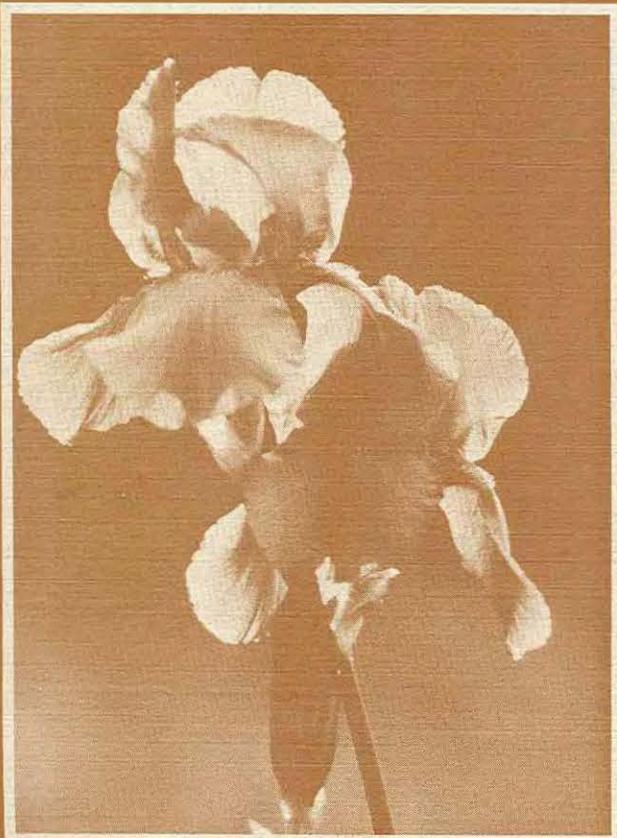
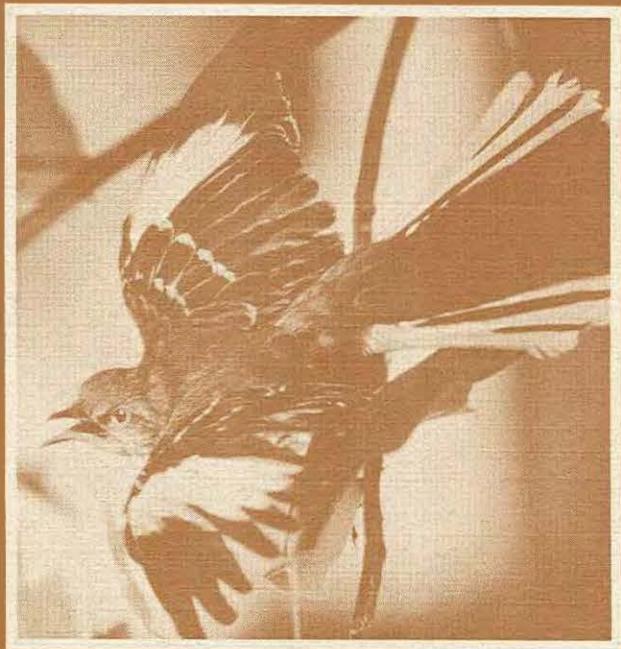


1993
Treasurer's
Report



For The
Fiscal Year Ended
June 30, 1993

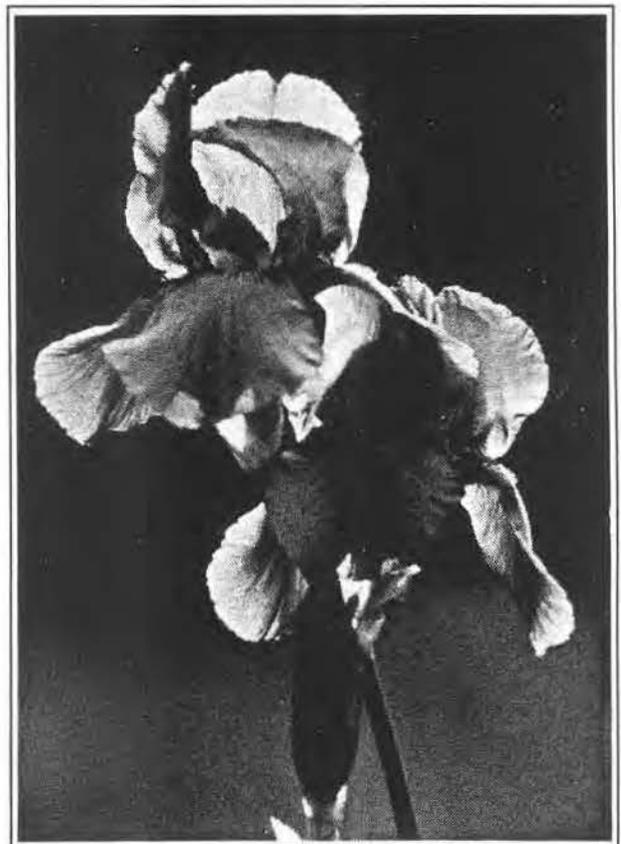
Steve Adams
Treasurer
State of Tennessee

1993

Treasurer's Report

For the fiscal year ended June 30, 1993

Steve Adams, Treasurer
State of Tennessee



Iris
State Flower

The State Capitol

In 1843, Governor James (Lean Jimmy) Jones charged the legislature with the responsibility of selecting a permanent capitol city for Tennessee. After nearly 50 years of statehood, Tennessee still did not have a capitol city, and the governor believed that it was time to select one. After a number of towns had made bids to become the capitol, Nashville was selected as it was the largest town in the middle of the state, it was located upon a navigable river, and the city of Nashville had purchased Campbell's Hill and offered it to the state—if a capitol building were placed upon it. All of these things worked to Nashville's advantage, and the legislature chose it to be the capitol of Tennessee.

A Capitol Commission was then created, and they conducted a search for an architect to design the building and to oversee its construction. The premiere architect working in the Greek Revival style at that period was William Strickland. He had been a founder of the American Institute of Architects, one of the first professional societies in America, and had numerous public commissions in Philadelphia, as well as elsewhere. He was chosen to design Tennessee's first, and only, capitol building. The structure is based upon a Greek temple. But its front faces the east, or the Cumberland River, with the pedimented ends being the two side elevations. Rising out of the roof is an adaptation of the Choragic Monument to Lysicrates. This ancient monument in Athens was actually a choir trophy. Lysicrates was a choir master in ancient Athens, and his choral group won a singing contest. They erected the Choragic Monument in tribute to the gods for their honor, and on top of it was a symbolic tripod for offerings to the gods. On the top of the tower on our capitol is a cast iron tripod.

The Tennessee state capitol building is made out of solid limestone blocks, weighing between six and ten tons. Slaves and convicts quarried the stone within one mile of the building, and like the pharaoh's slaves, hauled the blocks to Capitol Hill. There, professional stonemasons dressed out the blocks and they were hoisted into place. As this was in the days before steam lifts and cranes, it was all back-breaking manual labor and it took 14 years to finish the building. In that period, there were three architects. William Strickland worked upon the structure from 1845 until his death in 1854. He was succeeded by his son Francis until 1857. Then, the Commission fired Francis as a cost saving measure. For one year, there was no supervising architect, but in 1858-59 they employed Harvey Akeroyd, an Englishman working in Nashville, to design the State Library room in the building. With the completion of that room, and the lower terrace on the exterior in 1859, the building was essentially finished. But, in truth, the building was never completed. The stair, and the east lobby on the legislative floor, both had ceiling medallions installed to have gasoliers hung from them to light these two areas. But the Civil War broke out, the lights were never ordered, and the spaces remain empty. A fitting commentary on the futility of that war.

Two of the most significant events to take place in the capitol have been the ratifications of the fourteenth and nineteenth amendments to the United States Constitution. The first one gave African-Americans the vote, and the second one gave women the vote.

With the partial restoration of the capitol, it is hoped that the project can be completed in time for our bicentennial in 1996. What better monument to 200 years of statehood than the completion of the restoration of the house of Tennessee government?

*James A. Hoobler
Curator of Art & Architecture
Tennessee State Museum*

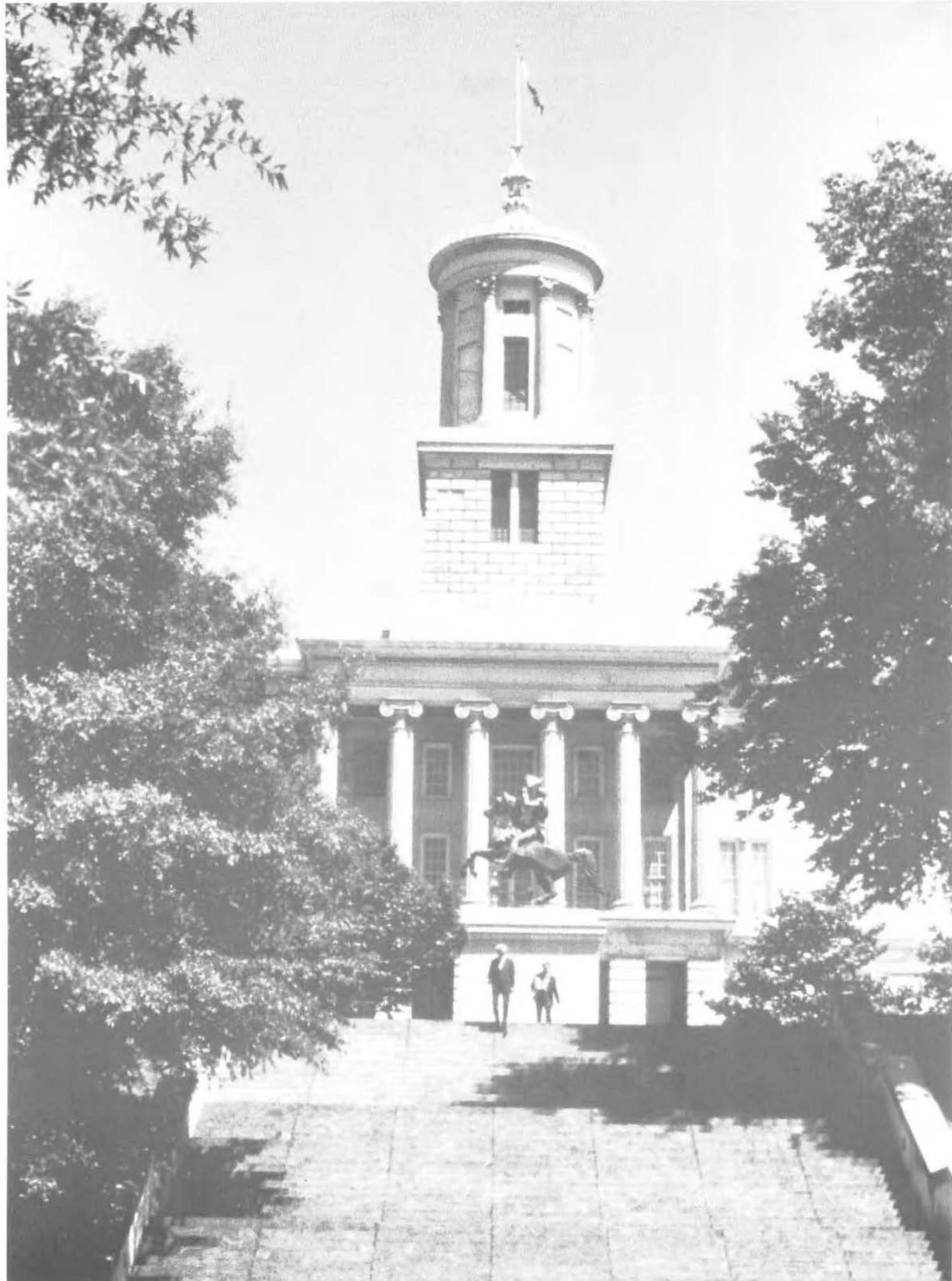
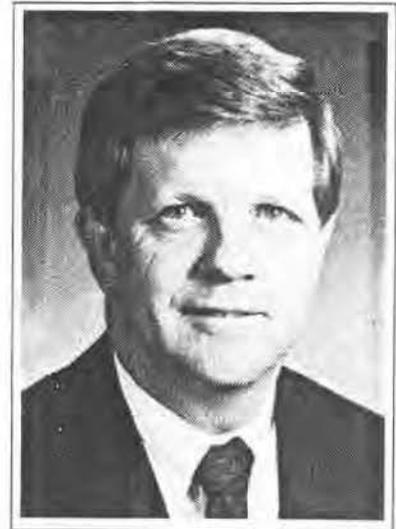


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State of Tennessee
Treasury Department
State Capitol
Nashville, Tennessee 37243



December 31, 1993

To the Honorable Ned McWherter; Members of the General Assembly; and Citizens of the State of Tennessee:

The following pages include a report of the activities of the Treasurer's Office for the fiscal year ending June 30, 1993. It is again my pleasure to share this information with you as it continues to convey our dedication and hard work to provide superior service to our constituents.

