	DEAN WITTER DISCOVER	6.875%	03/01/03	5,141,050
GNMA POOL #780481	7.000%	12/15/26	7,247,220	DEERE JOHN CAP CORP	5.850%	01/15/01	997,130
GNMA POOL #780727	7.000%	01/15/08	2,300,564	DERBY CYCLE CORP	10.000%	05/15/08	1,034,800
ADVANSTAR COMM	9.250%	05/01/08	543,375	DISNEY (WALT) CO	6.750%	03/30/06	1,044,960
AIR PRODS & CHEM	6.600%	10/11/07	518,000	DLJ INC	6.500%	04/01/08	499,910
ALLSTATE FINANCING II	7.830%	12/01/45	211,980	DOSKOCIL MFG INC	10.125%	09/15/07	949,500
AMERICAN EXPRESS CR	6.750%	06/01/01	1,225,440	DU PONT E I DE NEMOURS	6.000%	12/01/01	397,464
AMERICAN GEN FIN CORP	6.875%	01/15/00	405,216	DU PONT E I DE NEMOURS	8.250%	01/15/22	307,238
AMERISERVE FOOD DSTR	10.125%	07/15/07	1,035,000	DU PONT E I DE NEMOURS	8.250%	09/15/06	227,452
AMR CORP DEL	9.880%	06/15/20	463,463	DUKE ENERGY CORP	7.000%	07/01/33	253,155
AMSCAN HLDGS INC	9.875%	12/15/07	717,100	ENRON CORP	6.625%	11/15/05	2,907,562
AQUA-CHEM INC	11.250%	07/01/08	1,018,300	ENRON CORP	6.750%	09/01/04	407,464
ARCHER DANIELS MDLNT	8.875%	04/15/11	493,552	FED JUDICIARY OFC BLD	10.350%	08/03/18	3,010,620
ASSOCIATES CORP N A	6.000%	03/15/00	5,309,010	FEDERAL MOGUL CORP	7.750%	07/01/06	1,000,349
ASSOCIATES CORP N A	6.375%	06/15/00	503,695	FEDERATED DEPT STORES	8.500%	06/15/03	109,405
ASSOCIATES CORP N A	9.125%	04/01/00	1,577,985	FINANCING CORP	10.700%	10/06/17	1,338,982
ASSOCIATES PASS-THRU	6.450%	09/15/00	1,635,244	FINLAND REP	6.950%	02/15/26	1,220,406
ATLANTIC RICHFIELD CO	9.875%	03/01/16	818,868	FINOVA CAP CORP	6.250%	08/15/00	1,305,876
AVCO FINL SERVICES INC	5.500%	04/01/00	396,976	FIRST CHICAGO CORP	8.250%	06/15/02	1,284,996
BALTIMORE G & E	8.400%	10/15/99	1,030,840	FIRST DATA CORP	6.610%	06/09/00	405,692
BANESTO FIN LTD	7.500%	03/25/07	1,066,020	FIRST UN CORP	6.300%	04/15/08	1,000,810
BANKAMERICA CAP II	8.000%	12/15/26	543,405	FLORIDA PWR & LT CO	6.625%	02/01/03	911,475
BANKERS TRUST NY	9.400%	03/01/01	700,349	FONDA GROUP INC	9.500%	03/01/07	950,000
BAXTER INTL INC	8.125%	11/15/01	1,590,480	FORD CAPITAL	9.375%	05/15/01	812,595
BCH CAYMAN IS LTD	7.700%	07/15/06	429,012	FORD CR AUTO OWNER TI	5.650%	10/15/01	3,192,000
BEAR STEARNS COS INC	6.500%	07/05/00	403,608	FORD CR AUTO OWNER TI	6.300%	01/15/01	1,407,000
BELLSOUTH TELECOMM	7.000%	10/01/25	535,485	FORD HOLDINGS	9.250%	03/01/00	683,241
BELO A H CORP	7.750%	06/01/27	561,500	FORD MOTOR CO	6.625%	02/15/28	400,332
BHP FIN USA LTD	6.750%	11/01/13	796,408	FORD MOTOR CREDIT CO	6.125%	04/28/03	5,060,354
BOEING CO	8.625%	11/15/31	396,422	FORD MOTOR CREDIT CO	7.500%	01/15/03	736,869
BOYDS COLLECTION LTD	9.000%	05/15/08	350,000	FORD MOTOR CREDIT CO	8.000%	01/15/99	2,172,618
BP AMERICA INC	9.375%	11/01/00	430,456	FORD MOTOR CREDIT CO	6.625%	09/15/04	507,490
BROWNING FERRIS INDS	7.400%	09/15/35	406,444	FORD MOTOR CREDIT CO	6.875%	09/15/07	2,051,540
BRUNSWICK CORP	7.125%	08/01/27	415,116	GANNETT INC	5.850%	05/01/00	649,214
CABLE & WIRELESS	6.750%	03/06/08	2,525,286	GENERAL ELECTRIC CR	5.500%	11/01/01	409,078
CAMPBELL SOUP CO	8.875%	05/01/21	715,622	GENERAL ELECTRIC CR	8.750%	05/21/07	1,066,500
CAPITAL ONE BANK	7.200%	07/19/99	1,009,920	GENERAL MOTORS ACC	6.625%	10/01/02	1,314,625
CAROLINA PWR & LT CO	8.625%	09/15/21	572,940	GENERAL MOTORS CORP	6.750%	05/01/28	3,428,721
CHASE COML MTG SECS	6.600%	11/19/07	4,165,824	GENERAL MOTORS CORP	9.125%	07/15/01	507,177
CHASE MANHATTAN AUT	6.350%	02/25/01	3,689,488	GENERAL MOTORS CORP	9.625%	12/01/00	323,922
CHASE MANHATTAN CC	6.730%	02/15/03	3,703,250	GENSI INC	9.625%	03/01/07	1,045,000
CHASE MANHATTAN COR	8.125%	06/15/02	1,067,210	GOLDEN WEST FINL	6.700%	07/01/02	813,512
CHASE MANHATTAN GR	5.200%	02/15/02	549,113	GOLDEN WEST FINL	7.250%	08/15/02	414,336
CHEMICAL BANK N Y	6.700%	08/15/08	513,005	GOODRICH B F CO	7.000%	04/15/38	1,407,675
CITICORP	8.000%	02/01/03	1,394,068	GOODRICH B F CO	7.100%	11/15/27	532,620
COCA COLA ENT INC	8.500%	02/01/12	2,381,740	GRAND METRO INVT COR	8.000%	09/15/22	1,186,220
COCA COLA ENT INC	8.500%	02/01/22	490,540	GTE CALIFORNIA INC	5.625%	02/01/01	1,288,469
COCA COLA ENT INC	7.875%	02/01/02	265,130	GTE CORP	6.940%	04/15/28	2,217,160
COMDISCO INC	5.750%	02/15/01	1,979,620	HANSON OVERSEAS	6.750%	09/15/05	1,128,512
COMMERCIAL CR GROUP	5.900%	09/01/03	1,490,190	HARTFORD LIFE INC	7.650%	06/15/27	333,141
CONSOLIDATED RAIL	9.750%	06/01/00	425,764	HERITAGE MEDIA	8.750%	02/15/06	1,065,000
CORP ANDINA DE FOMEN	7.250%	03/01/07	1,003,410	HERTZ CORP	7.375%	06/15/01	1,233,612
COUNTRYWIDE FDG	6.280%	01/15/03	3,923,450	HOME PRODS INTL INC	9.625%	05/15/08	995,000
COX COMMUNICATIONS	6.875%	06/15/05	360,283	HOUSEHOLD AFFINITY	5.600%	05/15/02	2,489,050
COYNE INTL ENTERPRISE	11.250%	06/01/08	651,625	HSBC AMERS INC	7.000%	11/01/06	515,025

FIXED INCOME INVESTMENTS (Con'd)

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
HYDRO-QUEBEC	9.500%	11/15/30	378,818	PENNEY J C INC	9.050%	03/01/01	536,185
HYDRO-QUEBEC	9.750%	01/15/18	985,292	PHILADELPHIA ELEC CO	5.625%	11/01/01	492,805
HYDROCHEM INDL SVCS	10.375%	08/01/07	1,025,000	PHILLIP MORRIS COS INC	7.500%	04/01/04	420,112
ICELAND REP	6.125%	02/01/04	1,008,710	PHILLIP MORRIS COS INC	8.250%	10/15/03	538,760
ILLINOIS TOOL WKS INC	5.875%	03/01/00	999,870	PHILLIP MORRIS COS INC	8.625%	03/01/99	609,462
IMPAC GROUP INC	10.125%	03/15/08	997,500	PHILLIPS PETROLEUM CO	6.650%	07/15/18	996,900
INTERNATIONAL BANK	7.625%	01/19/23	1,231,320	POLYMER GROUP INC	9.000%	07/01/07	910,125
IBM	8.375%	11/01/19	641,414	PORTUGAL REP	5.750%	10/08/03	997,170
INTERNATIONAL LEASE	6.625%	04/01/99	6,032,280	POTOMAC ELEC PWR CO	6.875%	09/01/23	1,007,190
INTERNATIONAL LEASE	8.875%	04/15/01	535,500	PREMIER AUTO TR	6.200%	11/06/00	2,017,192
IRON AGR CORP	9.875%	05/01/08	495,000	PREMIER AUTO TR	6.250%	08/06/01	1,736,488
ISRAEL ELEC CORP	7.750%	12/15/27	1,975,749	PROCTOR & GAMBLE CO	8.500%	08/10/09	520,408
JAPAN FIN CORP FOR MUN	9.125%	03/13/00	1,470,182	PROCTER & GAMBLE CO	8.700%	08/01/01	430,824
K & F INDUSTRIES INC	9.250%	10/15/07	883,750	PUBLIC SVC CO COLO	7.125%	06/01/06	742,868
KEY COMPONENTS LLC	10.500%	06/01/08	1,005,000	QUEBEC PROV CDA	8.800%	04/15/03	993,942
KFW INTL FIN INC	9.125%	05/15/01	5,412,250	QUEBEC PROV CDA	9.125%	03/01/00	786,623
KINDER CARE LEARNING	9.500%	02/15/09	1,005,000	R A B ENTERPRISES INC	10.500%	05/01/05	502,500
LA PETITE ACADEMY INC	10.000%	05/15/08	503,750	RAYTHEON CO	6.750%	08/15/07	1,230,516
LASMO USA INC	7.500%	06/30/06	1,047,100	RELIANCE ELEC CO NEW	6.800%	04/15/03	309,363
LEHMAN BROS HLDGS	7.375%	05/15/04	1,315,900	REPUBLIC NY CORP	7.250%	07/15/02	1,041,390
LEVEL 3 COMMUNICATIO	9.125%	05/01/08	1,167,000	RESOLUTION FDG CORP	8.125%	10/15/19	4,437,679
LOOMIS FARGO & CO	10.000%	01/15/04	1,000,000	RESOLUTION FDG CORP	9.375%	10/15/20	863,436
LUCENT TECHNOLOGIES	6.900%	07/15/01	1,027,810	REVLON WORLDWIDE CO	10.750%	03/15/01	777,500
MANITOBA PROV CDA	9.625%	12/01/18	451,610	RIGGS NATL CORP	8.500%	02/01/06	1,047,210
MARK IV INDS INC	7.750%	04/01/06	2,075,740	ROCKWELL INTL CORP	8.375%	02/15/01	370,104
MAY DEPT STORES CO	9.875%	12/01/02	583,139	SAFECO CR INC	6.950%	01/13/00	5,077,400
MCI COMMUNICATIONS	6.125%	04/15/02	4,383,632	SAFETY COMPONENTS	10.125%	07/15/07	1,050,000
MEDIQ / PRN LIFE SUPPOR	11.000%	06/01/08	822,000	SALOMON SMITH BARNE	6.125%	01/15/03	2,694,573
MELLON FINL CO	6.000%	03/01/04	3,983,320	SALOMON SMITH BARNE	7.375%	05/15/07	795,953
MERRILL LYNCH & CO IN	6.000%	02/12/03	9,194,188	SC INTL SVCS INC	9.250%	09/01/07	931,500
MERRILL LYNCH & CO IN	7.000%	04/27/08	1,052,130	SEALY MATTRESS CO	10.875%	12/15/07	950,400
MOBIL CORP	7.625%	02/23/33	1,057,070	SEARS CR ACCOUNT TR II	6.200%	07/16/07	2,010,620
MOBIL CORP	8.625%	08/15/21	416,020	SEARS CR ACCOUNT TR II	6.250%	01/15/03	1,668,751
MOLL INDS INC	10.500%	07/01/08	663,000	SEARS CR ACCOUNT TR II	6.500%	11/15/99	2,133,907
MORGAN STANLEY CAP I	6.520%	03/15/30	11,168,790	SEARS CR ACCOUNT TR II	7.000%	10/15/04	1,325,584
MORGAN STANLEY CAP I	6.540%	05/15/08	4,007,522	SHERWIN WILLIAMS CO	6.850%	02/01/07	1,055,960
MORGAN STANLEY GRP	10.000%	06/15/08	418,717	SIMON DEBARTOLO GRP	6.875%	11/15/06	703,479
MORTON INTL INC	9.250%	06/01/20	394,515	SONAT INC	6.750%	10/01/07	813,824
MOUNTAIN STS T & T	6.000%	08/01/07	867,173	SOUTHERN CALIF GAS	6.875%	11/01/25	753,698
NATIONAL CITY BANK	7.250%	10/21/11	2,719,872	SOUTHERN FOODS GRP	9.875%	09/01/07	938,250
NATIONAL CITY CORP	6.625%	03/01/04	1,018,570	SO NEW ENGLAND TEL	6.125%	12/15/03	1,108,173
NATIONSBANK AUTO TR	6.375%	07/15/00	2,400,148	SOUTHWESTERN BELL	6.875%	02/01/11	1,221,672
NATIONSBANK CAP TR IV	8.250%	04/15/27	223,370	SPIEKER PROPERTIES NT	7.125%	07/01/09	842,540
NATIONSBANK CORP	5.850%	01/17/01	5,993,400	SUN TRUST BKS INC	7.375%	07/01/02	5,214,500
NATIONSBANK CC TR	6.450%	04/15/03	1,112,375	TCI COMMUNICATIONS	8.750%	08/01/15	511,666
NBTY INC	8.625%	09/15/07	1,015,000	TELECOM TECHNIQUES	9.750%	05/15/08	511,250
NEW ENGLAND TEL & TEL	6.300%	12/16/02	757,508	TENET HEALTHCARE COR	8.125%	12/01/08	2,005,000
NEW YORK TELEPHONE	5.250%	09/01/98	999,610	TENN VALLEY AUTH PWR	6.375%	06/15/05	4,138,760
NEW YORK TELEPHONE	6.000%	09/01/07	861,109	TENN VALLEY AUTH PWR	8.375%	10/01/99	773,670
NEW ZEALAND GOVT	10.625%	11/15/05	888,006	TEXACO CAP INC	9.000%	12/15/99	729,596
NIAGARA MOHAWK PWR	7.750%	10/01/08	768,383	TEXAS INSTRS INC	6.125%	02/01/06	799,992
NORFOLK SOUTHN CORP	7.350%	05/15/07	2,145,700	TIME WARNER ENTMT	8.375%	03/15/23	1,862,383
NORTHERN TELECOM	8.750%	06/12/01	533,730	TIME WARNER ENTMT	9.625%	05/01/02	1,452,191
ONTARIO PROV CDA	6.000%	02/21/06	2,988,180	TOSCO CORP	7.625%	05/15/06	1,070,530
ONTARIO PROV CDA	7.750%	06/04/02	3,291,921	TRANSMERICAL FIN GRP	8.750%	10/01/99	898,249
OWENS ILL INC	7.350%	05/15/08	2,024,880	TRAVELERS CAP II	7.750%	12/01/36	209,576
PACIFIC BELL	7.125%	03/15/26	325,293	TRAVELERS PPTY CAS	6.750%	11/15/06	1,037,050
PEN-TAB INDS INC	10.875%	02/01/07	990,000	UNION PAC CORP	9.625%	12/15/02	403,736
PENNEY J C INC	6.875%	06/15/99	2,017,540	UNITED DEFENSE INDS	8.750%	11/15/07	303,000

**FIXED INCOME INVESTMENTS (Con'd)**

	Rate	Maturity Date	Market Value		Rate	Maturity Date	Market Value
UNITED PARCEL SVC	8.375%	04/01/20	487,906	KINGDOM OF SPAIN	10.500%	10/30/03	3,321,703
UNITED STATIONERS	8.375%	04/15/08	461,150	KINGDOM OF SPAIN	6.000%	01/31/08	2,665,384
UNITED TECHNOLOGIES	8.875%	11/15/19	441,543	KINGDOM OF SPAIN	7.900%	02/28/02	2,910,051
UTILICORP UTD INC	6.875%	10/01/04	1,444,836	KINGDOM OF SPAIN	8.000%	05/30/04	3,050,360
VIRGINIA ELEC & PWR	8.750%	04/01/21	428,052	KINGDOM OF SWEDEN	10.250%	05/05/00	622,763
WAL MART STORES INC	5.650%	02/01/00	3,988,160	KINGDOM OF SWEDEN	10.250%	05/05/03	4,124,780
WAL-MART STORES INC	8.625%	04/01/01	570,893	KINGDOM OF SWEDEN	6.000%	02/09/05	1,501,479
WASTE MGMT INC	7.700%	10/01/02	1,677,408	UNITED KINGDOM	7.750%	09/08/06	10,643,376
WESCO DISTR INC	8.125%	06/01/08	990,000	UNITED KINGDOM	8.000%	06/10/03	7,940,462
WESTVACO CORP	9.625%	03/01/02	390,145	UNITED KINGDOM	8.750%	08/25/17	3,208,358
WISCONSIN PUB SVC	6.800%	02/01/03	3,107,220	UNITED KINGDOM	8.500%	12/07/05	2,865,061
XEROX CORP	7.150%	08/01/04	7,397,530	UNITED KINGDOM	7.000%	06/07/02	1,680,836
ZIFF-DAVIS INC	8.500%	05/01/08	464,600	UNITED KINGDOM	6.750%	11/26/04	9,153,179
<b>Total Domestic Fixed Income</b>			<b>1,298,417,129</b>	BUNDESORLIGATION	6.500%	03/15/00	1,902,848
<b>International Fixed Income</b>				TREUHANDANSTALT	6.875%	06/11/03	9,006,498
AUSTRALIA GOVT	7.500%	07/15/05	2,899,529	<b>Total International Fixed Income</b>			<b>233,398,511</b>
AUSTRALIA GOVT	9.750%	03/15/02	2,840,847	<b>TOTAL FIXED INCOME INVESTMENTS</b>			<b>1,531,815,640</b>
AUSTRALIA GOVT	9.000%	09/15/04	2,789,404				
AUSTRALIA GOVT	7.000%	04/15/00	2,297,709	<b>EQUITY INVESTMENTS:</b>			
AUSTRALIA GOVT	9.500%	08/15/03	1,973,234	Domestic Equities	Shares Owned	Market Value	
AUSTRALIA GOVT	8.750%	01/15/01	2,681,694	3 COM CORP	40,700	1,249,002	
GOVT OF CANADA	7.250%	06/01/03	2,360,287	ABBOTT LABS	182,400	7,478,400	
GOVT OF CANADA	7.500%	09/01/00	1,490,777	ABERCROMBIE & FITCH CO	2,757	121,308	
GOVT OF CANADA	8.750%	12/01/05	803,219	ADAC LABS	10,000	225,000	
GOVT OF CANADA	6.500%	06/01/04	10,142,106	ADC TELECOMMUNICATIONS INC	70,000	2,557,170	
GOVT OF CANADA	4.250%	12/01/21	8,684,585	ADEPT TECHNOLOGY INC	172,000	1,300,836	
KINGDOM OF DENMARK	7.000%	11/15/07	2,176,748	ADOBE SYS INC	6,700	284,335	
KINGDOM OF DENMARK	8.000%	11/15/01	4,911,842	ADVANCED MICRO DEVICES INC	15,200	259,358	
KINGDOM OF DENMARK	7.000%	12/15/04	1,921,768	ADVEST GROUP INC	24,300	701,663	
KINGDOM OF DENMARK	8.000%	05/15/03	9,845,430	AES CORP	318,200	16,725,547	
KINGDOM OF DENMARK	8.000%	03/15/06	5,326,187	AETNA INC	82,700	6,295,538	
GOVT OF FRANCE	6.000%	10/25/25	2,696,824	AETRUM INC	100,000	862,500	
GOVT OF FRANCE	6.750%	10/25/03	6,023,867	AHMANSON H F & CO	180,448	12,811,808	
GOVT OF FRANCE	8.500%	11/25/02	3,148,116	AIR PRODS & CHEMS INC	24,800	992,000	
GOVT OF FRANCE	6.750%	10/25/04	3,942,226	AIRBORNE FGHT CORP	49,500	1,729,431	
GOVT OF FRANCE	5.750%	03/12/01	6,875,951	AIRTOUCH COMMUNICATION	127,842	7,470,831	
GOVT OF FRANCE	7.750%	10/25/05	6,022,825	ALASKA AIR GROUP INC	20,200	1,102,173	
FED REPUBLIC OF GER	6.375%	11/20/98	1,197,689	ALBANY INTL CORP NEW CL A	110,550	2,646,346	
FED REPUBLIC OF GER	8.250%	09/20/01	6,381,435	ALBEMARLE CORP	120,400	2,656,385	
FED REPUBLIC OF GER	8.375%	05/21/01	7,086,039	ALBERTSONS INC	29,900	1,549,209	
FED REPUBLIC OF GER	6.000%	01/05/06	8,743,822	ALCAN ALUM LTD	21,200	585,650	
FED REPUBLIC OF GER	5.250%	02/21/01	9,335,734	ALLEGHENY TELEDYNE INC	24,800	567,300	
FED REPUBLIC OF GER	7.375%	01/03/05	1,915,180	ALLERGAN INC	290,000	13,448,750	
FED REPUBLIC OF GER	6.250%	01/04/24	3,914,842	ALLIED SIGNAL INC	72,200	3,203,875	
FED REPUBLIC OF GER	5.875%	05/15/00	2,060,277	ALLSTATE CORP	51,000	4,669,713	
REPUBLIC OF ITALY	11.500%	03/01/03	3,251,164	ALLTEL CORP	194,028	9,022,302	
REPUBLIC OF ITALY	11.000%	06/01/03	357,420	ALUMINUM CO AMER	142,454	9,393,132	
REPUBLIC OF ITALY	10.500%	04/01/00	3,457,425	ALZA CORP CL A	13,700	592,525	
REPUBLIC OF ITALY	9.000%	11/01/23	1,247,115	AMBAC INC	230,620	13,491,270	
REPUBLIC OF ITALY	9.000%	10/01/98	916,504	AMERICAN SAFETY RAZOR CO	79,800	1,167,075	
REPUBLIC OF ITALY	9.000%	10/01/03	1,697,149	AMERADA HESS CORP	13,900	754,951	
REPUBLIC OF ITALY	8.500%	08/01/04	1,916,488	AMEREN CORP	13,200	524,700	
NETHERLAND GOVT	8.250%	06/15/02	2,518,557	AMERICA WEST HDNG CORP	51,400	1,468,138	
NETHERLAND GOVT	8.500%	03/15/01	3,212,196	AMERICAN ELEC PWR INC	17,200	780,450	
NETHERLAND GOVT	8.500%	06/01/06	6,245,256	AMERICAN EXPRESS CO	56,010	6,371,138	
NETHERLAND GOVT	6.500%	04/15/03	4,753,637	AMERICAN GEN CORP	124,468	8,860,628	
NETHERLAND GOVT	6.000%	01/15/06	3,666,748	AMERICAN GREETINGS CORP CL A	11,300	575,599	
KINGDOM OF SPAIN	8.400%	04/30/01	3,071,524	AMERICAN HOME PRODS CORP	427,500	22,123,125	

## EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
AMERICAN INTL GROUP INC	84,150	12,285,900	BELO A H CORP	244,832	5,967,780
AMERICAN ONCOLOGY RES INC	90,000	1,099,710	BEN & JERRY HOMEMADE	36,000	697,500
AMERICAN STORES CO NEW	33,300	805,460	BENEFICIAL CORP	5,600	857,853
AMERIPATH INC	26,700	315,407	BESTFOODS	35,700	2,072,849
AMERITECH CORP	131,000	5,878,625	BETHLBHEM STEEL CORP	17,300	208,662
AMGEN INC	32,200	2,105,075	BETZ LABS INC	62,000	2,565,250
AMOCO CORP	116,900	4,880,575	BEVERLY ENTERPRISE INC	65,500	917,000
AMP INC	332,325	11,423,672	BINDLEY WESTN INDS INC	78,664	2,595,912
AMR CORP DEL	18,800	1,565,100	BIO RAD LABS INC	11,400	349,125
ANADARKO PETE CORP	7,300	490,472	BIOMET INC	18,700	618,278
ANADIGICS INC	80,000	1,090,000	BJS WHSL CLUB INC	15,400	625,625
ANDREW CORP	13,700	247,463	BLACK & DECKER CORP	11,600	707,600
ANHEUSER BUSCH COS INC	358,930	16,937,189	BLAIR CORP	13,800	441,600
ANIXTER INTL INC	15,500	291,312	BLOCK H & R INC	390,909	16,467,042
ANNALY MTG MGMT INC	28,200	255,577	BOEING CO	120,100	5,352,016
ANSYS INC	15,000	148,125	BOOLE & BABBAGE INC	75,000	1,790,625
AON CORP	16,543	1,162,146	BOSTON SCIENTIFIC CORP	23,700	1,697,513
APACHE CORP	10,900	343,350	BOWNE & CO INC	20,500	913,275
APPLE COMPUTER	16,200	464,746	BRISTOL MYERS SQUIBB CO	393,857	45,269,136
APPLIED MATLS INC	45,800	1,351,100	BROOKS AUTOMATION INC	60,000	780,000
APPLIED VIOCE TECHNOLOGY INC	120,000	2,760,000	BROWNING FERRIS INDS INC	169,812	5,900,967
ARCHER DANIELS MIDLAND CO	74,655	1,446,441	BRUNSWICK CORP	7,700	190,575
ARMSTRONG WORLD INDS INC	6,500	437,938	BUDGET GROUP INC	41,500	1,325,427
ARTESYN TECHNOLOGIES INC	70,000	1,120,000	BULL RUN CORP GA	67,500	329,063
ARVIN INDS INC	29,900	1,085,759	BURLINGTON NORTN SANTA FE	20,400	2,003,035
ASARCO INC	68,700	1,528,575	BURLINGTON RES INC	21,670	933,175
ASCEND COMMUNICATIONS INC	22,400	1,110,211	CABLETRON SYS INC	27,900	374,920
ASHLAND INC	5,800	299,425	CAMPBELL SOUP CO	58,720	3,119,500
ASPECT TELECOMMUNICATIONS COI	80,000	2,190,000	CAPITAL ONE FINL CORP	16,800	2,086,358
ASPEN TECHNOLOGIES	40,000	2,020,000	CAPITAL RE CORP	6,000	429,750
ASSOCIATES FIRST CAP CORP	120,037	9,235,407	CARAUSTAR INDS INC	91,000	2,627,625
ASTORIA FINL CORP	27,100	1,449,850	CARDINAL HEALTH INC	15,400	1,443,750
AT & T CORP	454,550	25,966,169	CAROLINA PWR & LT CO	11,800	511,825
ATL ULTRASOUND INC	29,800	1,359,625	CASE EQUIP CORP	11,200	540,400
ATLANTIC RICHFIELD CO	135,815	10,610,547	CATERPILLAR INC DEL	44,500	2,354,317
AUTODESK INC	5,612	216,764	CATO CORP	114,500	1,992,987
AUTOMATIC DATA PROCESSING INC	37,700	2,747,388	CBS CORP	92,500	2,936,875
AUTOZONE INC	22,900	731,380	CELERITEK INC	50,000	312,500
AVECOR CARDIOVASCULAR INC	50,000	359,400	CENDANT CORP	108,242	2,218,961
AVERY DENNISON CORP	15,100	811,625	CENTRAL & SOUTH WEST CORP	435,571	11,705,971
AVIS RENT A CAR INC	18,300	402,864	CENTRAL HUDSON GAS & ELEC	28,100	1,285,575
AVNET INC	110,000	6,015,680	CERIDIAN CORP	6,800	399,500
AVON PRODS INC	156,271	12,101,314	CHAMPION INTL CORP	14,200	698,470
BAKER HUGHES INC	16,700	577,202	CHASE MANHATTAN CORP NEW	103,600	7,821,800
BALTIMORE GAS & ELEC CO	9,200	285,780	CHESAPEAKE CORP	33,300	1,296,635
BANC ONE CORP	132,870	7,415,873	CHEVRON CORP	79,497	6,657,874
BANK NEW YORK INC	50,200	3,055,925	CHOCK FULL O NUTS CORP	130,200	878,850
BANKAMERICA CORP	82,900	7,170,850	CHOLESTECH CORP	55,000	371,250
BANKBOSTON CORP	30,600	1,702,125	CHRONIMED INC	29,900	384,963
BARRICK GOLD CORP	47,100	906,675	CHRYSLER CORP	78,400	4,419,800
BATTLE MTN GOLD CO CL A	10,400	61,755	CHUBB CORP	23,600	1,896,850
BAXTER INTL INC	34,256	1,843,418	CIGNA CORP	26,200	1,807,800
BAY NETWORKS INC	22,800	731,036	CINCINNATI FINL CORP	16,800	644,700
BB & T CORP	16,300	1,102,288	CINERGY CORP	15,200	532,000
BEAR STEARNS COS INC	25,300	1,438,938	CIRCUIT CITY STORES INC	8,700	407,813
BECTON DICKINSON & CO	17,800	1,381,725	CISCO SYS INC.	205,950	18,960,375
BEL FUSE INC	74,600	1,659,850	CITATION CORP ALA	90,700	1,814,000
BELL ATLANTIC CORP	165,222	15,076,508	CITICORP	137,842	20,572,919
BELLSOUTH CORP	117,200	7,867,050	CLEAR CHANNEL COMM	11,000	1,200,375

## EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
CLECO CORP	35,500	1,056,125	DOW CHEM CO	122,684	11,862,071
CLOROX CO	12,600	1,204,875	DOW JONES & CO INC	9,500	529,625
CMS ENERGY CORP	148,366	6,528,104	DOWNEY FINL CORP	38,400	1,255,219
CN BIOSCIENCES INC	24,200	605,000	DRESSER INDS INC	25,700	1,132,419
CNA SURETY CORP	181,400	2,675,650	DSC COMMUNICATIONS CORP	94,200	2,826,000
COASTAL CORP	169,199	11,812,290	DTE ENERGY	229,283	9,257,301
COASTCAST CORP	32,000	576,000	DU PONT E I DE NEMOURS & CO	135,661	10,132,249
COCA COLA CO	451,808	38,629,584	DUCOMMUN INC DEL	75,600	1,512,000
COGNIZANT CORP	24,219	1,525,797	DUKE ENERGY CORPORATION	45,800	2,713,650
COGNOS INC	65,000	1,731,665	DUN & BRADSTREET CORP	282,351	10,164,636
COLGATE PALMOLIVE CO	99,900	8,791,200	EARTHGRAINS CO	29,500	1,648,313
COLUMBIA ENERGY GROUP	13,800	767,625	EASTGROUP PPTYS INC	63,500	1,274,001
COLUMBIA/HCA HEALTHCARE CORP	77,400	2,254,275	EASTMAN CHEM CO	79,047	4,920,676
CQMCAS CORP	43,400	1,761,780	EASTMAN KODAK CO	154,095	11,258,643
COMERICA INC	22,818	1,508,840	EATON CORP	11,300	878,575
COMPAQ COMPUTER CORP	590,492	16,755,211	ECHLIN INC	7,300	357,030
COMPUTER ASSOC INTL INC	66,450	3,692,161	ECOLAB INC	8,200	254,200
COMPUTER SCIENCES CORP	15,800	1,011,200	EDISON INTL	277,704	8,209,763
CONAGRA INC	52,600	1,666,789	EKCO GROUP INC	82,600	650,475
CONSECO INC	21,800	1,021,873	EMC CORP MASS	148,300	6,645,797
CONSOLIDATED EDISON INC	36,200	1,667,481	EMERSON ELEC CO	54,100	3,266,288
CONSOLIDATED FREIGHTWAYS	83,000	1,156,854	ENGELHARD CORP	11,200	226,800
CONSOLIDATED NAT GAS CO	16,600	977,325	ENHANCE FINL SVCS GROUP INC	33,500	2,261,250
CONSOLIDATED STORES CORP	16,600	601,750	ENRON CORP	35,200	1,903,018
COOPER INDS INC	14,300	785,613	ENTERGY CORP NEW	37,200	1,069,500
COORS ADOLPH CO CL B	8,500	289,000	EQUIFAX INC	22,600	820,674
COPARAT INC	16,800	391,959	ESCO ELECTRCES CORP	80,500	1,529,500
CORDANT TECHNOLOGIES INC	56,800	2,619,900	EVEREN CAPITAL CORP	41,400	1,159,200
CORNING INC	26,600	924,350	EXXON CORP	297,300	21,219,788
COSTCO COS INC	26,300	1,658,557	FARM FAMILY HLDGS INC	7,800	303,716
COUNTRYWIDE CR INDS INC	14,300	725,725	FBL FINL GROUP INC	31,200	799,500
CREDENCE SYS CORP	60,000	1,140,000	FDX CORP	21,380	1,341,595
CROWN CORK & SEAL INC	18,500	878,750	FEDERAL HOME LN MTG CORP	444,809	20,934,046
CROWN CRAFTS INC	28,500	438,188	FEDERAL NATL MTG ASSN	697,002	42,342,872
CSX CORP	81,200	3,694,600	FEDERATED DEPT STORES INC	21,500	1,156,980
CUMMINS ENGINE INC	6,800	348,500	FIFTH THIRD BANCORP	34,050	2,145,150
CVS CORP	296,878	11,559,836	FIRST BRANDS CORP	110,600	2,834,125
CYBEROPTICS CORP	75,000	1,078,125	FIRST CHICAGO NBD CORP	146,813	13,011,302
CYLINK CORP	130,000	1,560,000	FIRST DATA CORP	362,242	12,067,368
CYPRUS AMAX MINERALS CO	16,200	214,650	FIRST UN CORP	775,063	45,147,420
DANA CORP	148,753	7,958,286	FIRSTENERGY CORP	23,500	722,625
DANIEL INDS INC	136,000	2,584,000	FLEET FINL GROUP INC	35,700	2,980,950
DATA GEN CORP	8,300	123,985	FLUOR CORP	12,600	642,600
DAVOX CORP	60,600	1,325,625	FMC CORP NEW	2,300	156,832
DAYTON HUDSON CORP	49,200	2,386,200	FOOTSTAR INC	50,300	2,414,400
DEAN FOODS CO	22,000	1,208,636	FORD MOTOR CO DEL	573,670	33,846,530
DEERE & CO	31,000	1,638,164	FORT JAMES CORP	28,600	1,276,275
DELL COMPUTER CORP	77,400	7,183,726	FORTUNE BRANDS INC	177,497	6,822,630
DELPHI FINL GROUP INC	21,000	1,182,573	FOSTER WHEELER CORP	379,499	8,135,700
DELTA AIR LINES INC DEL	9,200	1,189,100	FPL GROUP INC	17,200	1,083,600
DELUXE CORP	4,900	175,175	FRANKLIN RESOURCES INC	28,900	1,560,600
DIALOGIC CORP	40,000	1,190,000	FRED'S INC	75,500	1,925,250
DIGITAL LINK CORP	90,000	697,500	FREEMONT-MCMORAN	7,800	118,466
DIGITAL MICROWAVE CORP	120,000	870,000	FREMONT GEN CORP	29,700	1,620,521
DILLARDS INC	16,900	700,302	FRENCH FRAGRANCES INC	28,400	443,750
DISNEY (WALT) COMPANY	144,724	15,205,138	FRONTIER CORP	26,700	841,050
DOMINION RES INC V A	15,800	643,850	FRUIT OF THE LOOM	8,000	265,504
DONNELLEY R R & SONS CO	13,300	608,475	GANNETT INC	340,330	24,184,871
DOVER CORP	32,600	1,116,550	GAP STORES INC	50,850	3,124,122

## EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
GASONICS INTL CORP	60,000	420,000	INTEGRATED PROCESS EQUIP CORP	50,000	562,500
GATEWAY 2000 INC	17,800	890,000	INTEL CORP	318,000	23,571,750
GENERAL DYNAMICS CORP	19,300	897,450	INTERIM SVCS INC	50,000	1,606,250
GENERAL ELECTRIC CO	693,093	62,984,826	IBM CORP	244,584	28,081,423
GENERAL INSTR CORP DEL	24,300	660,668	INTERNATIONAL FLAVORS & FRAG	16,800	729,758
GENERAL MILLS INC	18,200	1,242,150	INTERNATIONAL PAPER CO	243,643	10,476,649
GENERAL MOTORS CORP	325,404	21,741,217	INTERPUBLIC GROUP COS INC	12,550	761,634
GENERAL RE CORP	9,400	2,382,900	INTERSTATE ENERGY CORP WISC	19,356	629,070
GENERAL SIGNAL CORP	200,000	7,200,000	INTIBRANDS INC	114,047	3,143,477
GENSYM CORP	75,000	332,850	ITI TECHNOLOGIES INC	32,000	906,016
GENUINE PARTS CO	22,500	777,668	ITRON INC	50,000	637,500
GEORGIA PAC CORP	228,660	8,179,748	ITT INDS INC	424,073	15,849,728
GILLETTE CO	375,736	21,369,985	JEFFERSON PILOT CORP	9,000	521,442
GOLDEN WEST FINL CORP DEL	4,300	457,146	JOHNS-MANVILLE CORP NEW	223,300	3,363,568
GOODRICH B F CO	13,400	664,975	JOHNSON & JOHNSON	478,488	35,408,112
GOODYEAR TIRE & RUBR CO	22,000	1,417,636	JOHNSON CTLS INC	6,200	354,566
GPU INC	8,200	310,067	JOSTENS INC	400,000	9,550,000
GRACE W R & CO DEL NEW	6,800	116,028	K MART CORP	59,709	1,149,398
GRAINGER W W INC	7,800	388,541	KAMAN CORP CL A	74,300	1,414,003
GRAY COMMUNICATIONS SYS INC	39,000	1,225,125	KAUFMAN & BROAD HOME CORP	8,900	285,257
GREAT LAKES CHEM CORP	9,900	390,436	KELLOGG CO	46,136	1,738,774
GREEN TREE FINL CORP	19,700	843,416	KERR MCGEE CORP	3,000	173,625
GTE CORP	111,900	6,224,438	KEYCORP NEW	60,800	2,166,000
GUIDANT CORP	20,600	1,469,048	KIMBERLY CLARK CORP	67,700	3,105,738
HALLIBURTON CO	151,980	6,753,687	KIRBY CORP	115,300	2,911,325
HARNISCHFEGER INDS INC	8,700	246,323	KLA-TENCOR CORP	12,300	340,562
HARRAHS ENTMT INC	7,600	176,700	KNIGHT RIDDER INC	14,800	814,932
HARRIS CORP DEL	14,800	661,382	KROGER CO	31,100	1,333,413
HARSCO CORP	120,756	5,532,195	LADD FURNITURE INC	33,400	1,002,000
HARTFORD FINL SVCS GROUP INC	154,814	17,706,851	LAIDLAW ENVIRONMENTAL SVCS	157,600	571,300
HASBRO INC	186,192	7,319,766	LAIDLAW INC	31,100	379,047
HAWK CORP	22,800	401,850	LAM RESH CORP	30,000	573,750
HBO & CO	178,900	6,306,225	LANDAMERICA FINL GROUP INC	26,500	1,517,125
HEALTH CARE REIT INC	38,500	981,750	LAYNE INC	134,000	1,658,250
HEALTHSOUTH CORP	45,600	1,216,973	LECROY CORP	75,000	1,715,625
HEINZ H J CO	184,600	10,360,675	LEHMAN BROS HLDGS INC	84,700	6,569,586
HERCULES INC	15,100	620,988	LIGHTBRIDGE INC	110,000	935,000
HERSHEY FOODS CORP	12,300	848,700	LILLY ELI & CO	134,600	8,917,250
HEWLETT PACKARD CO	126,200	7,556,225	LIMITED INC	226,462	7,501,554
HILTON HOTELS CORP	27,800	795,775	LINCOLN NATL CORP IND	80,647	7,369,120
HOME DEPOT INC	174,055	14,457,530	LIZ CLAIBORNE INC	6,000	313,500
HOMESTAKE MNG CO	26,100	270,788	LOCKHEED MARTIN CORP	63,493	6,722,321
HONEYWELL INC	13,400	1,119,744	LOEWS CORP	14,900	1,359,150
HOUSEHOLD INTL CORP	142,344	7,081,566	LONE STAR INDS INC	3,100	238,004
HOUSTON INDS INC	38,700	1,192,463	LOUISIANA PAC CORP	9,500	173,375
HS RES INC	76,900	1,119,895	LOWES COS INC	23,600	1,914,574
HUFFY CORP	38,500	697,813	LSI LOGIC CORP	14,700	339,026
HUMANA INC	23,900	745,393	LUCENT TECHNOLOGIES INC	287,270	23,897,417
HUNTINGTON BANCSHARES INC	19,200	643,200	M/I SCHOTTENSTEIN HOMES INC	16,300	352,488
IKON OFFICE SOLUTIONS INC	20,700	301,454	M D C HOLDINGS INC DEL	34,000	671,500
ILLINOIS TOOL WKS INC	32,600	2,174,029	MAC-GRAY CORP	86,100	1,097,775
ILLINOVA CORP	408,393	12,251,790	MACROVISION CORP	100,000	2,387,500
IMCLONE SYS INC	40,000	490,000	MAF BANCORP INC	44,100	1,604,138
INCO LTD	19,300	262,963	MALLINCKRODT INC NEW	333,559	9,902,700
INFORMATION MGMT ASSOC INC	40,000	395,000	MANUFACTURED HOME CMNTYS	176,004	4,246,097
INGERSOLL RAND CO	23,550	1,037,684	MARINER HEALTH GROUP INC	35,000	581,875
INNKEEPERS USA TR	56,700	715,838	MARRIOTT INTL INC NEW	425,544	13,776,987
INNOVATIVE VALUE TECH	47,000	346,625	MARSH & MCLENNAN COS INC	18,100	1,640,892
INTEGRATED HEALTH SERVICES INC	32,800	1,230,000	MASCO CORP	23,000	1,391,500

## EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
MATTEL INC	34,500	1,459,799	NORTHERN TR CORP	16,800	1,281,000
MAXWELL SHOE INC	34,900	693,638	NORTHROP GRUMMAN CORP	123,700	12,756,563
MAY DEPT STORES CO	144,991	9,496,911	NORWEST CORP	98,900	3,708,750
MAYTAG CORP	8,500	419,688	NOVACARE INC.	69,400	815,450
MBIA	9,100	681,363	NOVELL INC	50,300	641,325
MBNA CORP	501,680	16,587,046	NUCOR CORP	13,100	602,600
MCCLATCHY NEWSPAPERS INC	19,100	660,337	OCCIDENTAL PETE CORP	481,443	12,998,961
MCDERMOTT INTL INC	9,800	337,492	OFFSHORE LOGISTICS INC	60,000	1,065,000
MCDONALDS CORP	323,209	22,301,421	OHIO CAS CORP	44,000	1,947,000
MCGRAW HILL COMPANIES INC	182,871	14,903,987	OMNICOM GROUP	15,700	783,038
MCI COMMUNICATIONS CORP	83,200	4,836,000	ON ASSIGNMENT INC	55,000	1,921,590
MCWHORTER TECHNOLOGIES	83,500	2,207,573	ONTRACK DATA INTL INC	100,000	1,362,500
MEAD CORP	17,800	565,150	ORACLE CORP	120,350	2,956,157
MEDCO RESH INC	17,300	440,077	ORYX ENERGY CO	7,500	165,938
MEDIAONE GROUP INC	375,000	16,476,750	OUTBACK STEAKHOUSE INC	150,100	5,853,900
MEDTRONIC INC	59,200	3,774,000	OWENS ILL INC	16,900	756,275
MELLON BK CORP	34,800	2,425,142	OXFORD INDS INC	57,100	1,994,960
MERCANTILE BANCORPORATION	15,900	800,963	P G & E CORP	59,100	1,865,373
MERCANTILE STORES INC	4,642	366,430	P P & L RES INC	32,400	735,091
MERCK & CO INC	220,283	29,462,851	PACCAR INC	12,800	668,800
MERITOR AUTOMOTIVE INC	22,430	538,320	PACIFIC ENTERPRISES	9,500	397,328
MERRILL LYNCH & CO INC	40,100	3,699,225	PACIFICORP	277,443	6,277,148
MGIC INVT CORP	17,300	987,190	PALL CORP	20,900	428,450
MICHAEL FOODS INC NEW	44,800	1,316,000	PARAMETRIC TECHNOLOGY CORP	32,900	892,413
MICRON TECHNOLOGY INC	23,600	585,587	PARKER HANNIFIN CORP	17,100	651,938
MICROSOFT CORP	448,400	48,595,350	PARKWAY PPTYS INC	33,000	973,500
MILLENNIUM CHEMICALS INC	83,604	2,832,086	PAUL HARRIS STORES INC	29,900	396,175
MILLIPORE CORP	4,400	119,900	PECO ENERGY CO	269,746	7,873,346
MINNESOTA MNG & MFG CO	179,100	14,719,871	PENNEY J C INC	137,081	9,912,738
MIRAGE RESORTS INC	26,400	562,663	PENNZOIL CO	6,900	350,610
MOBIL CORP	234,922	18,000,898	PEOPLES ENERGY CORP	96,818	3,739,595
MOLECULAR DEVICES CORP	50,000	806,250	PEP BOYS MANNY MOE & JACK	11,100	210,212
MOLECULAR DYNAMICS INC	110,000	1,292,500	PEPSI-COLA PUERTO RICO BOTTLING	179,000	1,342,500
MONACO COACH CORP	55,500	1,623,375	PEPSICO INC	381,621	15,718,206
MONSANTO CO	72,800	4,067,700	PERCEPTRON INC	40,000	480,000
MORGAN J P & CO INC	20,800	2,434,910	PERKIN ELMER CORP	6,900	429,097
MORGAN STANLEY DEAN WITTER DI	71,500	6,533,313	PFIZER INC	290,488	31,572,560
MORRISON KNUDSEN CORP	113,400	1,594,744	PHARMACIA & UPJOHN INC	62,400	2,878,200
MORTON INTL INC IND NEW	18,500	462,500	PHELPS DODGE CORP	47,500	2,716,430
MOTOROLA INC	71,300	3,747,742	PHILIP MORRIS COS INC	996,600	39,241,125
NABISCO HLDGS CORP	89,000	3,209,607	PHILLIPS PETE CO	255,146	12,294,975
NATIONAL CITY CORP	41,500	2,946,500	PIONEER HI BRED INTL INC	24,900	1,030,238
NATIONAL DATA CORP	40,000	1,750,000	PIONEER NATURAL RESOURCES	25,000	575,620
NATIONAL SEMICONDUCTOR CORP	17,600	231,000	PITNEY BOWES INC	39,080	1,880,725
NATIONAL SVC INDS INC	1,800	91,575	PLACER DOME INC	36,800	432,400
NATIONSBANK CORP	276,407	21,197,100	PLATINUM SOFTWARE CORP	110,000	2,681,250
NAVISTAR INTL CORP	10,500	303,188	PLAYTEX PRODS INC	168,600	2,687,147
NETWORK EQUIP TECHNOLOGIES	90,000	1,411,920	PNC BANK CORP	42,200	2,273,525
NEW HOLLAND ADR	420,100	8,244,463	POLAROID CORP	3,500	124,471
NEW YORK TIMES CO CL A	101,574	8,049,740	POLYMEDICA INDS INC	12,200	109,800
NEWELL CO	23,200	1,155,662	PPG INDS INC	20,500	1,426,042
NEWMONT MNG CORP	22,200	524,475	PRAXAIR INC	20,500	959,667
NEXTEL COMMUNICATIONS INC	31,600	786,050	PRIME HOSPITALITY CORP	46,500	810,867
NIKE INC CL B	22,700	1,105,218	PRIMEDIA INC	197,700	2,681,405
NORDSTROM INC COM	12,000	927,000	PRIMEX TECHNOLOGIES INC	9,700	497,125
NORFOLK SOUTHN CORP COM	254,730	7,594,266	PROCTER & GAMBLE CO	398,338	36,273,853
NORSTAN INC COM	35,000	877,205	PROGRESSIVE CORP OHIO	8,900	1,254,900
NORTHERN STS PWR CO MINN	7,800	223,275	PROJECT SOFTWARE & DEV INC	40,000	802,520
NORTHERN TELECOM LTD	63,400	3,597,950	PROVIDIAN FINL CORP	9,300	730,636

## EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
ROLLINS TRUCK LEASING CORP	67,050	854,888	PROXIM INC	120,000	1,995,000
ROUSE CO	116,587	3,665,262	PUBLIC SVC ENTERPRISE GROUP INC	165,616	5,703,484
ROWAN COS INC	11,700	227,425	QUAKER OATS CO	16,800	922,958
ROYAL DUTCH PETE CO	259,096	14,201,829	RALCORP HLDGS INC NEW	75,700	1,428,838
RUBBERMAID INC	23,500	775,500	RALSTON - RALSTON PURINA GROUP	94,836	11,078,078
RUSSELL CORP	175,000	5,282,900	RARE HOSPITALITY INTL INC	33,000	484,704
RYDER SYS INC	102,939	3,249,064	RATIONAL SOFTWARE CORP	130,000	1,982,500
SAFECO CORP	187,004	8,485,307	RAWLING SPORTING GOODS INC	21,000	280,875
SARA LEE CORP	214,014	11,971,515	RAYCHEM CORP CALIF	13,800	407,969
SBC COMMUNICATIONS INC	446,872	17,874,880	RAYTHEON CO	335,200	19,818,700
SCANA CORP	148,000	4,412,324	RBEBOK INTL LTD	4,500	124,596
SCHERING PLOUGH CORP	298,916	27,388,179	RENT-WAY INC	22,700	692,350
SCHLUMBERGER LTD	368,700	25,187,003	REPUBLIC N Y CORP	13,200	830,782
SCHWAB CHARLES CORP NEW	35,850	1,169,606	REX STORES CORP	25,600	323,200
SCIENTIFIC ATLANTA INC	13,500	342,563	REYNOLDS METALS CO	167,945	9,383,927
SCOTSMAN INDS INC	82,800	2,297,700	RIGGS NATL WASH DC	45,900	1,341,152
SCOTTS CO	65,000	2,421,250	RIO HOTEL & CASINO INC	44,000	830,500
SDL INC	90,000	2,148,750	RITE AID CORP	155,686	5,848,033
SEAGATE TECHNOLOGY	29,700	709,088	ROBERTS PHARMACEUTICAL CORP	52,900	1,216,700
SEAGRAM LTD	41,500	1,698,927	ROCHESTER GAS & ELEC CORP	35,600	1,136,993
SEALED AIR CORP NEW	14,744	541,842	ROCKWELL INTL CORP	95,980	4,607,040
SEARS ROEBUCK & CO	145,777	8,901,581	ROHM & HAAS CO	5,900	612,863
SEMPRA ENERGY	13,800	392,180	TECHNE CORP	70,300	1,340,129
SEMTECH CORP	55,000	972,840	TECHNOLOGY SOLUTIONS CO	50,000	1,584,400
SEROLOGICALS CORP	70,000	2,257,500	TEKTRONIX INC	26,200	926,825
SERVICE CORP INTL	458,939	19,677,010	TELCO SYS INC	120,000	1,702,560
SERVICO INC FLA	35,700	535,500	TELE COMMUNICATIONS INC	399,034	15,338,069
SHARED MED SYS CORP	5,100	374,534	TELE COMMUNICATIONS INC NEW	655,801	25,453,604
SHERWIN WILLIAMS CO	20,000	662,500	TELEPHONE & DATA SYS INC	145,734	5,738,276
SHOPKO STORES INC	61,500	2,091,000	TELLABS INC	24,300	1,740,488
SIGMA ALDRICH CORP	15,800	554,975	TEMPLE INLAND INC	5,700	307,088
SILICON GRAPHICS INC	21,400	259,475	TENET HEALTHCARE CORP	40,600	1,268,750
SLM HLDG CORP	42,100	1,980,615	TENNECO INC NEW	271,891	10,348,987
SMARTFLEX SYS INC	60,000	416,280	TESORO PETE CORP	61,800	992,693
SMUCKER J M CO	14,900	369,714	TEXACO INC	66,600	3,975,221
SOFTWARE SPECTRUM INC	29,600	599,400	TEXAS INDS INC	43,600	2,310,800
SONAT INC	13,200	509,850	TEXAS INSTRS INC	47,400	2,764,036
SONOSIGHT INC	9,933	72,640	TEXAS UTILS CO	67,485	2,809,063
SOUTHERN CO	76,600	2,120,901	TEXTRON INC	23,260	1,667,463
SOUTHWEST AIRLS CO	524,099	15,493,939	THERMO ELECTRON CORP	21,800	745,298
SPRINT CORP	45,400	3,200,700	THOMAS & BETTS CORP	3,400	167,450
ST JUDE MED INC	7,446	274,110	TIG HLDGS INC	171,877	3,953,171
ST PAUL COS INC	164,472	6,918,186	TIME WARNER INC	238,298	20,359,705
STANLEY WKS	7,500	311,723	TIMES MIRROR CO NEW	5,600	352,100
STATE STREET CORP	166,532	11,573,974	TJX COS INC	33,200	800,950
STERLING SOFTWARE INC	58,500	1,729,436	TORCHMARK CORP	20,400	933,300
SUIZA FOODS CORP	9,900	590,911	TOYS R US INC	35,000	820,330
SUMMA FOUR INC	100,000	1,037,500	TRANSAMERICA CORP	53,102	6,113,368
SUMMIT BANCORP	26,800	1,273,000	TRAVELERS GROUP INC	139,683	8,468,282
SUN AMERICA INC	150,865	8,665,384	TRIBUNE CO NEW	149,547	10,290,778
SUN OIL CO	14,200	551,145	TRICON GLOBAL RESTAURANTS INC	358,632	11,364,331
SUN MICROSYSTEMS	46,000	1,998,148	TRIGON HEALTHCARE INC	34,300	1,241,248
SUNSTONE HOTEL INVS INC	70,100	933,241	TRW INC	12,100	660,963
SUNTRUST BKS INC	22,500	1,829,543	TUPPERWARE CORP	219,300	6,167,813
SUPERVALU INC	8,400	372,750	TYCO INTL LTD NEW	357,910	22,548,330
SYMANTEC CORP	46,800	1,222,650	U S AIRWAYS GROUP INC	10,400	824,200
SYNOVUS FINCL CORP	25,350	602,063	U S WEST INC NEW	161,190	7,545,787
SYSCO CORP	52,200	1,337,625	ULTRAMAR DIAMOND SHAMROCK	154,299	4,870,139
TANDY CORP	257,246	13,650,245	UNICOM CORP	35,100	1,230,711

EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
UNILEVER N V NEW YORK SHS	77,800	6,141,376	ABN-AMRO HLDGS N.V.	110,733	2,591,137
UNION CAMP CORP	184,384	9,150,056	AGRIUM INC	12,000	149,735
UNION CARBIDE CORP	20,300	1,083,513	AHOLD NV COM STK NLG0.50	42,470	1,363,332
UNION PAC CORP	27,200	1,196,800	AIR LIQUIDE	1,580	261,330
UNION PAC RES GROUP INC	32,900	577,823	AKZO NOBEL N.V.	1,000	222,299
UNISYS CORP	25,500	720,375	ALCAN ALUMINIUM LTD	9,100	250,612
UNITED HEALTHCARE CORP	23,400	1,490,299	ALCATEL ALSTHOM	15,714	3,199,460
UNITED STATES SURGICAL CORP	10,800	490,050	ALLIANZ AG	5,533	1,843,349
UNITED TECHNOLOGIES CORP	27,900	2,580,750	ALUSUISSE LONZA	1,749	2,218,536
UNITRODE CORP	80,000	920,000	AMADA CO	40,000	194,546
UNOCAL CORP	32,900	1,176,175	AMCOR LIMITED	34,600	151,487
UNUM CORP	13,000	721,500	ARGENTARIA CORP BANCARIA	200,000	4,494,085
URS CORP	24,100	409,700	ASSICURAZIONI GENERALI	23,828	774,846
US BANCORP DEL	97,206	4,179,858	ASTRA,AB	28,000	572,295
UST INC	24,300	656,100	AXA-UAP	24,298	2,732,822
USX-MARATHON GROUP INC	235,703	8,087,677	AXA-UAP WTS	3,318	1,131
USX-US STEEL GROUP	402,330	13,276,890	B.A.T. INDUSTRIES	1,477,900	14,796,262
V F CORP	18,500	957,375	BAER HOLDINGS	151	472,373
VALASSIS COMMUNICATIONS INC	166,136	6,406,703	BANCA COMMERCIALE ITAL-SPAN	11,000	65,785
VALMONT INDS INC	47,500	948,528	BANK OF MONTREAL	6,900	380,049
VANTIVE CORP	50,000	1,025,000	BANK OF TOKYO MITSUBISHI BANK	36,050	381,580
VARLEN CORP	52,700	1,818,150	BANQUE NATIONALE DE PARIS	8,180	668,363
VENATOR GROUP INC	20,500	392,063	BARCLAYS BANK	243,825	7,030,362
VIACOM INC CLASS B	37,700	2,196,025	BARRICK GOLD CORP	5,500	104,719
VIDEOSERVER INC	100,000	1,225,000	BASF AG	7,900	375,305
WACHOVIA CORP	22,000	1,859,000	BASS	22,767	426,620
WAL MART STORES INC	671,499	40,793,564	BAYER AG	19,600	1,014,205
WALGREEN CO	325,396	13,443,085	BAYER MOTOREN WERK	2,068	2,087,632
WALTER INDS INC	144,100	2,728,966	BAYER VEREINSBANK DEM5	27,290	2,313,224
WANG LABS INC	62,100	1,579,700	BAYERISCHE MOTOREN WERKE AG	96	95,734
WARNER LAMBERT CO	360,900	25,037,438	BCO SANTANDER SA ESP115	136,900	3,509,910
WASHINGTON MUT INC	49,144	2,134,717	BERJAYA SPORTS TOTO BERHAD	28,000	41,519
WASTE MGMT INC NEW	296,403	10,374,105	BHP LIMITED	109,940	929,329
WELLMAN INC	72,900	1,653,955	BILLITON	220,000	446,020
WELLS FARGO & CO	10,400	3,837,600	BOC GROUP ORD 25P	25,000	340,606
WENDYS INTL INC	21,700	509,950	BOOKER ORD 25P	106,500	439,826
WESTERN ATLAS INC	8,500	721,438	BORAL LTD	117,600	220,664
WESTERN DIGITAL CORP	80,000	945,040	BRAMBLES INDUSTRIES LTD	17,000	333,620
WESTINGHOUSE AIR BRAKE	99,200	2,604,000	BRIERLEY INV ORD	1,003,000	499,834
WESTVACO CORP	7,600	214,700	BRITISH PETROLEUM ORD	146,695	2,139,353
WEYERHAEUSER CO	237,069	10,949,743	BRITISH SKY BROADCASTING GRP	65,000	466,920
WHIRLPOOL CORP	193,163	13,279,956	BRITISH STEEL ORD 50P	421,000	925,526
WILLAMETTE INDS INC	9,400	300,800	BRITISH TELECOM ORD	166,000	2,049,725
WILLIAMS COS	50,600	1,707,750	BTR	1,692,600	4,801,302
WINN DIXIE STORES INC	13,900	708,900	C.S.F. (THOMSON CSF)	11,100	422,263
WISCONSIN CENTRAL TRANS	117,000	2,559,375	CABLE & WIRELESS	270,000	3,279,826
WORLD COLOR PRESS INC	38,400	1,344,000	CADBURY SCHWEPPE	195,300	3,022,539
WORLDCOM INC GA	125,200	6,064,438	CANADIAN NATIONAL RAILWAYS	6,300	335,006
WORTHINGTON FOODS INC	12,900	270,100	CANADIAN PACIFIC	20,700	582,742
WRIGLEY WM JR CO COM	150,742	14,772,716	CANON INC	220,000	4,993,342
XEROX CORP COM	38,700	3,932,888	CANON INC Y50	32,000	726,304
ZALE CORP	75,000	2,385,975	CANON SALES CO INC	13,000	176,662
ZYGO CORP COM	70,000	1,036,910	CARREFOUR FRF100	800	506,120
Total Domestic Equity		2,941,413,345	CARTER HOLT HARVEY	346,000	301,744
International Equity:	Shares Owned	Market Value	CHARTER	72,483	758,937
ABB AB	22,600	320,230	CHEUNG KONG HLDGS \$HK0.50	27,000	132,760
ABB AG	353	521,308	CITIC PACIFIC	1,481,000	2,618,319
ABBEY NATIONAL	42,000	746,371	CITIZEN WATCH CO Y50	37,000	305,257
			CITY DEVELOPMENTS LTD SGD0.50	322,000	899,580

## EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
CLP HLDGS	14,000	63,779	GRANADA GP ORD	250,400	4,604,385
COATS VTYELLA ORD 20P	398,000	491,440	GREAT UNIVERSAL STORES	6,000	79,092
COCA-COLA LIMITED	20,000	133,763	GREENALLS GROUP	71,000	617,237
COMMERZBANK AG	4,500	171,274	GROUPE BRUXELLES	2,340	472,276
COMPAGNIE BANCAIRE SA	1	189	GROUPE DANONE	45,000	12,407,376
COMPAGNIE DE ST-GOBAIN	4,094	759,076	HANG SENG BANK	9,800	55,396
COMPANIA TELEFONIC	7,100	328,819	HANSON	82,125	499,150
CONTINENTAL AG	13,700	430,355	HEINEKEN NV	13,125	515,528
CREATIVE TECHNOLOGY	4,000	48,535	HILLSDOWN HDG ORD 10P	194,700	526,304
CREDIT SUISSE GROUP	9,004	2,003,461	HITACHI ORD	1,179,000	7,688,126
CREDITO ITALIANO	95,500	499,942	HOCHTIEF AG	5,050	242,288
CSR LTD	63,000	181,806	HOECHST AG	64,225	3,229,041
CULTOR OY	1,600	27,923	HOLDERBANK FINANCIERE GLARUS	331	421,170
DAI NIPPON PRINTING CO	140,000	2,234,395	HONDA MOTOR CO	104,000	3,701,846
DAIICHI PHARMACEUTICAL CO	283,000	3,731,605	HONG KONG & CHINA GAS CO	71,500	81,202
DAIKIN INDUSTRIES	41,000	264,107	HONG KONG & CHINA GAS CO WTS	3,250	222
DAIMLER-BENZ AG	103,050	10,133,725	HONG KONG TELECOMMUNICATION	42,000	78,866
DAIWA HOUSE INDUSTRY CO	20,000	176,532	HOUSE OF FRASER	224,000	655,965
DANIEL & C	10,000	84,109	HOYA CORPORATION	10,000	283,172
DANIELI & C	28,000	129,961	HSBC HOLDINGS	434,772	9,846,801
DAVID JONES LIMITED	219,000	250,898	HUDSON BAY	8,400	192,493
DELHAIZE FRERES ET CIE (LE LION)	8,210	573,663	HUTCHISON WHAMPOA	1,571,000	8,292,326
DEN DANSKE BANK AF DKK100	43,600	5,230,477	IMASCO LIMITED	11,000	203,080
DENSO CORPORATION JPY50	32,000	530,317	IMPERIAL CHEMICAL INDUSTRIES	215,000	3,451,193
DEUTSCHE BANK AG	13,070	1,104,976	IMPERIAL OIL	22,500	393,207
DEUTSCHE TELEKOM	499,200	13,662,315	INAX Y50	29,000	99,672
DEV BANK OF SINGAPORE LAND ORI	65,000	53,862	INCHCAPE	112,000	356,950
DEVELOPMENT BANK OF SINGAPORE	892,900	2,821,879	ING GROEP NV	145,131	18,026,142
DEVELOPMENT BK(FR)	319,800	1,769,831	INSTITUTO MOBILIARE ITALIANO	24,900	392,245
DEXIA FRANCE	3,850	518,343	ISTITUTO BANC SAN PAOLO	24,000	346,337
DIAGEO	1,210,981	14,346,680	ISTITUTO NAZ DELLE ASSICURAZION	18,700	53,129
DRESDNER DM5.00	15,550	839,958	INVESTOR AB	8,400	490,313
EDISON	4,600	36,917	ITO YOKADO CO Y50	15,000	705,769
ELEC & ELTEK INTERNATIONAL CO	9,900	33,462	JARDINE MATHESON HOLDINGS	1,198,200	3,235,140
ELEC DE PORTUGAL PTE1000	27,000	627,642	JOHNSON ELECTRIC HOLDING	23,000	85,190
ELECTRABEL	4,500	1,275,867	KANEKA CORP	40,000	210,398
ELECTROLUX AB	12,200	209,583	KAO CORP	130,000	2,004,542
ELSEVIER NV	139,600	2,106,833	KBC BANKVERZEKERINGSHOLDING	150	12
ENERGIE VERSORGUNG NIEDER	40,400	6,045,687	KEIO TEITO ELECTRIC RAILWAY Y50	46,000	167,381
ENI SPA	321,900	2,109,826	KEPPEL CORP LTD ORD SGD1.0	43,500	65,398
ENI-ADR	6,600	429,000	KEPPEL LAND LIMITED	40,000	36,697
ERICSSON(L.M.)	36,200	1,057,643	KEYENCE Y50	11,000	1,196,817
ERIDANIA BEGHIN SAY	1,500	331,211	KINGFISHER ORD 25P	87,150	1,403,300
EXTENDICARE INC 'A'	15,300	123,807	KINKI NIPPON RAILWAY	46,000	215,441
FANUC CO Y50	16,500	570,668	KIRIN BREWERY COMPANY	43,000	405,880
FIAT SPA PRIV	165,800	412,760	KLM NLG5	4,637	188,288
FKI PLC ORD 10P	237,371	691,169	KOKUYO COMPANY	13,000	220,125
FLETCHER CHALLENGE BLDG	114,500	142,650	KOMATSU LTD. JPY50	1,000,000	4,856,440
FLETCHER CHALLENGE ENERGY	126,500	302,066	KON PTT NEDERLAND NLG10	58,575	2,225,285
FLETCHER CHALLENGE PAPER	228,000	253,281	KONINKLIJKE HOOGOVENS NV	3,288	142,240
FLETCHER CHALLENGE FORESTS	246,765	138,344	KONINKLIJKE KPN NV	192,400	7,309,345
FORTIS AG	6,225	1,589,291	KONINKLIJKE PTT NEDERLAND	15,514	589,382
FORTIS AG STRIP	175	9	KREDIETBANK BELGIUM	12,400	1,109,702
FRANCE TELECOM	15,800	1,089,745	KUALA LUMPUR KEPONG	47,000	75,925
FRASER & NEAVE LTD	213,000	572,371	KURARAY COMPANY	48,000	407,768
FUJI PHOTO FILM CO Y50	3,000	104,406	KYOCERA CORP	150,200	3,234,043
FUJITSU Y50	24,000	252,477	LADBROKE GROUP ORD	357,000	1,959,837
GENERAL ELECTRIC ORD 5P	131,800	1,135,904	LAFARGE	3,466	358,295
GLAXO WELLCOME PLC	253,075	7,596,895	LAGARDERE SCA	11,700	487,081

EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
LEGAL & GENERAL GROUP	17,750	189,406	PETRONAS GAS BERHAD	29,000	53,840
LEND LEASE CORP	15,113	305,573	PEUGEOT FRF35	45,550	9,794,078
LION NATHAN LTD NZD0.25	98,100	217,955	PHILIPS ELECTRONIC NLG10	9,100	764,969
LLOYDS TSB GROUP	487,724	6,823,904	PINAULT-PRINTEMPS	490	410,089
M.A.N. AG ORD DEM50	970	378,327	POLYGRAM NV	5,400	275,548
MAGNA INT CLASS 'A' COM NPV	2,900	198,579	POTASH CORP OF SASKATCHEWAN	2,800	210,962
MALAYAN BANKING BERHAD ORD	17,000	17,133	PREUSSAG AG DEM50	1,475	527,895
MALAYSIAN BANKING BERHAD	17,000	16,395	PRUDENTIAL CP ORD	338,000	4,452,712
MALAYSIAN INTERN SHIPPING	19,000	27,715	PUBLIC BANK (FOREIGN REG)	28,000	8,439
MANNESMANN AG	94,770	9,739,520	QANTAS AIRWAYS	105,627	158,951
MARKS & SPENCER ORD 25P	180,000	1,638,412	RECKITT & COLMAN	22,568	430,799
MARUI CO	21,000	313,219	REED INTERNATIONAL	82,000	741,599
MATSUSHITA ELECTRIC IND	327,000	5,254,250	RESORTS WORLD BEHARD	40,000	43,978
MAYNE NICKLESS LIMITED	56,000	296,507	REUTERS GROUP	15,866	181,348
MERITA BANK LIMITED	65,500	432,170	RHONE POULENC SA	13,544	763,894
METRO AG	10,860	655,812	RINASCENTE (LA)	33,750	336,083
METSA-SERLA OY	12,300	118,819	RIO TINTO LTD	25,813	306,917
MICHELIN CLASS 'B'	38,724	2,235,308	RIO TINTO PLC	278,400	3,135,633
MIRROR GROUP NEWSPAPER PLC	212,500	801,352	RJB MINING	117,000	236,226
MITSUBISHI HEAVY INDUSTRIES	1,711,000	6,460,102	ROCHE HOLDINGS AG	475	4,664,508
MONTEDISON S.P.A.	325,760	404,116	ROHM CO.	18,000	1,848,185
MOORE CORPORATION	10,400	137,903	ROTHMANS INDUSTRIES.	14,000	62,149
MUNCHENER RUCKVERSICHERUNGS	2,717	1,348,716	ROTHMANS PALL MALL ORD	15,000	103,978
MURATA MFG	51,000	1,653,639	ROYAL & SUN ALLIANCE INS	55,906	577,904
N.G.K. INSULATORS	65,000	564,363	ROYAL BANK OF CANADA COM NPV	8,100	487,454
NATIONAL AUSTRALIA BANK LTD	367,281	4,844,615	ROYAL DUTCH PETROL	80,360	4,381,244
NATIONAL WESTMINSTER BANK	82,610	1,476,311	RWE AG	9,600	568,022
NESTLE MALAYSIA	13,000	58,927	SAFWAY PLC ORD 25P	275,600	1,804,989
NESTLE SA	5,794	20,531,464	SAIRGROUP-REG	1,035	340,496
NEWBRIDGE NETWORKS COM NPV	2,800	66,925	SAMPO INSURANCE CO	5,100	241,684
NEWS CORP ORD	775,889	6,332,807	SANKYO CO	29,000	660,303
NEWS CORPORATION LIMITED PFD	41,125	291,349	SANTOS LIMITED	49,800	154,199
NINTENDO CO	4,100	379,617	SAURER AG ARBON	351	358,683
NIPPON MEAT PACKERS	26,000	318,291	SCHERING AG	4,900	576,870
NIPPON OIL COMPANY	679,000	2,191,825	SCHW RUCKVERISCH CHF20 (REGD)	2,967	7,503,568
NIPPON STEEL CORP	41,000	72,083	SCOTTISH HYDRO ELECTRIC	57,900	514,463
NOKIA OYJ	34,400	2,529,919	SCOTTISH POWER	109,450	958,806
NORANDA INC	9,300	160,628	SEAGRAM CO LTD	3,900	158,986
NORDBANKEN HLDG AB	78,500	575,838	SEARS ORD 25P	269,000	239,016
NORSK HYDRO AS NOK20	7,400	325,471	SECOM CO	9,000	519,437
NORSKE SKOGSINDUSTRIER	2,800	86,479	SEDGWICK GROUP ORD 10P	175,000	373,769
NOVA CORP	25,400	291,031	SEGA ENTERPRISES	6,000	103,542
NOVARTIS AG	5,488	9,132,194	SEINO TRANSPORTATION CO	27,000	149,800
NUMICO (KON) NV CVA WTS	36,850	9,601	SEITA	13,200	598,214
NUMICO (KON) NV CVA	25,200	789,126	SEKISUI HOUSE	37,000	286,595
NV UNION MINIERE SA	3,985	246,318	SHAW COMMUNICATIONS	14,400	280,049
OKUMURA CORP Y50	41,000	143,870	SHELL TRANS TRADIN	483,170	3,402,265
OMRON CORP JPY50	14,000	213,856	SHIN-ETSU CHEMICAL CO	4,000	69,172
ONO PHARMACEUTICAL CO	110,000	2,631,412	SHISEIDO CO	126,000	1,430,820
ORICA LIMITED	24,200	143,120	SIEBE ORD	176,850	3,532,279
OSAKA GAS CO.	76,000	194,949	SIEMENS AG	15,800	964,194
OUTOKUMPU OY	10,300	131,414	SIME DARBY BERHAD	525,000	362,025
OVERSEAS CHINESE BANK	43,000	146,345	SINGAPORE AIRLINES	50,000	233,797
PACIFIC DUNLOP LIMITED	105,000	169,711	SINGAPORE PRESS HLDGS LTD	203,468	1,360,869
PARIBAS	57,947	6,201,076	SINGAPORE TECHNOLOGIES ENGINE	48,000	33,809
PARMALAT FINANZIARIA	87,000	177,430	SINGAPORE TELECOM	346,000	491,506
PECHINEY SA	6,622	266,698	SKANDIA FORSAKRINGSAB	20,200	288,756
PENNINSULAR & ORIENT STEAM	79,855	1,149,923	SKANSKA, AB	7,200	323,214
PETROFINA SA	2,285	938,011	SMITHKLINE BEECHAM	140,000	1,708,827

## EQUITY INVESTMENTS (Cont'd)

	Shares Owned	Market Value		Shares Owned	Market Value
SMURFIT (JEFFERSON)GROUP	269,871	801,821	VIVENDI	2,847	5,604
SOCIETE GENERALE FRF30	25,273	5,254,409	VIVENDI	5,447	1,163,096
SOCIETE ITALIANA PERILGAS ITL100	6,000	24,439	VIVENDI FF100	10,951	2,338,363
SOCIETE NATIONALE ELF AQUITAINI	47,273	6,646,055	VODAFONE GROUP	58,809	746,275
SOLVAY ET CIE NPV	6,700	531,174	VODAFONE GRP ORD	387,150	4,912,858
SONY CORP	70,400	6,061,759	VOLKSWAGEN AG DM50	1,030	994,620
SOUTH CHINA MORNING POST HOLD	39,000	18,749	VOLVO(AB)	16,500	491,385
SUEZ LYONNAISE DES EAUX	5,220	859,064	WESTCOAST ENERGY COM NPV	6,200	138,073
SULZER GEBRUEDER AG	369	291,201	WESTPAC BANKING CORP	124,173	757,434
SUMITOMO BANK	3,000	29,182	WILLIAMS PLC	64,000	411,146
SUMITOMO CHEMICAL CO	47,000	144,944	WILLIS CAROON PLC 12.5P	35,000	89,062
SUMITOMO ELECTRIC	33,000	333,603	WMC LIMITED	89,100	268,161
SUN HUNG KAI PROPERTIES	12,000	50,951	WOOLWORTHS LIMITED	44,000	143,052
SVENSKA HANDELSBANKEN	8,100	375,804	YAMATO TRANSPORT	5,000	56,022
SWEDISH MATCH CO	95,300	316,675	YAMAZAKI BAKING CO	15,000	132,940
SWIRE PACIFIC 'A'	1,093,000	4,125,940	YTL CORPORATION	28,500	21,439
TAKEDA CHEMICAL INDUSTRIES	183,000	4,865,590	YTL POWER INTERNATIONAL BHD	26,100	14,222
TANJONG PLC	18,000	24,955	ZENECA GROUP	105,000	4,506,257
TATE & LYLE ORD	438,250	3,475,360	Total International Equities		577,133,076
TDK CORP COMMON STOCK	7,000	516,987			
TELE DANMARK SER'B'DKK10	9,260	888,701	TOTAL EQUITY INVESTMENTS		3,518,546,421
TELECOM CORP OF NEW ZEALAND	419,000	1,726,983			
TELECOM ITALIA MOBILE	165,000	850,139	TOTAL LONG TERM INVESTMENTS		5,050,362,061
TELECOM ITALIA SPA	1,015,883	7,456,030			
TELECOM ITALIA SPA ITL1000	418,850	3,083,415	TOTAL PORTFOLIO		5,208,309,540
TELECOM NEW ZEALAND ADR 20ORI	6,600	216,150			
TELEDANMARK	99,250	9,525,226			
TELEKOM MALAYSIA BERHAD	41,500	70,042			
TELSTRA CORP LTD	476,900	1,222,669			
TELSTRA CORP	225,400	577,877			
TENAGA NASIONAL BERHAD	44,000	53,044			
TESCO PLC ORD 5P	81,500	795,553			
THAMES WATER ORD #1	55,600	1,012,174			
THYSSEN AG DEM50	1,900	483,158			
TI GROUP ORD 25P	272,450	2,068,492			
TOKIO MARINE & FIRE INS	636,000	6,534,838			
TOKYO ELECTRIC POWER	10,400	203,826			
TONEN CORPORATION	29,000	150,240			
TORAY INDUSTRIES INC	102,000	529,165			
TOSHIBA CORP	94,000	384,033			
TOTAL	4,824	627,136			
TOTAL 'B'	30,690	3,989,801			
TOYO SUISAN KAISHA	22,000	134,107			
TOYOTA MOTOR CO	28,000	724,287			
TRACTEBEL CAP	5,275	772,608			
TRANSCANADA PIPELINE COM NPV	12,400	274,881			
UBS AG(UNITED BK) CHF20(REGD)	10,275	3,820,609			
UNILEVER NV CVA NLG1	12,880	1,021,941			
UNILEVER ORD 1.25P	113,800	1,211,487			
UNION ELECTRICA FENOSA	447,800	5,777,022			
UNITED MOTOR WORKS BERHAD	24,000	10,763			
UNITED NEWS & MEDIA PLC ORD 25P	38,000	531,353			
UNITED OVERSEAS BANK	95,000	295,206			
UPM-KYMMENE OY	16,200	445,858			
USINOR	11,400	176,110			
VALMET	7,900	136,214			
VEBA AG	57,860	3,889,923			
VENTURE MANUFACTURING(SING)	21,000	39,775			
VIAG AG	2,065	1,420,903			

## **Actuarial Section**





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October 28, 1998

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, 1998**

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, 1998.