This has been an interesting and rewarding year for our department. For the first time ever, realized investment income on the Tennessee Consolidated Retirement System (TCRS) fund exceeded one billion dollars. Due to growth in the Local Government Investment Pool (LGIP), the investment management fee was lowered from 15 basis points to 6 basis points. In addition, various initiatives were begun to enhance the quality of service we provide the citizens of this state. Included in these initiatives was development of a prior service billing and recording system using Information Engineering Facility (IEF) and installation of an interactive toll-tree telephone system for participants of the state's Deferred Compensation Program. We are also proud of legislation passed during the 1993 session which provides a 5% increase in benefits to present and future retired state employees and teachers effective January 1, 1994. The TCRS is nationally recognized as one of the most strongly funded retirement systems in the country.

I am extremely appreciative of the efforts of every member of my staff as each one of them has had a hand in our successes. To the members of the General Assembly, I remain appreciative of your support and confidence in me and the Treasury Department. To the Governor and the Executive Branch, my sincere appreciation for the cooperation given this department. Our goal remains to serve you and the citizens of our state.

Sincerely,

A handwritten signature in cursive script that reads "Steve Adams".

Steve Adams

Introduction

The 1993 Treasurer's Report contains reports on various programs administered by the Treasury Department, including Investments, the Tennessee Consolidated Retirement System, the Deferred Compensation Program, the Flexible Benefits Plan, Claims Administration, the Unclaimed Property Program, and the Chairs of Excellence Program.

The following comments represent a brief recap of the purpose and operations of each program administered by the department. The remainder of this report gives detailed data regarding these programs' activities during the 1992-93 fiscal year.

Investments

The Investment Division has the responsibility for investing all funds under management of the Treasury Department.

State Cash Management - This section manages the State Pooled Investment Fund which includes the state's cash, the various dedicated reserves and trust funds of the state, and the Local Government Investment Pool. Investments during 1992-93 averaged \$1.97 billion, producing \$84.6 million in income for an average rate of return of 4.39%. Local governments participating in the Local Government Investment Pool received \$32 million in interest at a net rate averaging 3.06%. The State Trust of Tennessee allows the Treasury Department to use the Federal Reserve Wire Transfer System to transfer funds on a limited basis.

Pension Fund Investments - This section manages the investments of the Tennessee Consolidated Retirement System (TCRS) which at June 30, 1993 totaled \$10.8 billion at book value (an increase of \$1.1 billion for the year) and \$12.4 billion at market value. For the year, investments produced \$1.1 billion in income for a realized rate of return of 11.54% on book value. This section also manages investments for the Chairs of Excellence Trust which at June 30, 1993 totaled \$127.7 million at book value.

Tennessee Consolidated Retirement System

The Tennessee Consolidated Retirement System provides retirement coverage to state employees, higher education employees, teachers, and employees of political subdivisions that have elected to participate in the plan. As of June 30, 1993, there were 165,245 active TCRS members: 41,387 state employees; 53,163 K-12 teachers; 50,817 political subdivision employees; and 19,878 higher education employees. Three types of benefits are provided by TCRS: disability, death, and retirement benefits. As of June 30, 1993, there were 58,166 retirees. TCRS paid out \$361.2 million in benefits during fiscal year 1992-93. The state of Tennessee is responsible for the pension liability for state employees, teachers, and higher education employees while each political subdivision is responsible for the liability of their employees. Retirement activities during 1992-93 included 3,643 retirements, 4,627 refunds, approximately 10,500 estimates provided to members, and approximately 5,500 requests to purchase prior service. TCRS received its fifth consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its June 30, 1992 Component Unit Financial Report.

The State of Tennessee Deferred Compensation Program offers state employees the opportunity to accumulate supplemental retirement income on a tax deferred basis. By making salary reduction contributions to the 457 plan and/or the 401(k) plan offered under the program, employees are able to postpone income taxes on contributions and earnings until the funds are withdrawn. Participants may direct the investment of their deferred salary into a variety of investment products contracted for the program. Since the first of the program's two plans was implemented in 1981, state employees have deferred over \$106 million in salary. As of June 30, 1993, there were 5,660 state and university employees actively contributing to the program. The market value of accumulated account balances totaled \$145.4 million, an increase of \$22.9 million during the year.

Deferred Compensation Program

The State of Tennessee Flexible Benefits Plan is an optional benefit plan which enables state employees to pay for certain expenses with before-tax dollars. Employees may use the plan to pay group medical insurance premiums, group dental insurance premiums, out-of-pocket medical expenses, and dependent care expenses. At June 30, 1993, there were 34,759 state employees using the plan: 34,429 paid medical premiums, 7,263 paid dental premiums, 2,326 used the medical expense reimbursement account, and 373 used the dependent care reimbursement account. The plan generated over \$1.9 million in F.I.C.A. savings for the state during fiscal year 1992-93.

Flexible Benefits Plan

The Division of Claims Administration is responsible for investigating and making determinations on claims made against the state for workers' compensation by state employees, employee property damage, tort liability, and criminal injury compensation. Staff support from the Division of Claims Administration also assists the Defense Counsel Commission and the Board of Claims. The Defense Counsel Commission/Subcommittee hears and determines requests by state employees for approval of private counsel when an employee has been sued in civil litigation. The Board of Claims has the authority to hear and determine claims which do not fall within the jurisdiction of the Tennessee Claims Commission. The Division of Claims Administration received 5,988 claims for tort, employee property damage, and workers' compensation. The Defense Counsel Commission heard 327 requests for representation, the Board of Claims took action on seven cases, and 2,146 victims of criminal injury and drunk driver claims were approved for payment. Payments made during the year for workers' compensation, tort, and employee property damage claims totaled \$12.7 million. Payments made to victims of criminal injuries and drunk drivers totaled \$8.6 million during the year. Since the first payments were issued in 1982, over \$58.8 million has been paid to crime victims.

Claims Adminis- tration

Unclaimed Property Program

The Unclaimed Property Division is responsible for the administration of the state's Uniform Disposition of Unclaimed Property Act which has been in effect since 1978. Under this act, the state provides one centralized location for the owners of abandoned property, or their heirs, to turn to when searching for forgotten assets. The types of property covered by this act are primarily cash property such as bank accounts, insurance policies, utility deposits, etc. During the fiscal year, \$6.2 million of unclaimed property was turned over to the Treasurer and \$2.1 million was returned to owners or their heirs. Since the program began, over \$60.8 million in unclaimed property has been reported to the Treasurer and over \$17.5 million of that property has been returned to the owners or their heirs. Over \$3.7 million was deposited to the Health Access Incentive Fund in fiscal year 1992-93. This fund is used to offer financial assistance to doctors who agree to set up practice in a rural area of the state where medical care is not currently available.

Chairs of Excellence

The Chairs of Excellence Trust is a nonexpendable trust fund authorized in 1984 to further the cause of education in Tennessee. The funding of the program is provided through contributions made by a private donor and a matching amount by the state, thus, creating a chair. Income from the chair is used to offset the expenditures of nationally or regionally recognized persons at state colleges and universities teaching in specified academic areas. During the 1993 fiscal year, three chairs were created with matching contributions totaling \$1,010,000. Since 1984, a total of 84 chairs have been created. The Trust totaled \$125.1 million book value at June 30, 1993 and produced income of \$11.1 million during the year.

Bond Refunding Trust

The Treasurer has been appointed Refunding Trustee for the Tennessee Local Development Authority (TLDA) in connection with the sale of bonds issued to refund, in advance of maturity, bonds previously issued by the TLDA. The Treasurer has established a Refunding Trust Fund for the benefit of the holders of the refunded bonds. A portion of the proceeds of the refunding bonds were used to acquire direct general obligations of the United States of America or obligations the payment of the principal and interest of which are unconditionally guaranteed by the United States of America. The assets of the Refunding Trust Fund totaled \$40.7 million on June 30, 1993.

TREASURY NUMBERS AT A GLANCE
FISCAL YEAR 1993

| | | |
|---|--|-------------------|
| Administrative | Number of Positions | 170 |
| | Payroll Expenditures | \$ 4,770,609 |
| | Other Expenditures | \$ 2,507,514 |
| | Total Administrative Expenditures | \$ 7,278,123 |
| Retirement Program | Retirement Benefits | \$ 361,225,243 |
| | Number of Retirees | 58,166 |
| | Retirement Contributions | \$ 390,965,873 |
| | Retirement Investment Earnings | \$ 1,137,466,939 |
| | Number of Active Members | 165,245 |
| | Retirement Refunds | \$ 17,141,499 |
| | Number of Refunds | 4,627 |
| Claims Administration Program | Workers' Compensation Payments | \$ 8,747,505 |
| | Workers' Compensation Claims Filed | 3,937 |
| | Employee Property Damage Payments | \$ 21,621 |
| | Employee Property Damage Claims Filed | 262 |
| | Tort Claims Payments | \$ 3,927,498 |
| | Tort Claims Filed | 1,789 |
| | Criminal Injury Payments | \$ 8,649,426 |
| | Criminal Injury Claims Paid | 2,146 |
| | Defense Counsel Payments | \$ 799,223 |
| | Defense Counsel Claims Filed | 327 |
| | Claims Award Fund Revenue | \$ 6,926,214 |
| Other Programs | Deferred Compensation Contributions | \$ 12,689,804 |
| | Deferred Compensation Participants | 7,485 |
| | Flexible Benefits Plan Payments | \$ 2,544,455 |
| | Flexible Benefits Plan Participants | 34,759 |
| | FICA Savings Generated from Flex Plan | \$ 1,916,524 |
| | Unclaimed Property Revenues | \$ 6,248,392 |
| | Unclaimed Property Payments | \$ 1,980,448 |
| Cash Management Program | General Fund Earnings | \$ 41,553,950 |
| | LGIP Earnings | \$ 33,572,078 |
| | Restricted Fund Earnings | \$ 9,478,142 |
| | Total Cash Management Earnings | \$ 84,604,170 |
| Chairs of Excellence Program | Chairs of Excellence Contributions | \$ 1,010,000 |
| | Chairs Of Excellence Investment Earnings | \$ 11,135,886 |
| | Total Number of Chairs of Excellence | 84 |
| | Chairs of Excellence Expenditures | \$ 6,327,208 |
| Market Value of Assets Under Management at 6/30/93 | Retirement Trust Fund | \$ 12,524,434,196 |
| | Chairs of Excellence Trust Fund | \$ 142,065,579 |
| | State Pooled Investment Fund | \$ 2,086,026,071 |
| | Deferred Compensation (outside managers) | \$ 145,414,188 |
| | Bond Refunding Trust | \$ 42,658,446 |
| | Total Assets Under Management | \$ 14,940,598,480 |

◆ LOCAL GOVERNMENT INVESTMENT POOL SYSTEM AND FEES

The department successfully implemented a new computer system called TEAMS (Treasury Earnings and Account Management System) for the Local Government Investment Pool program during the year. This system will provide participants with enhanced monthly statements and will automate the accounting and earnings posting process. In addition, the Division of Cash Management decreased the pool's investment management fee from 15 basis points to six basis points.

◆ TCRS INVESTMENT EARNINGS

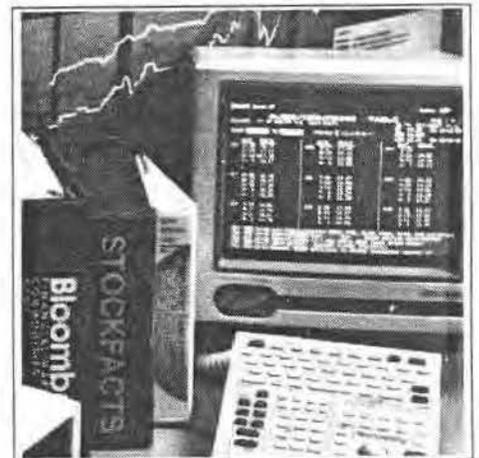
For the first time ever, realized investment income on the TCRS fund exceeded one billion dollars. Investment performance for the last five years has been exceptional—placing TCRS in the top 10th percentile of public plans. The annualized return over the past five years for the TCRS domestic stock portfolio was 15.4% while the S&P 500 had an annualized return of 14.2%. The annualized return on the TCRS domestic bond portfolio was 12.5% while the Lehman Brothers Government/Corporate Bond Index had an annualized return of 11.4%.