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 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 for the fiscal year ending June 30, 1999 is 11.5%. The state contributes 78% of its Gross Production Tax receipts, and the local employer contributes an amount which is intended to bring the total contribution to 11.5%. For the 1999 fiscal year, the local employers are contributing 4.8% of covered payroll.

Beginning with the fiscal year ending June 30, 2000, the approach to state and local employer contributions is being changed. The state will contribute a percentage of its general revenues available for appropriation, as certified by the State Board of Equalization, rather than a



percentage of its Gross Production tax receipts. For the 2000 fiscal year, the percentage will be 3.25%, and thereafter it will be 3.50%. The local employer contribution rate will no longer be tied to the state's contribution. Local employers will contribute a percentage of covered compensation according to the following schedule:

<u>Year</u>	<u>Employer Rate</u>
1999/2000	4.80%
2000/2001	5.80%
2001/2002	6.80%
Thereafter	7.05%

By the 2003 fiscal year, we estimate that the state's contribution will be equivalent to a contribution of 5.2% of covered payroll, assuming that growth in the state's general revenues keeps pace with growth in the System's payroll. Therefore the total combined state and local contribution will be equivalent to a contribution of about 12.25% of payroll.

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***

The UAAL at June 30, 1997 was \$4,712 million, and it rose to \$4,806 million this year. However, this \$94 million increase was less than the expected \$175 million increase. Investment performance was the main reason for the smaller than expected increase. Actuarial investment gains decreased the UAAL by almost \$275 million. The funded ratio -- actuarial value of assets divided by actuarial accrued liability -- improved from 42.9 to 45.9%.

If not for the ad hoc increase granted to retirees, discussed below, the UAAL would have decreased to \$4,627 million, and the funded ratio would have improved to 46.9%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 20.4 years, measured from June 30, 1997. If the contribution schedule for state and employers had not been changed, the funding period would have decreased this year to 18.8 years. However, because the new schedule phases into an ultimate contribution of about 12.25%, rather than the 18.00% maximum under prior law, the amount that will be contributed will be less than under prior law, and so the funding period has been increased to 35.7 years.

Under this new schedule, the UAAL is expected to increase slowly, reaching about \$6.6 billion in 2016, before beginning to decline. It is expected to be completely amortized by 2034.



The actuarial valuation reflects the benefit provisions as set forth in current statutes, including those adopted in the 1998 legislative session. Other than the change to the funding mechanism described above, the only change materially affecting the actuarial condition of the System was an ad hoc cost-of-living adjustment for retirees. This adjustment increased the average retirement benefit by about 5.4%, and it increased the UAAL by about \$179 million. Because of this, the funding period was extended almost one additional 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 recommendations of the plan's actuaries. (However, because of the change in the statutes related to state and local contributions, we had to adopt an assumption about future growth in general revenues. We assumed that these would grow at 4.00% per year. This is the assumed inflation rate and the assumed rate at which the System's payroll will grow.) 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, 1998, 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,

J. Christian Conradi, ASA, MAAA, EA  
Actuary

W. Michael Carter, FSA, MAAA, EA  
Actuary

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## Executive Summary

Item	1998	1997
<b>Membership</b>		
• Number of		
- Active members	80,578	79,510
- Retirees and beneficiaries	32,032	30,902
- Inactive, vested	2,959	2,772
- Inactive, nonvested	7,063	7,017
- Total	122,632	120,201
• Payroll	\$ 2,538 million	\$ 2,429 million
<b>Statutory contribution rates</b>		
• State & employer (combined)	11.50%	10.50%
• Member	7.00%	7.00%
<b>Assets</b>		
• Market value	\$ 4,884 million	\$4,041 million
• Actuarial value	4,085 million	3,545 million
• Return on market value	21.4%	20.9%
• Return on actuarial value	15.8%	13.5%
• State/local employer contribution	\$ 254 million	\$ 268 million
• External cash flow %	(0.4%)	0.1%
<b>Actuarial Information</b>		
• Normal cost %	9.62%	9.62%
• Unfunded actuarial accrued liability (UAAL)	\$ 4,806 million	\$4,712 million
• Funded ratio	45.9%	42.9%
• Funding period	35.7 years	20.4 years
<b>GASB 25 ARC (40-year funding cost)</b>		
• Dollar amount	456,864,002	446,219,296
• Percent of pay	17.63%	18.03%
<b>Gains/(losses)</b>		
• Asset experience	\$ 275 million	\$ 171 million
• Liability experience	(28) million	21 million
• Benefit changes	(179) million	(14) million
• Assumption/method changes	N/A	N/A
• Total	\$ 68 million	\$ 178 million

## 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 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 that 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 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.
4. General revenue growth rate: In determining the funding period, general revenue is anticipated to grow at 4% per year.

**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:

Expected Terminations per 100 Lives (Male Members)					
Years of Service					
Age	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

Expected Terminations per 100 Lives (Female Members)					
Years of Service					
Age	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.

## FUNDED STATUS

Because the employer contribution rates are set by statute, this report determines the funding period required to amortize the Unfunded Actuarial Accrued Liability (UAAL).

This was another good year for the System, with higher than expected investment returns holding growth in the UAAL below the expected increase and increasing the funded ratio. The funding period calculated in this valuation is 35.7 years, an increase from 20.4 years last year, but this increase was solely due to the change in the future state and local employer contribution schedules. Without this change, the funding period would have decreased to 18.8 years. The UAAL increased from \$4,712.3 million to \$4,806.2 million, \$81.0 million less than expected. A discussion of the reasons for these changes appears in the next section.

Despite the good results over the last year, the System remains very poorly funded. It remains among the five or six most poorly funded of all statewide plans in the nation. The funded ratio improved, but is still only 45.9%. The actuarial value of assets covers just 97.4% of the retiree liabilities, and none of the liabilities for other members. The funded ratio was 42.9% last year, while the retiree funded ratio was 93.3%, so both ratios improved.

The increase in the funding period, from 20.4 years to 35.7 years, looks like very bad news, but readers should recall that we have cautioned in the past that the short funding period under the old contribution schedule was misleading. It was based on future increases in local contribution rates that might not have been achievable, with local rates increasing at the same time the state's contribution based on gas tax revenues were steady or declining.

The current employer/state contribution rate of 11.5% for 1998-99 is not large enough to pay the normal cost and pay the interest on the UAAL. Therefore, negative amortization results. I.e., for several years the UAAL will be expected to increase. See the schedule of projected UAAL's in Table 13. As may be seen, the UAAL is expected to continue increasing until around 2016, at which point positive amortization will begin to occur. It will take until about 2027 before the UAAL is again as low as it is now.

This report also determines the 40-year funding requirement under Section 17-106. This is the contribution required to fund the normal cost and to amortize the UAAL in level installments (not as

a level percent of pay) over 40 years. This amount is reported as the Annual Required Contribution (ARC) under GASB 25, and is shown in Table 1.

## ANALYSIS OF CHANGES

### *UAAL*

Table 12a shows an analysis of the change in the UAAL. The UAAL, which was \$4,712.3 million last year, has increased to \$4,806.2 million this year. However, an increase of \$174.9 million was expected, since the current statutory employer/state contribution rate is not large enough to pay for the normal cost and for interest on the UAAL. Therefore, negative amortization is expected to occur.

The major reason for the smaller-than-expected increase in the UAAL was the better than expected return on actuarial assets. The return on the actuarial value of assets was 15.8%, compared with the assumed rate of 8.0%. This caused a \$274.6 million decrease in the UAAL.

The ad hoc benefit increase granted to retirees increased the UAAL by \$178.9 million. Other minor factors affecting the UAAL were (i) a small \$27.7 million increase due to a loss from liability sources, and (ii) a \$13.0 million gain due to differences between actual and expected contributions.

### *Funding Period*

The funding period (the period required to amortize the UAAL) decreased more than expected, before taking into account the change in contribution schedules. An analysis is shown on Table 12b.

The funding period would have been 18.8 years, based on the old schedule. The adoption of the new schedule increases this to 35.7 years.

## ACTUARIAL ASSUMPTIONS AND METHODS

Table 18 summarizes the actuarial assumptions used to determine the plan's liabilities, and the actuarial methods used to determine the normal cost, UAAL and funding period.

The most significant assumptions are the investment return rate (8%), the salary increase rate (averages about 5.2%), and the payroll growth rate (4%). There were no changes in actuarial assumptions or methods since last year. Actuarial assumptions were last changed in 1995, when the Board adopted changes recommended by the actuary, based on a review of System experience for the preceding five years.

For this valuation, we adopted an assumption about future growth in the state's general revenues, in order to compute the funding period. We assumed that general revenues would increase 4.00% per year. This is the same rate used for inflation and for payroll growth for the System.

When the System's experience does not match the actuarial assumptions, gains or losses arise. These gains and losses result in changes to the UAAL for the System, and in turn change the funding period.

The method used to determine the normal cost, UAAL, and funding period is the Entry Age actuarial cost method. We continue to believe the Entry Age method is appropriate for the System.

## Development of Employer Cost

	June 30, 1998 (1)	June 30, 1997 (2)
1. Payroll		
a. Supplied by system	\$ 2,537,671,710	\$ 2,428,691,830
b. Adjusted for one year's pay increase	2,668,794,000	2,554,308,000
c. Adjusted for one year's pay increase with pay caps	2,590,808,000	2,474,651,000
2. Present value of future pay (paid monthly, with pay caps)	\$ 20,226,886,000	\$ 19,537,571,000
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	9.62%	9.62%
b. Less: member rate	(7.00%)	(7.00%)
c. Employer normal cost rate	2.62%	2.62%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	\$ 6,515,518,000	\$ 6,224,469,000
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(529,944,413)	(511,884,360)
c. Less: present value of future member contributions	(1,415,882,000)	(1,367,630,000)
d. Actuarial accrued liability	\$ 4,569,691,587	\$ 4,344,954,640
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 4,195,868,500	\$ 3,797,842,600
b. Inactive members	125,693,692	114,431,420
c. Active members (Item 4d)	4,569,691,587	4,344,954,640
d. Total	\$ 8,891,253,779	\$ 8,257,228,660
6. Actuarial value of assets	\$ 4,085,045,092	\$ 3,544,941,046
7. Unfunded actuarial accrued liability (UAAL) (item 5d - Item 6)	\$ 4,806,208,687	\$ 4,712,287,614
8. Funding period based (4% payroll growth)	35.7 years	20.4 years
9. 40-year amortization cost		
a. Employer normal cost (Item 1c * 3c)	\$ 67,879,170	\$ 64,835,856
b. Level 40-year amortization of UAAL (payable monthly)	388,984,832	381,383,440
c. Total	\$ 456,864,002	\$ 446,219,296
d. Contribution as percentage of payroll (9c/1c)	17.63%	18.03%

## Actuarial Present Value of Future Benefits

	June 30, 1998	June 30, 1997
	(1)	(2)
1. Active members		
a. Service retirement benefits	\$ 5,450,601,000	\$ 5,199,052,000
b. Deferred termination benefits	279,502,000	272,221,000
c. Refunds	381,245,000	357,195,000
d. Death benefits	39,796,000	40,017,000
e. Disability retirement benefits	99,739,000	96,102,000
f. Supplemental medical insurance	240,142,000	235,891,000
g. \$5,000 post-retirement death benefit	24,493,000	23,991,000
h. Total	\$ 6,515,518,000	\$ 6,224,469,000
2. Retired members		
a. Service retirements	\$ 3,750,975,000	\$ 3,384,196,800
b. Disability retirements	74,096,900	64,391,000
c. Beneficiaries	94,336,200	83,488,600
d. Supplemental medical insurance	221,981,400	213,048,600
e. \$5,000 post-retirement death benefit	54,479,000	52,717,600
f. Total	\$ 4,195,868,500	\$ 3,797,842,600
3. Inactive members		
a. Vested terminations	\$ 85,801,128	\$ 78,513,290
b. Nonvested terminations	26,544,565	24,549,512
c. Suspense fund	13,347,999	11,368,618
d. Total	\$ 125,693,692	\$ 114,431,420
4. Total actuarial present value of future benefits	\$ 10,837,080,192	\$ 10,136,743,020

## Analysis of Normal Cost

	June 30, 1998	June 30, 1997
	(1)	(2)
1. Gross normal cost rate (payable monthly)		
a. Retirement benefits	6.38%	6.38%
b. Deferred termination benefits	0.58%	0.58%
c. Refunds	2.16%	2.16%
d. Supplemental medical insurance	0.26%	0.26%
e. \$5,000 Post-retirement death benefits	0.04%	0.04%
f. Disability retirement benefits	<u>0.20%</u>	<u>0.20%</u>
g. Total	9.62%	9.62%
2. Less: member rate	<u>7.00%</u>	<u>7.00%</u>
3. Employer normal cost rate	2.62%	2.62%
4. Effectiveness of member contributions		
a. Member rate	7.00%	7.00%
b. Less: cost of refunds	<u>(2.16%)</u>	<u>(2.16%)</u>
c. Net member rate available for benefits	4.84%	4.84%
d. Effectiveness rate (4c/4a)	69.14%	69.14%

**Schedule of Funding Progress  
(As required by GASB #25)**

Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4)/(6) (7)
June 30, 1993	\$2,569.2	\$6,456.9	\$3,887.7	39.8%	\$2,122.0	183.2%
June 30, 1994	\$2,697.2	\$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%
June 30, 1998	\$4,085.0	\$8,891.3	\$4,806.2	45.9%	\$2,537.7	189.4%

Note: Dollar amounts in millions

**Schedule of Employer Contributions**  
**(As required by GASB #25)**

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
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%
1998	\$446,219,296	59.1%

**Notes to Required Supplementary Information  
(as required by GASB #25)**

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, 1998
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization period	40 years
Asset valuation method	5-year smoothed market
<b>Actuarial assumptions:</b>	
Investment rate of return *	8.00%
Projected salary increase *	4.50% to 7.75%
* Includes inflation at:	4.00%
Cost of living adjustment	None

## Membership Data

	June 30, 1998	June 30, 1997
	(1)	(2)
1. Active members		
a. Number	80,578	79,510
d. Total payroll supplied by System	\$ 2,537,671,710	\$ 2,428,691,830
e. Average salary	31,493	30,546
f. Average age	44.3	44.2
g. Average service	11.2	11.2
2. Vested inactive members		
a. Number	2,959	2,772
b. Total annual deferred benefits	\$ 15,828,295	\$ 14,885,905
c. Average annual deferred benefit	5,349	5,370
3. Nonvested inactive members		
a. Number	7,063	7,017
b. Member contributions with interest due	\$ 26,544,565	\$ 24,549,512
c. Average refund due	3,758	3,499
4. Service retirees		
a. Number	29,275	28,174
b. Total annual benefits <sup>1</sup>	\$ 419,946,521	\$ 380,151,500
c. Average annual benefit	14,345	13,493
5. Special service retirees		
a. Number	718	834
b. Total annual benefits <sup>1</sup>	\$ 1,478,135	\$ 1,629,100
c. Average annual benefit	2,059	1,953
6. Disabled retirees		
a. Number	979	897
b. Total annual benefits <sup>1</sup>	\$ 9,562,149	\$ 8,334,100
c. Average annual benefit	9,767	9,291
7. Beneficiaries and spouses		
a. Number	1,060	997
b. Total annual benefits <sup>1</sup>	\$ 11,655,458	\$ 10,285,200
c. Average annual benefit	10,996	10,316

<sup>1</sup> Benefit amounts exclude the supplemental medical insurance payment.  
1998 benefit amounts include COLA effective July 1, 1998

## History of Cash Flow

Year Ending June 30,	Expenditures				External Cash Flow for the Year <sup>1</sup>	Market Value of Assets	External Cash Flow as Percent of Market Value
	Contributions (2)	Benefit Payments (3)	Refunds (4)	Administrative Expenses (5)			
1990	257.7	(274.6)	(11.1)	(1.8)	(287.5)	1,959	(1.5%)
1991	283.6	(304.8)	(12.6)	(2.0)	(319.4)	2,112	(1.7%)
1992	282.8	(317.5)	(12.9)	(2.1)	(332.5)	2,349	(2.1%)
1993	339.5	(332.1)	(12.8)	(2.2)	(347.1)	2,659	(0.3%)
1994	340.6	(351.1)	(13.3)	(2.5)	(366.9)	2,684	(1.0%)
1995	307.1	(377.5)	(14.2)	(2.2)	(393.9)	2,991	(2.9%)
1996	321.0	(396.1)	(18.1)	(2.2)	(416.4)	3,325	(2.9%)
1997	443.2	(418.0)	(20.1)	(2.4)	(440.5)	4,041	0.1%
1998	444.8	(439.2)	(23.0)	(3.3)	(465.5)	4,884	(0.4%)

Dollar amounts in millions

<sup>1</sup> Column (7) = Column (2) + Column (6)

## Investment Experience Gain or Loss

Item (1)	Year Ending June 30, 1998 (2)
1. Actuarial assets, beginning of year	\$ 3,544,941,046
2. Contributions during year	\$ 444,792,236
3. Benefits and refunds paid	\$ (462,224,693)
4. Assumed net investment income at 8%	
a. Beginning of year assets	\$ 283,595,284
b. Contributions	17,791,689
c. Benefits and refunds paid	(18,488,988)
d. Total	\$ 282,897,985
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 3,810,406,574
6. Actual actuarial assets, end of year	\$ 4,085,045,092
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ 274,638,518

## Total Experience Gain or Loss

Item (1)	Year Ending June 30, 1998 (2)
<b>A. Calculation of total actuarial gain or loss</b>	
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 4,712,287,614
2. Normal cost for the year (employer and employee)	\$ 238,061,426
3. Less: total contributions for the year	\$ (444,792,236)
4. Interest at 8 %	
a. On UAAL	\$ 376,983,009
b. On normal cost	9,522,457
c. On contributions	(17,791,689)
d. Total	\$ 368,713,777
5. Expected UAAL (Sum of Items 1 - 4)	\$ 4,874,270,581
6. Actual UAAL	\$ 4,806,208,687
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ 68,061,894
<b>B. Source of gains and losses</b>	
8. Asset gain (loss) for the year	\$ 274,638,518
9. Liability gain (loss) for the year	(27,704,024)
10. Legislation (ad hoc COLA effective as of July 1, 1998)	(178,872,600)
11. Total	\$ 68,061,894

## Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	UAAL (in \$ Millions)
1. From prior valuation	\$ 4,712.3
2. Impact of changes, gains and losses	
a. Expected increase based on statutory contributions and passage of time	174.9
b. Liability (gain)/loss	27.7
c. Asset (gain)/loss	(274.6)
d. Impact of actual contributions greater than expected under schedule	(13.0)
e. Legislative change (Ad hoc COLA to current retirees)	178.9
f. Total	93.9
3. Current UAAL (1+2f)	\$ 4,806.2

## Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	Funding Period (Years)
1. Funding period (years) from prior valuation	20.4
2. Impact of changes, gains and losses	
a. Expected (decrease)/increase	(1.0)
b. Impact of less payroll growth than expected	(0.2)
c. Impact of asset (gain)/loss	(1.3)
d. Impact of more contributions than expected	(0.1)
e. Impact of liability gain	0.1
f. Impact of legislative change (Ad hoc COLA to current retirees)	0.9
g. Impact of revised contribution schedule	16.9
h. Total	15.3
3. Current funding period (years) (1+2g)	35.7

## Projection of UAAL

	Valuation Date (1)	UAAL (Millions) (2)
A. Actual	June 30, 1992	\$3,796.3
	June 30, 1993	3,887.7
	June 30, 1994	4,038.8
	June 30, 1995	4,610.5
	June 30, 1996	4,740.2
	June 30, 1997	4,712.3
	June 30, 1998	4,806.2
	B. Projected	June 30, 1999
June 30, 2000		5,148.1
June 30, 2001		5,310.8
June 30, 2002		5,443.5
June 30, 2003		5,567.0
June 30, 2004		5,687.9
June 30, 2005		5,805.4
June 30, 2006		5,918.9
June 30, 2007		6,027.5
June 30, 2008		6,130.1
June 30, 2009		6,225.7
June 30, 2010		6,313.3
June 30, 2011		6,391.3
June 30, 2012	6,458.6	
June 30, 2013	6,513.5	
June 30, 2014	6,554.3	
June 30, 2015	6,579.1	
June 30, 2016	6,586.0	
June 30, 2017	6,572.6	
June 30, 2018	6,536.5	
June 30, 2019	6,475.1	
June 30, 2020	6,385.4	

## Projection of UAAL

	<b>Valuation Date</b>	<b>UAAL</b>
	<b>(1)</b>	<b>(Millions)</b>
		<b>(2)</b>
B.	Projected	
	June 30, 2021	6,264.2
	June 30, 2022	6,108.0
	June 30, 2023	5,913.1
	June 30, 2024	5,675.2
	June 30, 2025	5,389.8
	June 30, 2026	5,052.1
	June 30, 2027	4,656.5
	June 30, 2028	4,197.3
	June 30, 2029	3,668.2
	June 30, 2030	3,062.0
	June 30, 2031	2,371.5
	June 30, 2032	1,588.2
	June 30, 2033	703.4

**Distribution of Active Members by Age and by Years of Service  
As of June 30, 1998**

Attained Age	Years of Credited Service													Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over		
	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	
Under 25	368 \$29,292	811 \$38,492	213 \$41,363	12 \$17,333	0 \$0	1,502 \$164,081									
25-29	514 \$17,539	1,575 \$24,884	991 \$26,881	1,657 \$27,656	9 \$25,111	0 \$0	6,772 \$176,360								
30-34	398 \$14,829	982 \$25,131	590 \$27,719	3,564 \$29,019	1,020 \$30,570	10 \$27,600	0 \$0	7,772 \$211,446							
35-39	456 \$14,822	1,066 \$24,400	626 \$25,238	3,055 \$29,920	2,573 \$32,173	4 \$33,957	0 \$0	10,470 \$248,703							
40-44	402 \$14,420	951 \$25,004	609 \$25,429	3,531 \$28,804	2,317 \$32,845	2,794 \$35,649	4 \$44,500	0 \$0	13,575 \$298,051						
45-49	305 \$14,813	715 \$26,330	483 \$28,199	3,283 \$29,064	2,802 \$31,926	2,310 \$37,314	6 \$40,287	0 \$0	16,122 \$351,923						
50-54	149 \$15,530	444 \$26,881	304 \$28,461	352 \$30,818	366 \$28,036	2,015 \$35,268	2,023 \$39,934	1 \$45,070	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	13,246 \$420,993
55-59	89 \$14,719	226 \$24,580	143 \$25,238	1,262 \$28,597	1,357 \$28,693	1,191 \$33,254	825 \$46,605	152 \$52,921	1 \$33,000	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	7,437 \$430,326
60-64	38 \$10,184	59 \$21,797	51 \$21,078	40 \$19,375	67 \$20,896	585 \$24,315	473 \$32,717	369 \$45,947	113 \$61,035	39 \$59,692	266 \$61,481	113 \$61,035	39 \$59,692	2,864 \$444,143	
65-69	19 \$8,474	24 \$12,250	17 \$16,176	8 \$15,625	20 \$20,700	125 \$24,888	73 \$29,781	44 \$32,932	28 \$41,019	25 \$80,320	52 \$65,679	25 \$80,320	26 \$76,154	619 \$445,384	
70 & Over	5 \$10,400	11 \$19,000	6 \$12,333	5 \$27,200	9 \$23,556	46 \$19,957	21 \$18,905	17 \$21,588	15 \$38,400	2 \$21,000	3 \$53,333	2 \$21,000	2 \$89,750	8 \$24,035	
Total	2,743 \$15,522	6,864 \$24,876	4,033 \$26,445	4,191 \$27,472	4,185 \$27,387	13,060 \$28,736	8,513 \$31,259	5,498 \$35,238	293 \$38,691	293 \$42,825	1,499 \$50,536	293 \$58,222	74 \$68,365	80,578 \$31,498	

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)		
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%	44.2	11.2
1998	80,578	1.3%	\$2,538	4.5%	\$31,493	3.1%	44.3	11.2

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

Fiscal Year	Beginning Balance Recipients			Ending Balance Recipients	% Increase/ (Decrease)
		Additions	Subtractions		
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%
1998	30,902	2,090	960	32,032	3.7%

Total monthly benefit payments, June 30, 1997	\$33,490,023
Added to rolls and retirement allowance increases	2,682,122
Removed from rolls	(862,254)
Total monthly benefit payments, June 30, 1998	<u>\$35,309,891</u>
Net monthly benefit increase	\$1,819,868
Percentage increase	5.43%
Average monthly allowance	\$1,119

Average monthly payment is \$1,119 excluding special annuitants.

# SOLVENCY TEST

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					
1989	\$798,600,000	50%	\$2,194,000,000	136%	\$54,700,000	3%	\$914,700,000	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%
1998	\$2,143,400,000	84%	\$4,195,900,000	165%	\$125,700,000	5%	\$2,426,300,000	96%	\$4,085,000,000	100%	46%	0%	0%

**Statistical Section**



**SCHEDULE OF AVERAGE PAYMENT AMOUNTS**  
Fiscal Year Ended June 30, 1998

Date	Regular Annuitants	Date	Regular Annuitants	Special Annuitants
June 30, 1948	\$33	June 30, 1982	\$480	
June 30, 1954	75	June 30, 1983	592	
June 30, 1960	83	June 30, 1984	600	
June 30, 1966	129	June 30, 1985	683	
June 30, 1969	148	June 30, 1986	761	\$150
June 30, 1970	179	June 30, 1987	837	159
June 30, 1971	201	June 30, 1988	907	159
June 30, 1972	209	June 30, 1989	949	159
June 30, 1973	217	June 30, 1990	956	159
June 30, 1974	226	June 30, 1991	1,013	159
June 30, 1975	248	June 30, 1992	1,021	159
June 30, 1976	297	June 30, 1993	1,030	159
June 30, 1977	321	June 30, 1994	1,044	159
June 30, 1978	345	June 30, 1995	1,084	163
June 30, 1979	365	June 30, 1996	1,093	163
June 30, 1980	382	June 30, 1997	1,105	163
June 30, 1981	\$432	June 30, 1998	\$1,119	\$163

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

**ACTIVE PERSONNEL**  
Fiscal Year Ended June 30, 1998

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 yrs.	22,016	12,258	9,758
5-9	19,462	12,446	7,016
10-14	13,060	8,188	4,872
15-19	10,163	8,207	1,956
20-24	8,513	7,665	848
25-29	5,498	5,189	309
30-34	1,499	1,427	72
35-39	293	283	10
40-44	61	59	2
45-49	10	9	1
50-54	3	2	1
<b>TOTALS</b>	<b>80,578</b>	<b>55,733</b>	<b>24,845</b>

Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	325	131	194
5001-10,000	3,369	273	3,096
10,001-15,000	6,420	830	5,590
15,001-20,000	5,666	999	4,667
20,001-25,000	6,064	2,221	3,843
25,001-30,000	18,851	15,591	3,260
30,001-35,000	16,795	15,058	1,737
35,001-40,000	8,956	8,060	896
40,001-45,000	4,420	3,834	586
45,001-50,000	2,741	2,417	324
50,001-55,000	1,912	1,678	234
55,001-60,000	1,258	1,135	123
60,001-65,000	984	890	94
65,001-70,000	649	588	61
70,001-75,000	531	500	31
75,001 and Above	1,637	1,528	109
<b>TOTALS</b>	<b>80,578</b>	<b>55,733</b>	<b>24,845</b>

Average Age (years)	44.3	43.2	44.8
Average Salary	\$31,493	\$36,134	\$21,083
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, 1998**

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	2,287	8,851	11,138	\$1,058	34.77%
Option 1	3,229	8,255	11,484	1,115	35.85%
Option 2	2,826	1,037	3,863	1,271	12.06%
Option 3	1,528	799	2,327	1,435	7.26%
Option 4	196	267	463	1,152	1.45%
Options 5, 6 & 7	941	107	1,048	863	3.27%
Disability	288	694	982	776	3.07%
Special Annuitants	101	626	727	163	2.27%
<b>TOTALS</b>	<b>11,396</b>	<b>20,636</b>	<b>32,032</b>	<b>\$1,119</b>	<b>100.00%</b>

Average monthly payment is \$1,119 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 2, 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, 1998

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
Under 10	20	70	90	\$209
10-14	1,014	2,827	3,841	332
15-19	1,115	2,989	4,104	556
20-24	1,400	4,246	5,646	907
25-29	2,392	4,369	6,761	1,323
30-34	2,744	3,141	5,885	1,527
35-39	1,706	1,487	3,193	1,627
40-44	809	754	1,563	1,776
45-49	90	121	211	1,868
50 and Over	5	6	11	2,716
<b>TOTALS</b>	<b>11,295</b>	<b>20,010</b>	<b>31,305</b>	<b>\$1,119</b>

Does not include 727 special annuitants

**DISTRIBUTION BY AGE AT RETIREMENT**  
Fiscal Year Ended June 30, 1998

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	18	41	59	\$546	13.8
41-45	33	72	105	702	16.0
46-50	230	322	552	1,353	25.1
51-55	2,791	3,020	5,811	1,425	27.4
56-60	2,994	5,579	8,573	1,148	25.7
61-65	4,534	9,641	14,175	1,011	25.4
66-70	601	1,147	1,748	897	23.1
71-75	77	156	233	600	20.4
76-80	12	30	42	589	21.9
Over 80	5	2	7	559	18.4
<b>TOTALS</b>	<b>11,295</b>	<b>20,010</b>	<b>31,305</b>	<b>\$1,119</b>	<b>25.6</b>

Does not include 727 special annuitants.