◆ INVESTMENT OPTIONS FOR TCRS ASSETS

Within the last two years, the TCRS investment division has been authorized to use domestic stock indexes for asset allocation purposes, to use forward currency contracts to reduce the currency risk associated with investing internationally, to allocate more assets to the international portfolio in order to reduce risk by providing greater diversification, and to provide additional incremental income to the fund by increasing the level of securities which can be loaned under the relatively risk-free collateralized securities lending program.

◆ TCRS BENEFIT IMPROVEMENT AND FUNDING STATUS IMPROVEMENT

Under legislation passed during 1993, a 5% increase in benefits will be provided to present and future retired state employees and teachers. In addition, the unfunded accrued liability for state employees has been retired and the amortization period for the remaining teacher liability has been shortened from 22 years to 10 years. These improvements were made possible as a result of the system's significant actuarial gains. The book value of assets held by TCRS represents 107% of the pension benefit obligation. This ratio indicates that TCRS is one of the most strongly funded systems in the country.



◆ **TCRS ADMINISTRATION**

During 1993, development was begun on a prior service billing and recording system using Information Engineering Facility (IEF). This was the state's pilot project using the IEF technology. Implementation is scheduled for December 1993. In addition, authority was given to initiate a toll-free number for retirees to contact the retirement system. This number will allow easier access in the event a retiree needs to report a lost or stolen check or to access any of the other services provided by the retired payroll section.

◆ **DEFERRED COMPENSATION COMMUNICATION**

An interactive toll-free telephone system was developed to provide participants with automated access to information about their accounts 24 hours a day. Participants can now obtain information on their account balances, their investment elections, fixed product interest rates, mutual fund share values, recent account activity, and 401(k) loans on this automated voice response system. During the system's first month of operation, participants placed an average of 230 calls per day. In addition, a video on the deferred compensation program and a new information handbook were produced.

◆ **FLEXIBLE BENEFITS PLAN PAYMENTS**

As a result of the department's takeover of administration of the Flexible Benefits Plan, the plan will now *guarantee* payments from reimbursement accounts within 10 business days. During 1993, the program processed an average of 1,030 claim payments per month for approximately 2,700 medical and dependent care reimbursement accounts.

◆ **WORKERS' COMPENSATION ADMINISTRATION**

In an effort to improve services, the department has contracted with a leading claims management organization to investigate and process workers' compensation claims of injured state employees. The Division of Claims Administration will continue to oversee the operation of the program and assist state employees with any questions regarding their benefits. The claims management firm is committed to timely processing and decision making once a claim has been filed with their office. They will assist the division in ensuring that injured state workers receive appropriate treatment and levels of care from medical providers and will assist employees in returning to work as soon as they are medically able.

◆ **UNCLAIMED PROPERTY REPORTING AND REMITTANCE**

Legislation passed during the fiscal year made two major changes to the unclaimed property law. The first change will require holders to deliver property to the Treasurer with the initial report. This will relieve unclaimed property holders of the large volume of telephone inquiries and claim payments following the state's advertisement of unclaimed accounts. The second change decreases the dormancy period required to be met before property is deemed abandoned and delivered to the Treasurer. This change brings Tennessee in line with the 1981 Uniform Disposition of Unclaimed Property Act.



State Cash Management INVESTMENTS

The state of Tennessee receives revenues from many sources such as taxes, licenses, fees, and the federal government. As these monies are collected, they are deposited into one of the 255 financial institutions in Tennessee that have contracted with the state to serve as depositories. Under the state Constitution, the state may not spend more money on its programs than it has collected in revenues. Consequently, at any point in time the state has a sizable sum of money collected but not yet spent. These monies are invested by the Treasury Department until needed to pay for state expenses, payroll, or benefit program disbursements.

During the 1992-93 fiscal year, the average balance of short term investments in the Treasurer's Cash Management program was \$1,970,310,427 per month and interest income of \$84,604,170 was earned. This includes deposits in the Local Government Investment Pool administered by the Treasury Department.

The State Funding Board sets the investment policy for the state. The State Funding Board is composed of the Governor, Commissioner of Finance and Administration, Comptroller, Secretary of State, and Treasurer. The foremost investment objective of the State Pooled Investment Fund is safety of principal, followed by liquidity and then yield.

Up to 20 percent of the portfolio or \$300,000,000, whichever is less, may be invested for maturity greater than one year but less than five years. Funds may be invested in collateralized certificates of deposit with authorized Tennessee financial institutions; bills, notes and bonds of the

U.S. Treasury; other obligations guaranteed as to principal and interest by the United States or any of its agencies; and repurchase agreements against obligations of the United States or its agencies. Securities underlying repurchase agreements must be book-entry and delivered to the State Trust of Tennessee. Funds may also be invested in prime commercial paper, prime banker's acceptances, and money market mutual funds.

In May 1991, the State Funding Board amended the investment policy to allow the State Pooled Investment Fund to be used as a liquidity facility for the state's General Obligation Bond Anticipation Note Program (final maturity June 1, 1996). Pursuant to this modification, the State Pooled Investment Fund is committed to buy any state of Tennessee General Obligation Bond Anticipation Notes that fail to be remarketed by the remarketing agent as an investment until such time as the notes can be resold. The policy allows for the yield on such obligations to be equal to or greater than the yield of other obligations in which the state could invest at the time of the purchase. Up to \$150,000,000 is covered by the State Pooled Investment Fund pursuant to the note resolution. By providing our own liquidity facility, the state is able to save up to \$300,000 a year on these outstanding notes.

At June 30, 1993, investments had an average maturity of 222 days, and an average weighted yield of 4.07%. The total balance in the State Pooled Investment Fund at June 30, 1993 (\$2,073,255,000 par value) was allocated as follows: U.S. Treasury government and agency securities, 53.74%; repurchase agreements, 6.66%; collateralized certificates of deposit, 19.82%; and commercial paper, 19.78%.

State Cash Management Comparative Returns

In order to ensure that state investment returns reflect current market conditions, several market indicators are carefully monitored. Among these are rates reported daily in the Wall Street Journal, rates on U.S. Treasury securities and institutional money market funds. The following table illustrates state returns compared with two of these indicators.

| Fiscal Year | ¹ Total Pool Funds | ² Merrill Lynch Institutional Fund | ³ New Pool Funds | ⁴ 90 Day Treasury (CD Equivalent Yield) |
|-------------|-------------------------------|---|-----------------------------|--|
| 1992-93 | 4.39% | 3.29% | 3.21% | 3.11% |
| 1991-92 | 6.15 | 4.66 | 4.76 | 4.53 |
| 1990-91 | 7.91 | 7.03 | 7.15 | 6.66 |
| 1989-90 | 8.69 | 8.25 | 8.51 | 8.01 |
| 1988-89 | 8.08 | 8.34 | 8.79 | 8.24 |

¹Investment return on total portfolio.

²This index most closely resembles the structures and objectives of the total cash portfolio.

³Investment return on funds invested during the year.

⁴This approximates the reinvestment period for new funds.

Administration of Authorized State Depository Accounts

The Cash Management Division is responsible for the administration of the state's bank accounts in Tennessee financial institutions designated as authorized state depositories. Taxpayers and state agencies can deposit certain tax funds due to the state directly to any Treasurer's account at any authorized state depository.

The four most significant functions of administering the accounts are: (1) authorizing the state depository to accept state funds; (2) cash concentration; (3) collateralizing deposits; and (4) monitoring collateral and deposits. Financial institutions' requests to become authorized state depositories are received in Cash Management, reviewed, and forwarded to the appropriate state officials for consideration and approval.

The Cash Management Division is responsible for the cash concentration and management of all state depository accounts. Cash Management staff inquire on the balances of bank accounts and concentrate the funds into the State Trust to meet liquidity and investment needs. Statute requires that state deposits be secured through the pledging of investment securities to the state against those deposits. Time and/or demand deposits are maintained at 255 financial institutions. Taxpayers frequently make deposits directly to the various Treasurer's accounts without informing the Cash Management staff. Account balances are drawn to the floor and concentrated by Fed wire or Automated Clearinghouse (ACH) transactions. The account floor is the minimum amount required by the financial institution for that particular account to earn interest. The majority of these state accounts are interest bearing.

Changes in branch banking laws and bank ownership due to mergers and acquisitions have brought about a need to quickly identify the parent bank, holding company and affiliate trustee custodians for state depositories. The ability to access and update this information on a database enhances the ability to monitor deposits and collateral based on appropriate bank ownership.

Tax payments are sent electronically from the taxpayer's bank account directly into one of the state's accounts, enabling the department to invest the money sooner.

This same database is accessed for current account information for balance inquiry and cash concentration. It automates the link from balance inquiry to cash concentration by generating an ACH transaction. This automation provides more time to inquire on more accounts. The account balance floors are automatically compared to the balances entered to calculate ACH transaction amounts. Efforts to consolidate the state's business into no more than one account per bank are underway. The mergers and acquisitions of branches have resulted in multiple accounts at individual financial institutions. The cooperation of the banking industry has assisted these efforts. Some banks have encouraged taxpayers to participate in a program to make their

tax payments by an ACH transaction. ACH transactions are beneficial to the state and to banks due to increased efficiency over a manual method.

State Collateral Program

Collateral is required to secure state deposits held in authorized state depository institutions. Statute sets the required collateral level at a market value of 105 percent of the value of the deposit secured, less the amount secured by the Federal Deposit Insurance Corporation. However, if the state depository is operating with a capital-to-asset ratio of less than five percent, additional collateral with a market value of \$100,000 is required. The types of investment instruments which are eligible to be pledged as collateral are listed in this report.

The state of the economy and the financial environment has increased the importance of monitoring collateral. Cash Management staff review collateral daily, weekly, and monthly. Any collateral deficiencies at authorized state depository institutions are reported to the Funding Board monthly. Reasons for under-collateralization include market price volatility of the security pledged, unexpected high deposits to an account, interest accruals, capital-to-asset ratios falling below five percent, and principal paydowns on asset backed securities.

Legislation was passed in 1990 which permitted out-of-state banks to apply to become trustee custodians for securities pledged to the state of Tennessee. In addition to the normal considerations, two major agreements are required of such out-of-state institutions: (1) they must agree to be subject to the laws of the state of Tennessee and (2) they must be designated to hold collateral for the federal Treasury, Tax and Loan accounts.

8-5-110 Collateral

Tennessee Code Annotated, Section 8-5-110 designates the Treasurer as the custodian of all collateral, securities, bonds and other valuable papers deposited with the state or any department thereof, and requires the Treasurer to be exclusively responsible for the safekeeping thereof.

Cash Management personnel work directly with the personnel of the state agencies to accept and release collateral held in accordance with their specific instructions. Other state agencies cooperating with the Treasurer in this regard include the Department of Health, the Department of Environment and Conservation, the Department of Commerce and Insurance, and the Department of Financial Institutions. Reports of collateral transactions, holdings, and maturities are regularly shared with these departments.

Collateral Pool

Legislation passed in March 1990 — “The Collateral Pool for Public Deposits Act” — authorized the formation of two collateral pools: one pool for banks and one for savings and loan institutions. Interest in forming a bank collateral pool was expressed by banking officials statewide.

To minimize the risk to participating banks, the pool system operates under the jurisdiction of a Bank Collateral Pool Board.

While bank participation in the pool is voluntary, participation is subject to application and approval by the Bank Collateral Pool Board, which has established minimum financial performance levels to ensure that only healthy banks are permitted to participate.

The board is comprised of seven members and is administered by the Treasurer's office. Four of the board members are bankers appointed by the Treasurer from nominations submitted by the Tennessee Bankers Association. The remaining three members represent state and local government divisions.

All funds are collateralized based on the total amount of public funds held. Individual public fund accounts are accumulated, and the cumulative total is collateralized and pledged. Target collateral pledge levels are based on average balances in the public fund accounts.

All collateral transactions for the pool are centralized and processed through the Treasury Department once a month, using uniform statewide procedures.

The Bank Collateral Pool staff will monitor the pool through monthly, quarterly and annual bank reports of deposits and financial performance of the pool members. In addition, the staff regularly reviews collateral pledge levels.

Specific rules have been promulgated by the Bank Collateral Pool Board to guide the administration of the Bank Collateral Pool. The rules are included in a Bank Collateral Pool operations manual available to banks upon request.

The staff of the Treasurer's office has worked with the Board to develop a program that is efficient, less costly, and provides a high level of risk reduction in the collateralization of public funds. In addition, the staff has created a system that both banks and local government officials will find is easy to understand and administer.

The Bank Collateral Pool is currently on hold pending federal legislation concerning pledged collateral. The Treasurer's office expects a favorable resolution, whereby the collateral pool can proceed as planned.

Securities Acceptable as Collateral for State Deposits

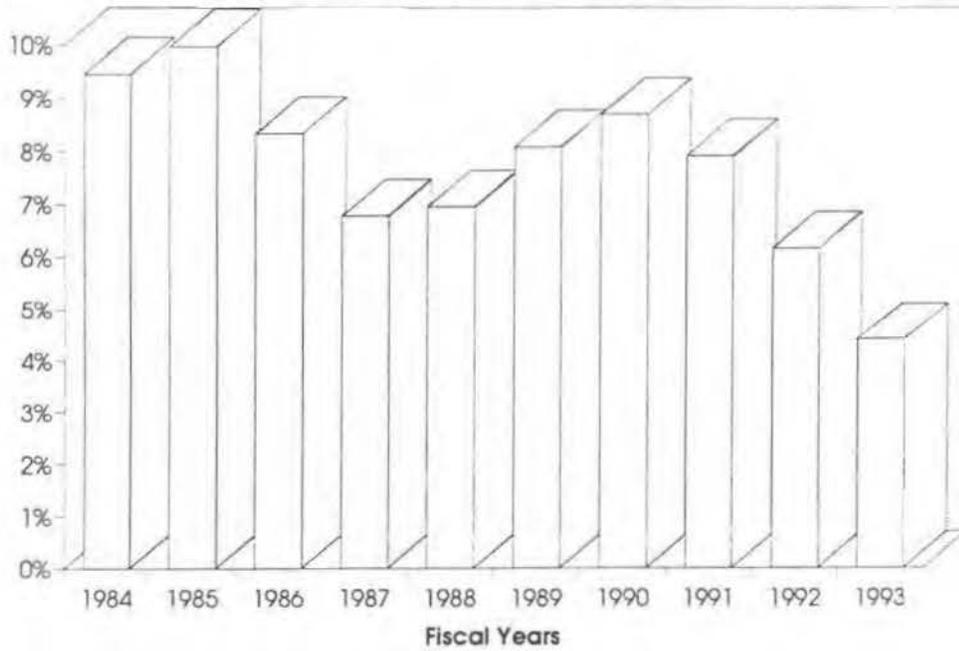
1. U.S. Treasury Bills
2. U.S. Treasury Notes & Bonds
3. Federal Housing Administration (FHA) debentures
4. Government National Mortgage Associations (GNMA)*
5. Farm Credit System (FCS)
 - a. Federal Land Bank Bond (FLBB)
 - b. Farm Credit Systemwide Bonds (FCSB)
 - c. Farm Credit Systemwide Discount Notes (FCDN)
 - d. Farm Credit Systemwide Floating Rate Notes (FCFR)
6. Federal Home Loan Banks
 - a. Bonds (FHLB)
 - b. Discount Notes (FHDN)
 - c. Floating Rate Notes (FHFR)
7. Federal Home Loan Mortgage Corporation (FHLMC)*
 - a. Mortgage-Backed Participation Certificates and Adjustable Rate Securities (FMPC, FMAR)
 - b. Discount Notes (FMDN)
8. Federal National Mortgage Association (FNMA)*
 - a. Bonds, Debentures, Secondary Market Debt Obligations (FNSM)
 - b. Discount Notes (FNDN)
 - c. Floating Rate Notes (FNFR)
 - d. Mortgage-Backed Pass-Through Certificates (FNRF)
 - e. Residential Financing Securities (FNRF)
 - f. Adjustable Rate Mortgage-Backed Bonds (FNAR)
9. Student Loan Marketing Association (SLMA)
 - a. Discount Notes (SLDN)
 - b. Fixed Rate Notes (SLMN)
 - c. Floating Rate Notes (SLFR)
 - d. Bonds (SLBD)
10. Tennessee Valley Authority Bonds and Notes (TVA)
11. Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMICs) that are direct obligations of a U.S. agency or FNMA/FHLMC, except that the "residual" class/tranche of such securities will not be acceptable. Sufficient excess securities should be pledged to allow for the periodic reduction of principal.
12. Certain Tennessee Municipal Bonds as specified in T.C.A. Section 9-4-103.

* *Pass through securities must reflect current paid down values and be kept up to date.*

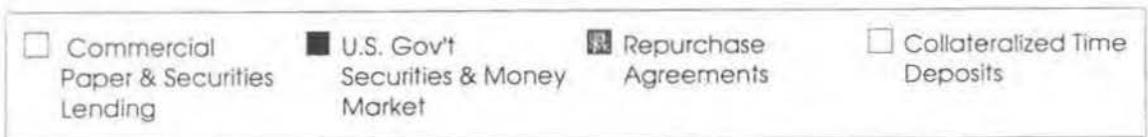
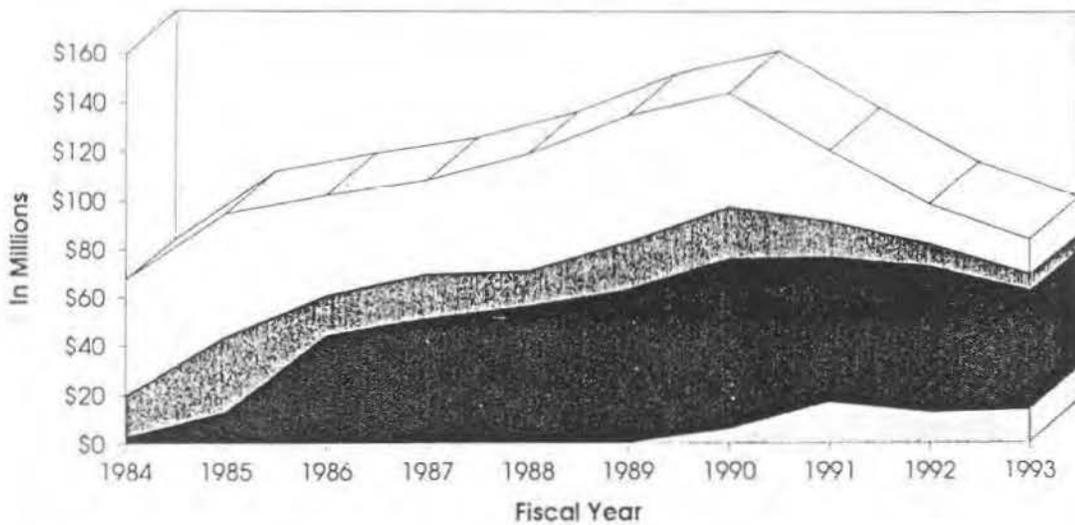
Historical Analysis of State Cash Investments

| <i>Fiscal Year</i> | <i>Average Amount Invested</i> | <i>Amount Earned</i> | <i>Rate of Return</i> | |
|--|-------------------------------------|---------------------------------------|---|--|
| Collateralized Time Deposits | | | | |
| 1992-93 | \$ 367,934,460 | \$ 14,855,742 | 4.03% | |
| 1991-92 | 287,099,579 | 16,274,530 | 5.60% | |
| 1990-91 | 374,849,439 | 28,926,573 | 7.75% | |
| 1989-90 | 534,537,343 | 46,386,265 | 8.64% | |
| 1988-89 | 627,977,376 | 51,357,880 | 8.18% | |
| Repurchase Agreements | | | | |
| 1992-93 | \$ 222,356,489 | \$ 7,138,186 | 3.17% | |
| 1991-92 | 213,768,838 | 9,768,005 | 4.67% | |
| 1990-91 | 204,465,829 | 15,081,792 | 7.17% | |
| 1989-90 | 255,968,844 | 21,592,013 | 8.60% | |
| 1988-89 | 226,195,963 | 20,365,993 | 8.90% | |
| Commercial Paper | | | | |
| 1992-93 | \$ 351,223,148 | \$ 11,857,182 | 3.38% | |
| 1991-92 | 218,552,117 | 11,206,751 | 5.07% | |
| 1990-91 | 204,276,091 | 15,752,444 | 7.65% | |
| 1989-90 | 61,703,591 | 5,166,619 | 8.37% | |
| U.S. Government Securities | | | | |
| 1992-93 | \$ 1,022,595,573 | \$ 49,207,450 | 5.07% | |
| 1991-92 | 903,627,136 | 60,499,203 | 6.72% | |
| 1990-91 | 736,959,611 | 60,114,144 | 8.17% | |
| 1989-90 | 797,028,872 | 70,186,714 | 8.74% | |
| 1988-89 | 801,265,661 | 62,644,827 | 7.77% | |
| Money Market Deposit Accounts and Other | | | | |
| 1992-93 | \$ 6,200,757 | \$ 120,580 | 2.06% | |
| 1991-92 | 7,378,375 | 236,509 | 3.31% | |
| 1990-91 | 9,591,590 | 395,062 | 3.97% | |
| 1989-90 | 10,548,553 | 478,192 | 4.42% | |
| 1988-89 | 11,111,732 | 506,154 | 4.57% | |
| Securities Lending Income | | | | |
| 1992-93 | N/A | \$ 1,425,030 | N/A | |
| 1991-92 | N/A | 1,070,580 | N/A | |
| 1990-91 | N/A | 796,026 | N/A | |
| 1989-90 | N/A | 427,177 | N/A | |
| Total Funds | | | | |
| <i>Fiscal Year</i> | <i>Average Total Funds Invested</i> | <i>Total Cash Management Earnings</i> | <i>Percent of Total Available Cash Invested</i> | <i>Composite Weighted Average Rate of Return</i> |
| 1992-93 | \$ 1,970,310,427 | \$ 84,604,170 | 100% | 4.39% |
| 1991-92 | 1,630,426,045 | 99,055,578 | 100% | 6.15% |
| 1990-91 | 1,530,142,560 | 121,066,041 | 100% | 7.91% |
| 1989-90 | 1,659,787,203 | 144,236,980 | 100% | 8.69% |
| 1988-89 | 1,666,550,732 | 134,874,854 | 100% | 8.08% |