**DISTRIBUTION BY RETIREE AGE**  
**Fiscal Year Ended June 30, 1998**

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	143	15.9	\$755
50-54	1,312	27.8	1,636
55-59	3,580	26.5	1,434
60-64	5,503	24.5	1,202
65-69	5,916	23.8	1,079
70-74	4,959	24.6	1,018
75-79	3,818	25.9	963
80-84	2,866	26.9	940
85-89	1,958	29.2	1,007
Over 90	1,250	30.9	1,013
<b>TOTALS</b>	<b>31,305</b>	<b>25.6</b>	<b>\$1,119</b>

Does not include 727 special annuitants.

**DISTRIBUTION BY MONTHLY INCOME**  
Fiscal Year Ended June 30, 1998

Monthly Income	Retired Members	Total	Average Payment
Under \$100	84	\$7,141	\$85
\$101-200	999	156,022	156
\$201-\$300	1,560	390,696	250
\$301-\$400	1,777	620,892	349
\$401-\$500	1,605	721,202	449
\$501-\$600	1,548	849,728	549
\$601-\$700	1,510	981,257	650
\$701-\$800	1,364	1,023,097	750
\$801-\$900	1,402	1,191,645	850
\$901-\$1,000	1,419	1,349,474	951
\$1,001-\$1,100	1,663	1,746,814	1,050
\$1,101-\$1,200	1,889	2,173,835	1,151
\$1,201-\$1,300	1,935	2,416,999	1,249
\$1,301-\$1,400	1,981	2,962,499	1,495
\$1,401-\$1,500	1,945	2,819,704	1,450
\$1,501-\$1,600	1,783	2,760,517	1,548
\$1,601-\$1,700	1,531	2,523,274	1,648
\$1,701-\$2,000	3,215	5,906,882	1,837
\$2,001-\$2,500	1,799	3,912,175	2,175
Over \$2,500	296	796,038	2,689
<b>TOTALS</b>	<b>31,305</b>	<b>\$35,309,891</b>	<b>\$1,119</b>

Does not include 727 special annuitants.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Schedule of Cash Receipts and Disbursements Years Ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash balance, beginning of year	\$4,849,032	\$3,713,877
<u>Receipts:</u>		
Members' contributions	183,490,521	163,758,445
Member tax-shelter	8,493,698	6,583,908
Employer statutory requirement from local school districts	120,153,329	109,184,110
Federal matching	9,861,086	8,630,563
Dedicated gas tax	134,264,701	154,648,125
Interest income	118,207,777	113,016,403
Dividends	53,049,427	47,912,768
Net gain on investments	420,760,003	377,602,516
Other revenue	1,700,026	197,238
* Investments sold	<u>11,503,813,860</u>	<u>10,611,223,716</u>
	<u>12,553,794,428</u>	<u>11,592,757,792</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	417,864,232	417,704,475
Refund of member contributions and annuity payments	41,332,758	34,633,635
Administrative expenses	3,155,732	2,236,907
Investment expenses	8,617,403	7,589,806
Equipment purchases	486,837	222,302
* Investment purchases	<u>12,083,529,102</u>	<u>11,129,235,512</u>
Total disbursements	<u>12,554,986,064</u>	<u>11,591,622,637</u>
Balance of cash, June 30	<u>\$3,657,396</u>	<u>\$4,849,032</u>

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

Schedule of Revenue by Source

Year	Member Contributions	Employer Contributions	State of		Net Investment Income	Other Revenue	Total
			Oklahoma & Various Federal Sources	Various Federal Sources			
1989	\$100,893,240	\$0	\$132,469,504	\$147,123,656	\$0	\$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	240,490,995	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	
1998 *	\$189,690,739	\$120,164,225	\$143,430,970	\$930,961,052	\$1,700,026	\$1,385,947,012	

\* - 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>
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	-	455,050,396
1998	\$439,213,465	\$41,332,758	\$3,267,751	\$0	\$483,813,974

## Administrative Expenses for the Respective Years

	<u>1998</u>	<u>1997</u>
Salaries and benefits	\$1,497,491	\$1,412,026
General and miscellaneous	375,603	473,741
Professional services	1,005,490	184,865
State of Oklahoma interagency	239,943	236,497
Travel and related expenses	44,860	42,053
Depreciation expense	<u>104,364</u>	<u>52,545</u>
 Total administrative expenses	 <u>\$3,267,751</u>	 <u>\$2,401,727</u>

## Schedule of Benefit Expenses by Type

	<u>1998</u>	<u>1997</u>
Retirement benefits	\$412,359,174	\$391,060,617
Insurance	19,774,024	19,606,895
Death benefits	7,080,267	7,347,522
Withdrawal of accounts	23,011,228	20,087,694
Tax-shelter withdrawals	<u>18,321,530</u>	<u>14,545,941</u>
 Total administrative expenses	 <u>\$480,546,223</u>	 <u>\$452,648,669</u>

## 1998 PARTICIPATING EMPLOYERS

### PUBLIC SCHOOL DISTRICTS

Achille	Boone-Apache	Cheyenne	Duke	Gore
Ada	Boswell	Chickasha	Duncan	Gracemont
Adair	Bowlegs	Chisholm	Durant	Graham
Afton	Bowring	Choctaw-Nicoma	Dustin	Grandfield
Agra	Boynton	Park	Eagletown	Grand View (Cherokee)
Albion	Braggs	Chouteau Mazie	Eakly	Grandview (Stephens)
Alex	Braman	Cimarron	Earlsboro	Granite
Aline-Cleo Springs	Bray Doyle	Claremore	Edmond	Grant
Allen	Bridge Creek	Clayton	El Reno	Greasy
Allen Bowden	Briggs	Cleora	Eldorado	Greenville
Altus	Bristow	Cleveland	Elgin	Grove (Delaware)
Alva	Broken Arrow	Clinton	Elk City	Grove (Pottawatomie)
Amber Pocasset	Broken Bow	Coalgate	Elmore City-Pernell	Gum Springs
Anadarko	Brushy	Colbert	Empire	Guthrie
Anderson	Buffalo	Colcord	Enid	Guymon
Antlers	Buffalo Valley	Coleman	Erick	Gypsy
Arapaho	Burbank	Collinsville	Eufaula	Haileyville
Ardmore	Burlington	Comanche	Fairland	Hammon
Arkoma	Burns Flat-Dill	Commerce	Fairview	Hanna
Arnett	City	Copan	Fanshawe	Hardesty
Asher	Butler	Cordell	Fargo	Harmony
Atoka	Butner	Cottonwood	Farris	Harrah
Avant	Byars	Covington-Douglas	Felt	Hartshorne
Balko	Byng	Coweta	Fletcher	Haskell
Banner	Cache	Coyle	Flower Mound	Haworth
Barnsdall	Caddo	Crescent	Forest Grove	Haywood
Bartlesville	Calera	Crooked Oak	Forgan	Healdton
Battiest	Calumet	Crowder	Fort Cobb-Broxton	Heavener
Bearden	Calvin	Crutcho	Fort Gibson	Hennessey
Beaver	Cameron	Cushing	Fort Supply	Henryetta
Beggs	Canadian	Cyril	Fort Towson	Hilldale
Belfonte	Caney	Dahlongegah	Fox	Hinton
Bell	Caney Valley	Dale	Foyil	Hobart
Bennington	Canton	Darlington	Frederick	Hodgen
Berryhill	Canute	Davenport	Freedom	Holdenville
Bethany	Carnegie	Davidson	Friend	Hollis
Bethel	Carney	Davis	Frink Chambers	Holly Creek
Big Pasture	Carter	Deer Creek	Frontier	Hominy
Billings	Cashion	Deer Creek-Lamont	Gage	Hooker
Binger-Oney	Catoosa	Delaware	Gans	Howe
Bishop	Cave Springs	Denison	Garber	Hugo
Bixby	Cement	Depew	Garrett	Hulbert
Blackwell	Central High	Dewar	Geary	Hydro
Blair	Central	Dewey	Geronimo	Idabel
Blanchard	Chandler	Dibble	Glencoe	Indianahoma
Bluejacket	Chattanooga	Dickson	Glenpool	Indianola
Boise City	Checotah	Dover	Glover	Inola
Bokoshe	Chelsea	Drummond	Goodland	Jay
Boley	Cherokee	Drumright	Goodwell	Jenks

PUBLIC SCHOOL DISTRICTS (continued)

Jennings	Mannsville	North Rock Creek	Pond Creek-Hunter	Skiatook
Jones	Maple	Norwood	Porter	Smithville
Justice	Marble City	Nowata	Consolidated	Snyder
Justus-Tiawah	Marietta	Oak Grove	Porum	Soper
Kansas	Marlow	Oakdale	Poteau	South Coffeyville
Kaw City	Maryetta	Oaks Mission	Prague	South Rock Creek
Kellyville	Mason	Oilton	Preston	Spavinaw
Kenwood	Maud	Okarche	Pretty Water	Sperry
Keota	Maysville	Okay	Prue	Spiro
Ketchum	Mc Alester	Okeene	Pryor	Springer
Keyes	Mc Cord	Okemah	Purcell	Sterling
Keys	Mc Curtain	Oklahoma City	Putnam City	Stidham
Keystone	Mc Lish	Oklahoma Union	Quapaw	Stigler
Kiefer	Mc Loud	Okmulgee	Quinton	Stillwater
Kildare	Medford	Oktaha	Rattan	Stilwell
Kingfisher	Meeker	Olive	Ravia	Stonewall
Kingston	Merritt	Olney	Red Oak	Straight
Kinta	Miami	Olustee	Reydon	Stratford
Kiowa	Middleberg	Oologah-Talala	Ringling	Stringtown
Konawa	Midway	Optima	Ringwood	Strother
Krebs	Midwest City-	Osage Hills	Ripley	Stroud
Kremlin-Hillsdale	Del City	Osage	Riverside	Stuart
Lane	Milburn	Owasso	Robin Hill	Sulphur
Latta	Milfay	Paden	Rock Creek	Sweetwater
Laverne	Mill Creek	Panama	Rocky Mountain	Swink
Lawton	Millwood	Panola	Roff	Tahlequah
Leach	Minco	Paoli	Roland	Talihina
Leedey	Moffett	Pauls Valley	Rush Springs	Taloga
Le Flore	Monroe	Pawhuska	Ryal	Tannehill
Leonard	Moore	Pawnee	Ryan	Tecumseh
Lexington	Mooreland	Peavine	Salina	Temple
Liberty (Okmulgee)	Morris	Peckham	Sallisaw	Tenkiller
Liberty (Sequoyah)	Morrison	Peggs	Sand Springs	Terral
Liberty (Tulsa)	Moseley	Perkins-Tryon	Sapulpa	Texhoma
Lindsay	Moss	Perry	Sasakwa	Thackerville
Little Axe	Mounds	Picher-Cardin	Savanna	Thomas-Fay-Custer
Locust Grove	Moyers	Pickett Center	Sayre	Timberlake
Lomega	Mt View-Gotebo	Piedmont	Schulter	Tipton
Lone Grove	Muldrow	Pioneer	Seiling	Tishomingo
Lone Star	Mulhall-Orlando	Pioneer Pleasant	Seminole	Tom
Lone Wolf	Muskogee	Vale	Sentinel	Tonkawa
Lookeba Sickles	Mustang	Pittsburg	Sequoyah	Tulsa
Lost City	Nashoba	Plainview (Carter)	Shady Grove	Tupelo
Lowrey	Navajo	Plainview (Cimarron)	Shady Point	Turkey Ford
Lukfata	New Lima	Pleasant Grove	Sharon-Mutual	Turner
Luther	Newcastle	(Pottawatomie)	Shattuck	Turpin
Macomb	Newkirk	Pleasant Grove	Shawnee	Tushka
Madill	Ninnekah	(Seminole)	Shidler	Tuskahoma
Mangum	Noble	Pocola	Silo	Tuttle
Mannford	Norman	Ponca City	Skelly	Twin Hills

**PUBLIC SCHOOL DISTRICTS (continued)**

Tyrone	Wagoner	Waukomis	Wewoka	Woodland
Union City	Wainwright	Waurika	White Oak	Woodward
Union	Wakita	Wayne	White Rock	Wright City
Valliant	Walters	Waynoka	Whitebead	Wyandotte
Vanoss	Wanette	Weatherford	Whitefield	Wynnewood
Varnum	Wapanucka	Webbers Falls	Whitesboro	Wynona
Velma-Alma	Warner	Welch	Wickliffe	Yale
Verden	Washington	Weleetka	Wilburton	Yarborough
Verdigris	Washita Heights	Wellston	Wilson (Carter)	Yukon
Vian	Watonga	Western Heights	Wilson (Okmulgee)	Zaneis
Vici	Watson	Westville	Wister	Zion
Vinita	Watts	Wetumka	Woodall	

**VOCATIONAL-TECHNICAL SCHOOLS**

Caddo-Kiowa	High Plains	Pioneer
Canadian Valley	Indian Capital	Pontotoc
Central Oklahoma	Kiamichi	Red River
Chisholm Trail	Meridian	S. Oklahoma
E. Oklahoma	Metro Tech	Southwest
County	Mid-America	Tri-County
Francis Tuttle	Moore-Norman	Tulsa County
Gordon Cooper	NE Oklahoma	Wes Watkins
Great Plains	NW Oklahoma	Western
Green Country	O.T. Autry	

**PARTICIPATING ENTITIES**

ABC Coop	Department of
Atoka-Coal	Veterans Affairs
Interlocal	Dept. of Vo-Tech
Board of Private	Education Vo-Tech
Vocational Schools	Skills Centers
Board of Regents of	Oklahoma Education
Oklahoma Colleges	Association
Cherokee County	Oklahoma School of
Interlocal Coop	Science and Math
Cleveland County	Secondary Schools
Interlocal Coop	Activity Assoc.
Garfield County	State Election Board
Interlocal Coop	State House of
Higher Education	Representatives
Alumni Council	State Regents for
McCurtain County	Higher Education
Educational Coop	Oklahoma Student
Mid-Del Association	Loan Authority
of Classroom	Osage County
Teachers	Interlocal Coop
MWC Central Foods	Teachers' Retirement
Moore Association of	System
Classroom Teachers	Tri-County Interlocal
OCAST	Coop
Oklahoma City	Western Heights Food
Federation of	Service
Teachers	
Department of	
Corrections	
Department of	
Education	
Department of	
Rehabilitation	
Services	

**COLLEGES AND UNIVERSITIES**

Cameron University	Panhandle State	University of
East Central Univ.	University	Oklahoma
Langston University	Rogers University	University of
NE Oklahoma	SE Oklahoma	Oklahoma Health
State University	State University	Sciences Center
NW Oklahoma	SW Oklahoma	University of
State University	State University	Science and Arts
Oklahoma State	University of	of Oklahoma
University	Central Oklahoma	

**JUNIOR COLLEGES**

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