**Cash Management Investments
Composite Weighted Average Rate of Return 1984-1993**



Analysis of State Cash Earnings 1984-1993



Cash Management Portfolio Analysis
Fiscal Year Ended June 30, 1993

| Date | Current Investment Yield | Total Portfolio Yield | Avg. Days to Maturity | Portfolio Composition | | | | |
|----------------------|--------------------------|-----------------------|-----------------------|-------------------------|-----------------------|---------------------|-------------|------------------|
| | | | | Certificates of Deposit | Repurchase Agreements | U.S. Treasury Notes | U.S. Agency | Commercial Paper |
| 07/92 | 3.45% | 5.24% | 192 | 19.70% | 14.79% | 47.10% | 9.03% | 9.37% |
| 08/92 | 3.37% | 4.96% | 190 | 18.82% | 10.68% | 46.53% | 6.83% | 17.14% |
| 09/92 | 3.30% | 4.73% | 185 | 17.52% | 14.02% | 47.41% | 6.46% | 14.60% |
| 10/92 | 3.21% | 4.65% | 182 | 17.30% | 9.69% | 49.02% | 5.60% | 18.39% |
| 11/92 | 3.16% | 4.46% | 188 | 19.57% | 10.51% | 48.61% | 3.04% | 18.27% |
| 12/92 | 3.21% | 4.35% | 179 | 20.05% | 10.55% | 43.86% | 1.44% | 24.11% |
| 01/93 | 3.18% | 4.21% | 161 | 19.12% | 17.90% | 44.25% | 1.35% | 17.38% |
| 02/93 | 3.11% | 4.09% | 166 | 19.42% | 13.60% | 49.95% | 1.34% | 15.68% |
| 03/93 | 3.19% | 3.98% | 167 | 17.68% | 12.69% | 47.34% | 1.83% | 20.47% |
| 04/93 | 3.10% | 3.96% | 184 | 17.41% | 10.28% | 46.76% | 1.89% | 23.66% |
| 05/93 | 3.15% | 3.96% | 204 | 18.25% | 5.86% | 52.05% | 2.89% | 20.95% |
| 06/93 | 3.14% | 4.06% | 225 | 22.80% | 5.48% | 51.34% | 3.51% | 16.88% |
| Dollar Weighted Avg. | 3.21% | 4.39% | 185 | 18.97% | 11.34% | 47.85% | 3.77% | 18.07% |

| Date | General Fund | | LGIP | | Other Restricted | | Total Invested |
|-------|----------------|---------|------------------|---------|------------------|---------|------------------|
| | Average | Percent | Average | Percent | Average | Percent | |
| 07/92 | \$ 532,058,832 | 28.08% | \$ 938,660,117 | 49.54% | \$ 423,975,380 | 22.38% | \$ 1,894,694,329 |
| 08/92 | 581,909,940 | 30.12% | 930,314,943 | 48.15% | 420,005,795 | 21.74% | 1,932,230,678 |
| 09/92 | 522,129,122 | 26.84% | 1,012,543,179 | 52.06% | 410,376,461 | 21.10% | 1,945,048,762 |
| 10/92 | 502,820,657 | 25.71% | 1,024,518,459 | 52.38% | 428,498,722 | 21.91% | 1,955,837,838 |
| 11/92 | 445,289,070 | 23.77% | 1,001,246,587 | 53.45% | 426,626,920 | 22.78% | 1,873,162,577 |
| 12/92 | 405,033,800 | 22.98% | 915,234,904 | 51.93% | 442,211,213 | 25.09% | 1,762,479,917 |
| 01/93 | 405,029,431 | 21.74% | 1,013,117,563 | 54.39% | 444,498,942 | 23.86% | 1,862,645,936 |
| 02/93 | 362,469,077 | 19.25% | 1,066,057,631 | 56.62% | 454,328,026 | 24.13% | 1,882,854,734 |
| 03/93 | 368,249,325 | 17.45% | 1,288,708,151 | 61.08% | 452,824,825 | 21.46% | 2,109,782,301 |
| 04/93 | 474,762,475 | 21.81% | 1,230,513,403 | 56.52% | 471,956,361 | 21.68% | 2,177,232,239 |
| 05/93 | 614,406,665 | 28.00% | 1,120,177,945 | 51.05% | 459,653,173 | 20.95% | 2,194,237,783 |
| 06/93 | 563,068,328 | 27.42% | 1,017,025,145 | 49.53% | 473,424,541 | 23.05% | 2,053,518,014 |
| Avg. | \$ 481,435,560 | 24.43% | \$ 1,046,509,836 | 53.06% | \$ 442,365,031 | 22.51% | \$ 1,970,310,427 |

Note: The average General Fund balance would have been \$641,117,263 if \$159,681,703 had not been used to cover the average deficit balance in the Education Trust Fund.

Local Government Investment Pool

Tennessee municipalities, counties, school districts, utility districts, community health agencies, local government units, and political subdivisions can deposit monies with the Treasurer to be invested in the state cash management investment pool. Of course, these local governments can invest their monies directly in the money market if they so desire. However, by allowing their dollars to be invested by the state they eliminate the complexities of managing day to day investment and collateral relationships with banks and/or securities dealers. This allows cash managers who have previously been limited either by the relatively small amount of funds available for investment or the complexities of today's investment environment to take advantage of the volume and expertise of the Treasurer's cash management program.

The Local Government Investment Pool began operations in November of 1980. Currently, 291 local government units participate in the LGIP program. The Treasurer's Office has installed a facsimile copy machine to assist participants of the LGIP in communicating their instructions regarding deposits, transfers or withdrawals of funds. Thus, participants have the choice of communicating these instructions by telephone or telecopier.

In addition, voice mail telephone service has been provided to permit LGIP participants to give telephone transaction instructions while staff is busy on other telephone lines. Voice mail permits an increase in productivity while holding costs constant.

LGIP reports mailed to participants include monthly statements and transaction confirmations.

Monthly statements detail all debits and credits to the account during the month, the account's average daily balance, and interest credited. A transaction confirmation is mailed to the participant each time a deposit or withdrawal is made. Many participants rely on this documentation for daily and weekly reconciliations.

Local governments which enter into agreements with the Department of Transportation (DOT) often establish an LGIP account to fund the local matching portion of a highway project grant. These

DOT accounts are available to provide the local match to the specific highway project in a timely manner while earning interest for the local government. In a similar fashion, the Tennessee Board of Regents schools provide their matching portion of Capital Projects funds while earning interest for the benefit of the Board of Regents school.

Participants earn interest on LGIP deposits based on the average rate of interest earned on the investments acquired for the entire cash management pool each month. This average earnings rate is reduced each month by fifteen one hundredths of one percent (.15%) as an administrative fee for participating in the LGIP program. During the 1992-93 fiscal year, the average rate participants earned on their deposits after the fee reduction was 3.06%.

Due to continued growth in the LGIP program, and efficiency gains made in Cash Management, the administration fee beginning July 1, 1993 was lowered to six one hundredths of one percent (.06%).

Other activity is shown on the following schedule by participant group.

Effective July 1, 1993,
the Division of Cash Management lowered the pool's investment management fee from 15 basis points to 6 basis points.

**Local Government Investment Pool Schedule of Activity by Entity Type
Fiscal Year Ended June 30, 1993**

| | Account Balance 7/1/92 | Amount Deposited FY 1992-93 | Amount Withdrawn FY 1992-93 | Net Interest Credited FY 1992-93 | Account Balance 6/30/93 |
|-----------------------------|------------------------------|-----------------------------------|-----------------------------------|--|-------------------------------|
| Cities | \$ 341,579,651 | \$ 808,363,285 | \$ 846,899,999 | \$ 11,245,515 | \$ 314,288,452 |
| Counties | 233,623,723 | 970,296,045 | 986,798,935 | 7,383,650 | 224,504,483 |
| Commitments to D.O.T. | 28,769,790 | 9,044,304 | 15,341,588 | 855,982 | 23,328,488 |
| Educational Institutions | 257,031,227 | 1,374,464,661 | 1,379,603,314 | 9,705,279 | 261,597,853 |
| Community Health Access | 2,033,148 | 27,869,030 | 27,264,430 | 86,875 | 2,724,623 |
| Restricted Accounts | 977,797 | 0 | 37,384 | 29,743 | 970,156 |
| Other | 64,906,918 | 159,670,002 | 126,991,746 | 2,695,893 | 100,281,067 |
| TOTAL | \$ 928,922,254 | \$ 3,349,707,327 | \$ 3,382,937,396 | \$ 32,002,937 | \$ 927,695,122 |

State Trust of Tennessee

The State Trust of Tennessee, a not-for-profit corporation, was chartered in the state of Tennessee on April 20, 1979 and began operations in December, 1980. The State Trust has enabled the Treasury Department to gain limited membership in the Federal Reserve Bank System. Being a limited member of the Federal Reserve gives the Treasury Department access to the Federal Reserve Wire System, which is used to send, receive, transfer and control funds movement expediently under the Treasurer's management.

Due to restrictions imposed upon state-owned trust companies by the Federal Reserve Board, the State Trust of Tennessee is limited to the number

Funds handled by the Treasurer's Office qualify it as the largest financial institution in the state of Tennessee.

of daily outgoing wire transfers and can no longer settle ACH transactions through its account at the Federal Reserve. The restrictions required the State Trust of Tennessee to contract with an agent bank to execute these transactions. First American National Bank currently serves as the Trust's agent.

**State Trust Of Tennessee Federal Reserve Bank Transactions
Fiscal Year 1992-93**

| Transaction Type | Number | Amount |
|----------------------------|------------------|--------------------------|
| (1) Wire Disbursements | 1,488 | \$ 772,004,817 |
| (2) Wire Receipts | 6,968 | 9,781,375,766 |
| (3) Security Disbursements | 4,782 | 34,027,332,409 |
| (4) Security Receipts | 3,861 | 33,243,531,403 |
| (5) Check Redemptions | 6,915,620 | 6,345,146,864 |
| TOTAL | 6,932,719 | \$ 84,169,391,259 |

Explanation of Transaction Types:

- (1) Disbursements of cash for the purpose of non-Fed eligible securities, settlement wires to agent bank, and other non-reoccurring wires.
- (2) Receipt of cash for payment of interest and principal for non-Fed eligible securities, concentration of cash deposited in local banks, drawdown of Federal funds, and Local Government Investment Pool (LGIP) deposits.
- (3) Disbursement of cash against the receipt of Fed eligible securities (U.S. Government securities held in book-entry form by the Federal Reserve Bank).
- (4) Receipt of cash against the disbursement of Fed eligible securities.
- (5) Redemption of warrants, drafts, and checks issued by the state.

Reconciliation of Cash and Cash Equivalents June 30, 1993

(Expressed in Thousands)

| | | |
|---|----------------|---------------------|
| Cash and cash equivalents per Department of Finance and Administration | | \$ 2,442,700 |
| Add: Net reconciling items to bank statements | | 44 |
| Deduct: Petty cash and other departmental cash in accounts not in possession of the Treasurer | | (54,538) |
| Deduct: Investments classified as cash equivalents, not in possession of the Treasurer | | <u>(283,996)</u> |
| Cash and cash equivalents per Treasury | | <u>\$ 2,104,210</u> |
| Represented by: | | |
| Cash in banks | \$ 24,441 | |
| Time deposits | 412,235 | |
| Repurchase agreements | 138,500 | |
| Treasury bills | 1,117,603 | |
| Commercial paper | <u>411,431</u> | |
| Total | | <u>\$ 2,104,210</u> |

The cash and cash equivalents per Finance and Administration of \$2.44 billion is reported on the State of Tennessee Combined Balance Sheet for all Fund Types and Account Groups, in the Tennessee Comprehensive Annual Financial Report for June 30, 1993.

Investment objectives for the TCRS Investment Division are to obtain the highest available return on investments consistent with the preservation of principal, while maintaining sufficient liquidity to react to the changing environment and to pay beneficiaries in a timely manner.

TCRS Investment Division's policies and strategies serve to benefit plan members in several ways. The emphasis on conservative and high quality securities and allocations helps to ensure the soundness of the system and the ability to provide the needed funds upon a member's retirement.

Funds in the retirement system are actively managed with a diversified portfolio of high-quality domestic and international bonds, domestic and international stocks, mortgages, dynamically hedged currencies, and money market instruments. Investment policy for TCRS funds is subject to the approval of the Board of Trustees. An Investment Advisory Council was established by the Consolidated Retirement Act of 1972 to provide policy guidance to the Board of Trustees and the investment staff. The current Advisory Council is comprised of five senior investment professionals from within the state of Tennessee. All five members hold the Chartered Financial Analyst designation. The Advisory Council's combined investment management experience totals over 160 years.

Initiatives

During the fiscal year, several initiatives were authorized by statute, and policy was established by the Board of Trustees. Authorization was obtained to enter into index futures transactions in domestic equities for the purpose of asset allocation adjustments. This is designed to provide temporary liquidity for the management of domestic equities and allow a faster and cheaper way to rebalance the portfolio.

In addition, the securities lending program of domestic and international securities was expanded to 30% of assets with the program being implemented by the TCRS custodian bank.

Progress was made during the fiscal year toward filling the eight new investment staff positions authorized in the previous fiscal year. New portfolio manager positions were filled in both domestic equity and fixed income. Three positions were filled in the newly created analyst division of Investments. An additional international equity trader position was also filled.

Investment income on the TCRS fund exceeded one billion dollars in 1992-93.

Progress was also made in upgrading the division's computer and communications capabilities. Half the investment staff received personal computers during the year, with the remaining half to receive them in the 1993-94 fiscal year. At that time, they will be linked in a Local Area Network to increase efficiency and provide greater flexibility. A comprehensive review of software and quotation services will follow the full implementation of this additional investment hardware.

Securities Custodian

Certain United States Government Securities are held in a definitive account at the Federal Reserve Bank. Chase Manhattan Bank, N.A. serves as the custodian bank for all other domestic and international securities.

Summary of Retirement Fund Investments

| | <i>June 30, 1993</i> | | <i>June 30, 1992</i> | |
|---------------------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| | Book Value | Market Value | Book Value | Market Value |
| <i>Domestic Securities:</i> | | | | |
| Government Bonds | \$ 2,735,085,251 | \$ 3,147,689,079 | \$ 2,599,139,892 | \$ 2,859,352,709 |
| Corporate Bonds | 2,979,454,700 | 3,199,452,746 | 2,613,066,149 | 2,757,430,913 |
| Corporate Stocks | 2,779,042,747 | 3,629,616,939 | 2,762,059,768 | 3,300,267,308 |
| <i>Total Domestic Securities</i> | <i>\$ 8,493,582,698</i> | <i>\$ 9,976,758,764</i> | <i>\$ 7,974,265,809</i> | <i>\$ 8,917,050,930</i> |
| <i>International Securities:</i> | | | | |
| Government Bonds | \$ 587,696,633 | \$ 586,214,695 | \$ 385,304,939 | \$ 408,718,048 |
| Corporate Bonds | 196,922,342 | 218,781,807 | 304,996,210 | 332,308,719 |
| Corporate Stocks | 737,551,306 | 750,566,026 | 346,470,718 | 343,377,201 |
| American Depository Receipts | 10,432,098 | 17,105,100 | 13,661,309 | 21,729,969 |
| <i>Total International Securities</i> | <i>\$ 1,532,602,379</i> | <i>\$ 1,572,667,628</i> | <i>\$ 1,050,433,176</i> | <i>\$ 1,106,133,937</i> |
| <i>Short-Term Securities</i> | <i>\$ 826,160,603</i> | <i>\$ 826,413,255</i> | <i>\$ 682,270,390</i> | <i>\$ 683,238,107</i> |
| <i>Total Investments</i> | <i>\$ 10,852,345,680</i> | <i>\$ 12,375,839,647</i> | <i>\$ 9,706,969,375</i> | <i>\$ 10,706,422,974</i> |

Distribution of International Investments June 30, 1993

| Country | <i>Stocks</i> | | <i>Fixed Income</i> | | <i>Total</i> | |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| | Book Value | Market Value | Book Value | Market Value | Book Value | Market Value |
| Australia | \$ 53,377,315 | \$ 48,808,475 | \$ 25,096,841 | \$ 28,357,188 | \$ 78,474,156 | \$ 77,165,663 |
| Canada | 14,502,093 | 17,100,562 | 263,317,232 | 273,941,902 | 277,819,325 | 291,042,464 |
| France | 76,435,300 | 75,200,307 | 159,827,559 | 164,228,601 | 236,262,859 | 239,428,908 |
| Japan | 344,508,017 | 365,400,450 | 100,270,059 | 117,158,244 | 444,778,076 | 482,558,694 |
| Netherlands | 23,858,496 | 26,690,019 | 36,164,227 | 33,418,907 | 60,022,723 | 60,108,926 |
| Switzerland | 42,805,419 | 41,558,394 | 0 | 0 | 42,805,419 | 41,558,394 |
| United Kingdom | 110,210,543 | 109,291,110 | 62,268,509 | 55,918,621 | 172,479,052 | 165,209,731 |
| Germany | 82,286,220 | 83,621,809 | 137,674,548 | 131,973,039 | 219,960,768 | 215,594,848 |
| <i>Total</i> | <i>\$ 747,983,403</i> | <i>\$ 767,671,126</i> | <i>\$ 784,618,975</i> | <i>\$ 804,996,502</i> | <i>\$ 1,532,602,378</i> | <i>\$ 1,572,667,628</i> |

**TCRS Performance Summary
Fiscal Years 1983-84 Through 1992-93**

| Fiscal Year | Excluding Gains and Losses | | | Including Gains and Losses | | |
|-------------|----------------------------|----------------|---------------------------------|----------------------------|------------------|---------------------------------|
| | Average Amount Invested | Amount Earned | Percentage Earned on Book Value | Average Amount Invested | Amount Earned | Percentage Earned on Book Value |
| 1992-93 | \$ 10,108,497,939 | \$ 634,818,640 | 6.28% | \$ 9,857,173,789 | \$ 1,137,466,939 | 11.54% |
| 1991-92 | 9,026,797,509 | 627,814,872 | 6.96 | 8,847,594,762 | 986,220,366 | 11.15 |
| 1990-91 | 8,134,018,497 | 583,497,298 | 7.17 | 8,049,275,637 | 752,983,018 | 9.35 |
| 1989-90 | 7,285,571,828 | 527,470,999 | 7.24 | 7,154,949,468 | 788,715,719 | 11.02 |
| 1988-89 | 6,492,258,416 | 474,648,937 | 7.31 | 6,454,807,817 | 549,550,134 | 8.51 |
| 1987-88 | 5,790,721,402 | 412,547,763 | 7.12 | 5,710,292,216 | 573,406,134 | 10.04 |
| 1986-87 | 4,918,934,167 | 366,812,760 | 7.46 | 4,802,008,843 | 726,663,408 | 15.13 |
| 1985-86 | 4,159,389,303 | 342,666,987 | 8.24 | 4,048,574,353 | 564,296,889 | 13.94 |
| 1984-85 | 3,502,888,237 | 321,331,692 | 9.17 | 3,486,456,087 | 354,195,992 | 10.16 |
| 1983-84 | 3,010,007,123 | 276,903,188 | 9.20 | 2,959,626,328 | 342,868,167 | 11.58 |

NOTE: The formula used to calculate the above figures has been devised consistent with authoritative sources absent specific generally accepted accounting principles promulgating such and is as follows:

$$\frac{I}{(A + B - I)/2}$$

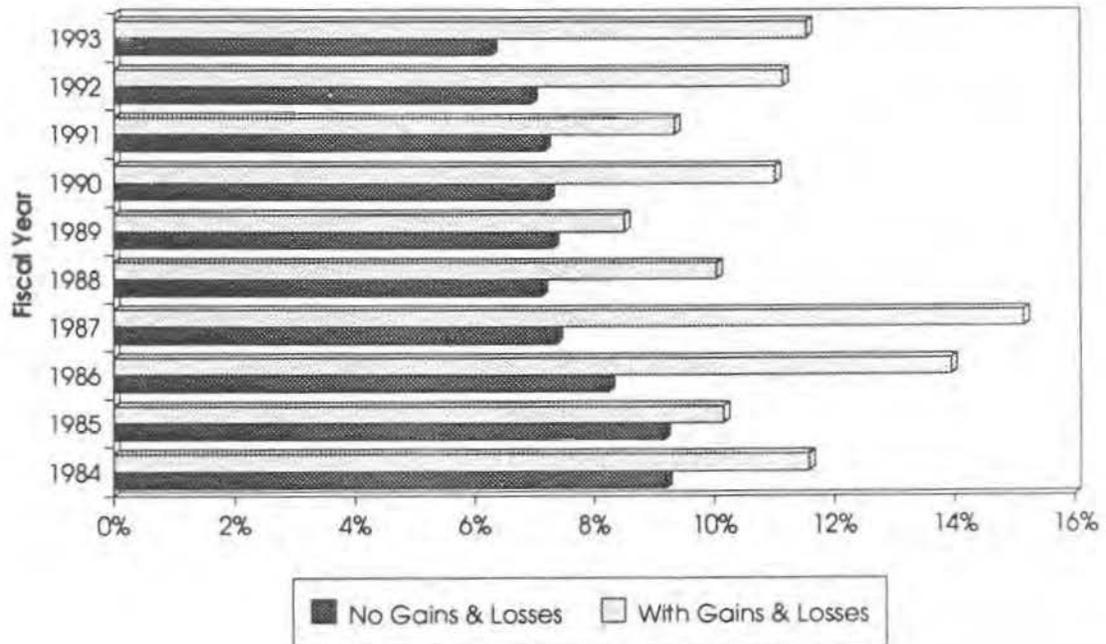
WHERE

I = Current earnings plus discount minus premium

A = Total assets less current liabilities at beginning of year

B = Total assets less current liabilities at end of year

Rates are computed where I includes and excludes gains and losses on sales of investments.



TCRS Investments Benchmark Analysis

| Fiscal Year | ¹ Public Fund Index Median Total Return | ² TCRS Total Return | ³ Income Yield On Average Available Funds | ⁴ Yield To Maturity New Bonds |
|-------------|--|--------------------------------|--|--|
| 1992-93 | 13.2 % | 15.1 % | 5.16 % | 6.48 % |
| 1991-92 | 12.1 | 13.7 | 5.44 | 8.22 |
| 1990-91 | 7.9 | 7.8 | 5.97 | 8.65 |
| 1989-90 | 10.4 | 11.6 | 6.03 | 9.01 |
| 1988-89 | 14.2 | 15.3 | 6.35 | 9.36 |
| 1987-88 | 1.9 | 2.0 | 5.49 | 9.21 |
| 1986-87 | 10.8 | 10.3 | 4.92 | 8.50 |
| 1985-86 | 25.2 | 27.7 | 5.21 | 9.67 |
| 1984-85 | 26.8 | 28.6 | 7.26 | 11.76 |
| 1983-84 | (2.1) | (3.3) | 8.02 | 12.21 |
| 1982-83 | 37.6 | 35.4 | 8.64 | 11.80 |

¹This index most closely resembles the structure and objectives of TCRS.

²This is the time weighted method used to calculate returns and is the most accurate way to measure performance.

³This is the total dividend and interest income earned in one year and expressed as a percentage of average funds available to invest at amortized cost. It does not include discount amortization of bonds or lending fees.

⁴This is the yield to maturity on bonds acquired with new funds during each fiscal year.

**Summary of Investment Program Earnings
Fiscal Years 1988-89 Through 1992-93**

| Fiscal Year | Cash Management Earnings | TCRS Portfolio Earnings | Total Treasury Earnings |
|-------------|--------------------------|-------------------------|-------------------------|
| 1992-93 | \$ 84,604,170 | \$ 1,137,466,939 | \$ 1,222,071,109 |
| 1991-92 | 99,055,579 | 986,220,366 | 1,085,275,945 |
| 1990-91 | 121,066,041 | 752,983,018 | 874,049,059 |
| 1989-90 | 144,236,980 | 788,715,719 | 932,952,699 |
| 1988-89 | 134,874,854 | 549,550,134 | 684,424,988 |

The Tennessee Consolidated Retirement System (TCRS) was established July 1, 1972. Prior to this date, there were seven different public employee retirement systems. The TCRS, a defined benefit plan which is qualified under 401(a) of the Internal Revenue Code (IRC), is a retirement system for state employees, higher education employees, teachers, and local government employees.

Membership

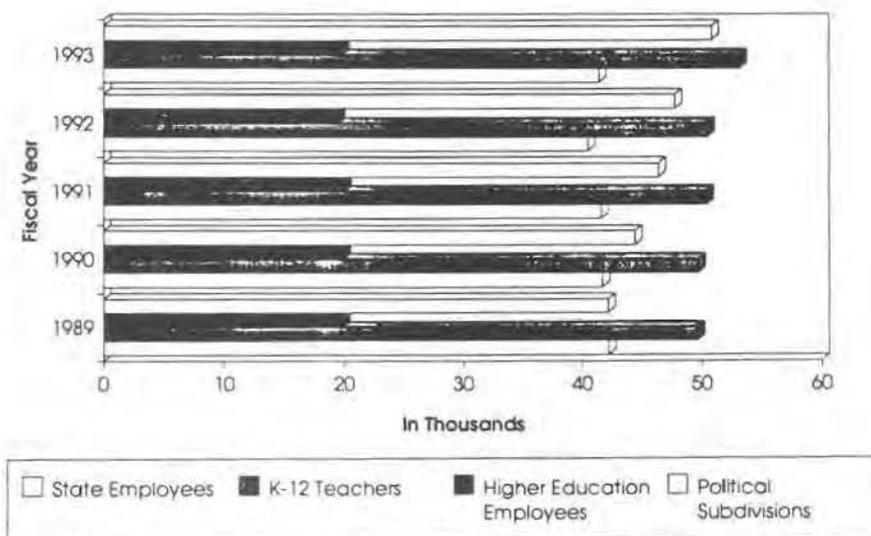
Membership in the retirement system is a condition of employment for full-time state employees, teachers, general employees in higher education, and the employees of local governments that participate in TCRS. Membership is optional for certain part-time employees. Faculty employees in higher education may participate in either TCRS or an Optional Retirement Program (ORP), which is a defined contribution plan designed for faculty employees in institutions of higher education. When an employee joins TCRS, he receives an introductory letter and membership pamphlet outlining various aspects of retirement membership.

State employees and teachers become vested after five years of service. Political subdivision members attain vested status upon completion of 10 years unless five year vesting has been authorized. A vested member is guaranteed a retirement benefit once the age requirements are met.

As of June 30, 1993, there were 165,245 active members of TCRS and 9,067 higher education employees participating in the ORP.

Since July 1, 1976, all new members of the TCRS except state judges have been classified as Group I members. State judges have been permitted to enroll in Group IV since September 1, 1990. From July 1, 1972 to June 30, 1976, all employees were classified as Group I with the exception of state policemen, wildlife officers, firemen and policemen who were classified as Group II and judges and elected officials who were classified as Group III. Members of seven superseded systems are permitted to retain their original rights and benefits.

Active Members Fiscal Years 1989-1993



Contributions

The funding of retirement benefits is financed by member contributions, employer contributions, and the earnings of the invested assets. Effective July 1, 1981, the employee contributions of certain state employees and higher education employees were assumed by the state. Local governments can also adopt these noncontributory provisions for their employees. Group I K-12 teachers and contributory local government employees contribute to TCRS at the rate of 5% of gross salary. Employee contribution rates vary for superseded classifications.

Effective January 1, 1987, all state employees and teachers who contribute a portion of their income to the retirement system became covered by the provisions of 414(h) of the Internal Revenue Code. Under 414(h), payment of federal income tax on an employee's retirement contributions is deferred until these contributions are withdrawn in the form of a refund or monthly benefit payments. Political subdivisions may pass a resolution adopting the provisions of 414(h) for their employees.

Upon termination of employment, a member may elect to withdraw his contributions and accumulated interest from the retirement system in a lump sum. By obtaining a lump sum refund, a

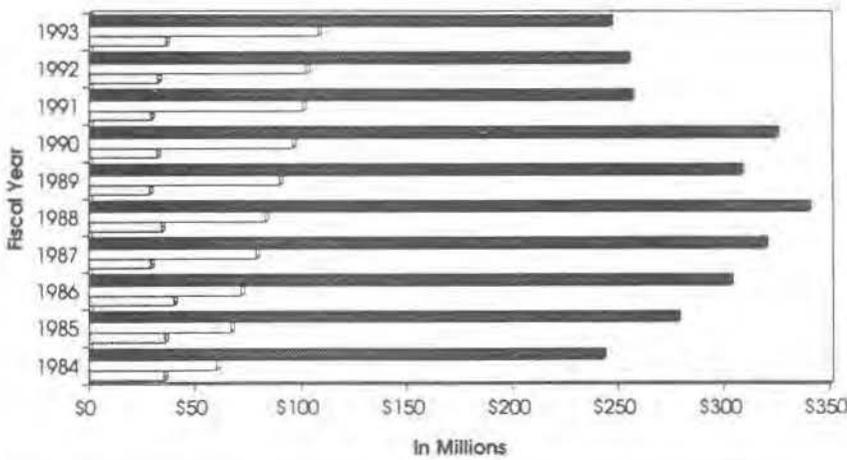
member waives all rights and benefits in the retirement system. A vested member may leave his account balance in TCRS and apply for benefits upon meeting the age requirements. A non-vested member who terminates employment may only leave his account balance in TCRS for up to seven years; after seven years, he automatically loses membership. During the 1992-93 fiscal year, 4,627 refunds totaling \$17.1 million were issued.

The contribution rate for the employers participating in the retirement system is determined by a biennial actuarial valuation performed by an independent actuarial firm. The contribution rates include funding for the basic benefit, the cost-of-living increase provisions, and amortization of the accrued liability over a 40 year period which began in July of 1975. The employer contribution rates for the year ending June 30, 1993 were as follows:

| | |
|--|---------|
| Noncontributory State and | |
| Higher Education Employees | 6.44% |
| K-12 Teachers | 8.68% |
| Political Subdivisions Individually Determined | |
| Faculty Members Electing to Participate in the ORP | 10.00%* |

*11% for salary above the social security wage base.

Retirement Contributions Fiscal Years 1984-93



Legend: Local Government (white bar), Employee Contributions (light gray bar), State Contributions (dark gray bar)

Retirement Benefits

The benefits provided by TCRS are designed, when combined with the benefit payable from social security, to allow career employees to maintain their standard of living at retirement.

As of June 30, 1993, 58,166 retirees were receiving monthly benefit payments. This represents an increase of 1,877 retirees since June 30, 1992.

The 1993 General Assembly authorized a 5% increase in benefits for state employees and teachers to take effect on January 1, 1994.

Group I state employees and teachers become eligible to retire from the TCRS at age 60 with five years of service or at any age with 30 years of service. State employees and teachers become vested after five years of service. Political subdivision members attain vested status upon completion of 10 years unless five year vesting has been authorized. Retirement benefits are based on the average

of the member's five highest consecutive years of salary and the years of creditable service. A reduced retirement benefit is available to vested members at age 55 or upon completion of 25 years of service.

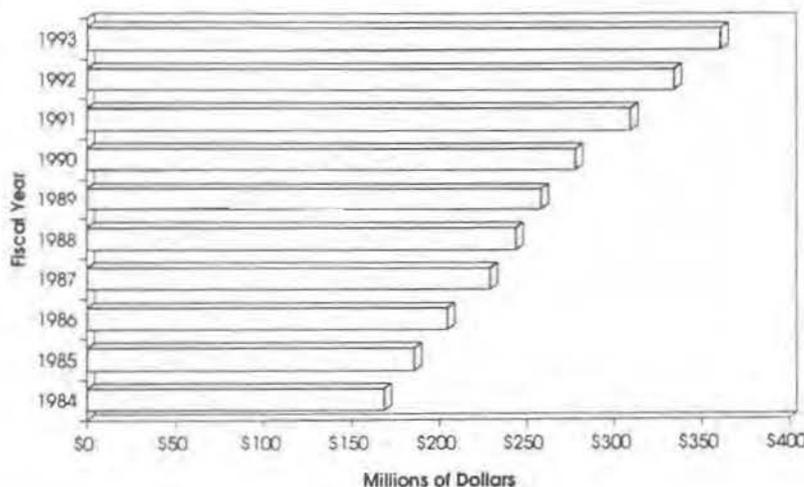
Disability benefits are available to active members with five years of service who become disabled and can not engage in gainful employment. There is no service requirement for disability benefits paid to active members whose disability is a result of an accident or injury occurring while the member was in the performance of duty.

Cost-of-living adjustments after retirement are based on the Consumer Price Index (CPI). If there is an increase or decrease in the CPI of as much as 1% in any calendar year, the retired member's base benefit will be adjusted by an amount equal to the increase or decrease in the CPI, not to exceed 3%.

Certain death benefits are available to the beneficiary(s) of a member who dies prior to retirement. At retirement, a member can select an optional benefit which is actuarially reduced so that his beneficiary may continue to receive a benefit after his death.

Benefits paid in fiscal year 1992-93 totaled \$361.2 million, an increase of \$29.4 million over 1991-92 benefit payments.

Annual Benefit Payments



TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

**Tennessee's Retirement Program
TCRS and Social Security Benefits**

Age 65, 5% Benefit Formula Increase

| <u>Five Year AFC</u> | | <u>20 Years</u> | <u>25 Years</u> | <u>30 Years</u> | |
|----------------------|-----------------|-------------------|-------------------|--------------------|--|
| \$12,000 | TCRS | \$ 3,780 | \$ 4,725 | \$ 5,670 | |
| | Social Security | <u>6,804</u> | <u>6,804</u> | <u>6,804</u> | |
| | Total | \$ 10,584 (88.2%) | \$ 11,529 (96.1%) | \$ 12,474 (104.0%) | |
| \$15,000 | TCRS | \$ 4,725 | \$ 5,909 | \$ 7,087 | |
| | Social Security | <u>7,812</u> | <u>7,812</u> | <u>7,812</u> | |
| | Total | \$ 12,537 (83.6%) | \$ 13,721 (91.5%) | \$ 14,899 (99.3%) | |
| \$20,000 | TCRS | \$ 6,300 | \$ 7,875 | \$ 9,450 | |
| | Social Security | <u>9,492</u> | <u>9,492</u> | <u>9,492</u> | |
| | Total | \$ 15,792 (79.0%) | \$ 17,367 (86.8%) | \$ 18,942 (94.7%) | |
| \$25,000 | TCRS | \$ 8,053 | \$ 10,067 | \$ 12,080 | |
| | Social Security | <u>11,160</u> | <u>11,160</u> | <u>11,160</u> | |
| | Total | \$ 19,213 (76.9%) | \$ 21,227 (84.9%) | \$ 23,240 (93.0%) | |
| \$30,000 | TCRS | \$ 9,891 | \$ 12,363 | \$ 14,836 | |
| | Social Security | <u>12,204</u> | <u>12,204</u> | <u>12,204</u> | |
| | Total | \$ 22,095 (73.7%) | \$ 24,567 (81.9%) | \$ 27,040 (90.1%) | |
| \$35,000 | TCRS | \$ 11,728 | \$ 14,661 | \$ 17,592 | |
| | Social Security | <u>12,636</u> | <u>12,636</u> | <u>12,636</u> | |
| | Total | \$ 24,364 (69.6%) | \$ 27,297 (78.0%) | \$ 30,228 (86.4%) | |
| \$40,000 | TCRS | \$ 13,566 | \$ 16,958 | \$ 20,349 | |
| | Social Security | <u>12,972</u> | <u>12,972</u> | <u>12,972</u> | |
| | Total | \$ 26,538 (66.3%) | \$ 29,930 (74.8%) | \$ 33,321 (83.3%) | |

This chart shows benefits under the new formula, based on a date of retirement in 1993. Social Security benefits have been calculated by Bryan, Pendleton, Swats & McAllister, actuarial consultants for the TCRS, utilizing the following assumptions: (1) retirement took place at age 65 in 1993; (2) the benefit formula is increased by 5 percent; (3) the retiree has worked a full career (TCRS plus other employers, if necessary) of 35 years or more, and; (4) salary increases throughout the retiree's career have followed the same pattern as National Average Earnings.

Actuarial Valuation

An actuarial valuation of the TCRS is performed by an independent actuarial firm every two years. The purpose of the valuation is to determine the funding requirements for the employers participating in the TCRS. The latest valuation was performed June 30, 1993 to establish employer contribution rates for the two year period beginning July 1, 1994. At the June 30, 1993 valuation, the state system had an accrued liability of \$197.8 million. Including the 5% benefit improvement which becomes effective January 1, 1994, the accrued liability at June 30 is \$543.8 million. The accrued liability is being amortized over a 40 year period which began in 1975. The unfunded accrued liability was reestablished as part of the June 30, 1993 valuation.

TCRS is one of the most strongly funded systems in the country. The system's sound financial status is one of the reasons why *City & State* magazine ranked Tennessee the #1 state in fiscal strength in 1992 and 1993.

In addition to the biennial actuarial valuation, an experience study is conducted every four years for the purpose of establishing actuarial and economic assumptions to be used in the actuarial valuation process. The assumptions used in the June 30, 1993 actuarial valuation of the plan are:

Economic Assumptions

- (1) 8% annual return on investments
- (2) 7% salary increases annually
- (3) 6% annual increase in social security wage base

Actuarial Assumptions

- (1) Pre-Retirement mortality based on age and sex
- (2) Post-Retirement mortality based on age and sex
- (3) Disability rate based on age
- (4) Turnover rate based on age and length of service
- (5) Retirement age distribution based on age and service

The pension benefit obligation (the present value of pension benefits, adjusted for projected salary increases, estimated to be payable in the future as a result of employee service to date) totaled \$9.763 billion at the June 30, 1993 actuarial valuation date. Net assets of \$11.001 billion, equaling 112.7% of the pension benefit obligation (PBO), were available for benefits. With the 5% benefit improvement which becomes effective January 1, 1994, net assets equal 107% of the PBO. These overall ratios indicate that the TCRS is among the most strongly funded systems in the nation.

Political Subdivisions

Political subdivisions may participate in the TCRS if the chief governing body passes a resolution authorizing coverage and accepting the liability associated with the coverage. Each political subdivision is responsible for the retirement cost of its employees and, in addition to employer contributions, pays the TCRS a fee for the administration of its plan under TCRS.

**Political Subdivision Participation
as of June 30, 1993**

| | |
|---------------------------------------|------------|
| Cities | 115 |
| Counties | 83 |
| Utility Districts | 27 |
| Special School Districts | 20 |
| Joint Ventures | 20 |
| Miscellaneous Organizations | 15 |
| Regional Libraries | 12 |
| 911 Emergency Communication Districts | 14 |
| Housing Authorities | 10 |
| Development Agencies | <u>9</u> |
| Total | 325 |

Major Legislative Improvements

- 1972** The benefit formula was improved from 1.12% of salary up to the Social Security Integration Level (SSIL) to 1.5% of salary up to the SSIL.
- 1973** An annual cost-of-living increase, based on the Consumer Price Index (CPI) with a cap of 1.5% was adopted for retirees.
- 1974** Disability retirement eligibility requirement was reduced from 10 years to five years of service. The minimum benefit was increased from \$5.34 to \$7.00 per month per year of service. The maximum annual cost-of-living increase was raised from 1.5% to 3%. A provision was made to increase retirees' benefits whenever the benefit formula is improved. Service credit was authorized for unused accumulated sick leave.
- 1976** Service retirement eligibility requirements were reduced from age 65 or 35 years of service to age 60 or 30 years of service. Early retirement eligibility requirements were reduced from age 60 or 30 years of service to age 55.
- 1978** A bonus cost-of-living increase was granted to retirees at a lump-sum cost of \$15.3 million. An optional retirement plan was established for teachers in the Board of Regents system.
- 1980** Death benefits for members dying in-service with 10 years of service was improved by offering a 100% joint and survivor annuity of the member's accrued benefit for the spouse.
- 1981** Non-contributory retirement for state employees and higher education employees was adopted. The employees' contributions—up to 5%—were assumed by the state.
- 1983** An actuarially reduced retirement benefit at any age with 25 years of service was authorized.
- 1984** Credit for out-of-state service for the purpose of determining retirement eligibility was authorized. Retirement credit for armed conflict military service was approved.
- The minimum benefit was increased from \$7 to \$8 per month per year of service.
- Part-time employees were permitted to participate in TCRS and members were allowed to establish credit for previous part-time employment.
- 1985** An ad hoc increase was granted to retirees at a lump-sum cost of \$22 million. Death benefits for spouse and children were provided when member's death is in the line of duty.
- 1987** Service credit for half of peacetime military service was made available. Another ad hoc increase to retirees was provided at a lump-sum cost of \$17 million. A retirement incentive program was offered for state employees retiring during a 90-day window. Section 414(h) of the IRC was adopted to provide that employee contributions are made on a tax-deferred basis.
- 1989** Retirement service credit for members receiving worker's compensation due to a temporary disability was made available.
- 1990** A retirement incentive program was offered for state employees retiring during a 120-day window.
- 1991** 3.6% indexing of salaries for noncontributory employees was extended for one year. The Board of Trustees was authorized to designate additional vendors for the optional retirement plan for higher education employees.
- 1992** 3.6% indexing of salaries for noncontributory employees was extended for one year. The minimum number of years required to qualify for retirement was reduced from 10 to five years. Disability and death benefits were made available to inactive, vested members.
- 1993** 3.6% indexing of salaries for noncontributory employees was extended for one year. Salary portability for service in different classifications is authorized effective Jan. 1, 1994. A benefit improvement percentage up to 5% is authorized effective Jan. 1, 1994.

Social Security

The Old Age & Survivors Insurance Agency (OASI) administers the state's responsibilities under the Federal-State Social Security Agreement, referred to as a Section 218 Agreement.

As executed on August 16, 1951, this agreement provided full social security coverage (retirement, survivors, disability, and hospital insurance) to public employees who were not covered by an employer-sponsored retirement plan. A modification to the agreement, effective January 1, 1956, provided social security coverage to employees serving in positions which were then covered by the Tennessee State Retirement System and the Tennessee Teachers' Retirement System. Both of these coverage groups were superseded by the Tennessee Consolidated Retirement System coverage group as of July 1, 1972.

Prior to 1951, social security coverage was not available to public employees. The 1950 amendments to the federal Social Security Act allowed

coverage for certain groups of state and local government employees who were not covered by an employer-sponsored retirement plan. The 1954 amendments allowed coverage for public employees who were covered by an employer-sponsored retirement plan if federal referendum requirements are met.

The 1985 Budget Reconciliation Act mandated Medicare hospital insurance coverage for public employees hired after March 31, 1986 who do not have full social security coverage. The Omnibus Budget Reconciliation Act of 1990 (OBRA) generally mandated full social security coverage for state and local government employees who are not covered by an employer-sponsored retirement plan.

Effective in 1991, separate wage bases were implemented for social security and Medicare and separate reporting of withholding was required. Currently, the social security tax rate is 6.20% each for employers and employees; the Medicare (hospital insurance) rate is 1.45% for each.

Schedule of Historical Social Security Contribution Rates

| <i>Calendar Year</i> | <i>Employee Rate</i> | <i>Employer Rate</i> | <i>Social Security Wage Base</i> | <i>Medicare Wage Base</i> |
|----------------------|----------------------|----------------------|----------------------------------|---------------------------|
| 1985 | 7.05 % | 7.05 % | \$ 39,600 | \$ 39,600 |
| 1986 | 7.15 | 7.15 | 42,000 | 42,000 |
| 1987 | 7.15 | 7.15 | 43,800 | 43,800 |
| 1988 | 7.51 | 7.51 | 45,000 | 45,000 |
| 1989 | 7.51 | 7.51 | 48,000 | 48,000 |
| 1990 | 7.65 | 7.65 | 51,300 | 51,300 |
| 1991 | 7.65 | 7.65 | 53,400 | 125,000 |
| 1992 | 7.65 | 7.65 | 55,500 | 130,200 |
| 1993 | 7.65 | 7.65 | 57,600 | 135,000 |
| 1994 | 7.65 | 7.65 | 60,600 | No Limit |

The Deferred Compensation Program is a voluntary program designed to provide state employees with the opportunity to accumulate supplemental retirement income on a tax deferred basis. Participants may postpone income taxes on contributions and earnings by agreeing to defer receipt of a portion of their current income until retirement.

This program offers employees two plans. Plan I, authorized by Section 457(b) of the Internal Revenue Code, was implemented in the 1981-82 fiscal year. Plan II, authorized by Section 401(k) of the Internal Revenue Code, was implemented in the 1983-84 fiscal year.

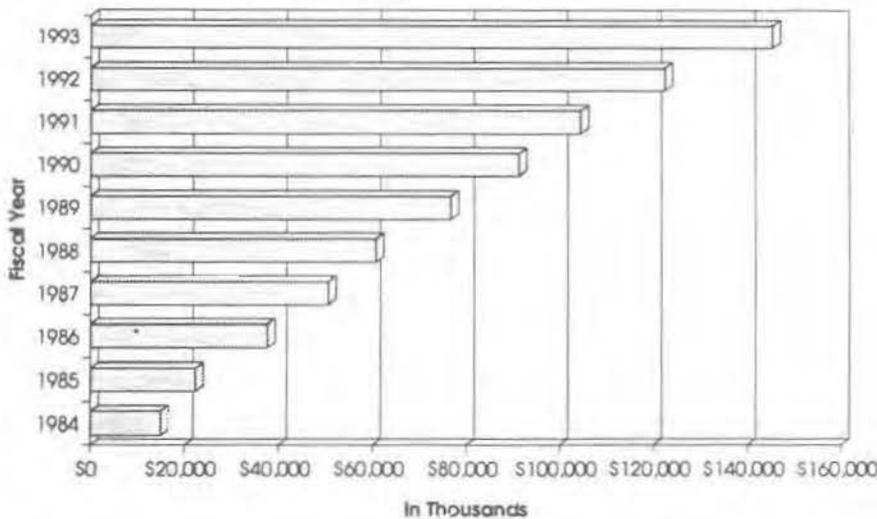
As of June 30, 1993, 7,485 employees had accounts in the program: approximately 30% had accounts in Plan I only, 51% had accounts in Plan II only, and 19% had accounts in both plans. At June 30, 1,729 state employees and 86 University of Tennessee employees were actively contributing to Plan I and 3,391 state employees and 454 University of Tennessee employees were actively contributing to Plan II. The program is used by state employees of all ages and salary levels. The majority are under age 50 and earn below \$30,000 per year.



During the year, a video about the program was produced and distributed to all state departments along with new employee handbooks.

IRS regulations for 1993 allow a maximum deferral in Plan I of 25% of salary up to the maximum annual contribution of \$7,500. The maximum deferral in Plan II is 20% of salary for Group I, II or III retirement system members up to the maximum annual contribution of \$8,994. Participants who use both plans are subject to a combined plan limit of 25% of salary up to \$7,500. Approximately 15% of participants defer the maximum dollar amount. The average monthly deferral at June 30, 1993 was \$175.

Program Assets



DEFERRED COMPENSATION

Participants in the program may direct the investment of their deferred salary to any of the investment products authorized and contracted by the state. Contributions are wired through the State Trust of Tennessee for immediate crediting. Deferrals may be accumulated in Union Planters time deposit account, Aetna's fixed account, Great-West Life's guaranteed certificate fund, Calvert's bond fund, and four of Fidelity Investments' mutual funds.

At June 30, 1993, participants had invested 49% of their accumulated deferrals in stock funds, 45% in fixed principal funds, 4% in money market funds, and 2% in bond funds.

Enrollment and recordkeeping services for the program are provided by The Holden Group. The use of a separate administrator enables the program to offer a wide variety of investment products and to

offer participants the flexibility to transfer accumulated funds among investment providers without penalty.

Under the loan program offered in Plan II, active employees who have accumulated \$4000 or more may borrow up to half of their account value. Participants repay principal and interest to their Plan II accounts through salary deduction. Taxes continue to be deferred while funds accumulated in the plan are in loan status. At June 30, 1993, 144 participants had outstanding loans from Plan II totaling \$771,453.

For the year ending June 30, 1993, participants deferred a total of \$12,689,804 through the program. At June 30, 1993, accumulated account balances totaled \$145,414,188. Distribution of these funds among the program's investment providers is shown on the following schedule.

| | <i>Deferrals</i> | | <i>Market Value of Account Balances</i> | |
|-------------------------|---------------------|---------------------|---|----------------------|
| | FY 1992-93 | FY 1991-92 | June 30, 1993 | June 30, 1992 |
| Plan I: 457 | | | | |
| Aetna - Closed Contract | \$ 0 | \$ 0 | \$ 21,111,008 | \$ 21,540,158 |
| Aetna - New Contract | 520,361 | 351,582 | 5,222,447 | 2,623,852 |
| American General | 92,160 | 106,859 | 972,733 | 976,401 |
| Calvert | 36,981 | 12,816 | 274,248 | 89,316 |
| Fidelity Investments | 2,103,187 | 1,838,514 | 25,970,773 | 19,603,019 |
| Great West | 374,676 | 567,366 | 6,684,649 | 6,642,312 |
| Union Planters | 716,460 | 883,840 | 13,047,361 | 12,531,619 |
| TOTAL 457 | \$ 3,843,825 | \$ 3,760,977 | \$ 73,283,219 | \$ 64,006,677 |
| Plan II: 401(k) | | | | |
| Aetna - Closed Contract | \$ 0 | \$ 0 | \$ 12,921,473 | \$ 13,611,108 |
| Aetna - New Contract | 1,248,454 | 688,271 | 5,581,431 | 2,390,048 |
| Calvert | 135,803 | 38,199 | 338,606 | 90,933 |
| Fidelity Investments | 5,879,257 | 4,603,877 | 39,275,502 | 29,017,555 |
| Great West | 517,770 | 730,921 | 6,144,052 | 6,008,577 |
| Union Planters | 1,064,695 | 1,228,690 | 7,869,905 | 7,348,673 |
| TOTAL 401(k) | \$ 8,845,979 | \$ 7,289,958 | \$ 72,130,969 | \$ 58,466,894 |
| GRAND TOTAL | \$12,689,804 | \$11,050,935 | \$145,414,188 | \$122,473,571 |

The Flexible Benefits Plan is an optional benefit plan which enables state employees to pay for certain expenses with tax-free salary. Authorized under Section 125 of the Internal Revenue Code, this plan allows employees to avoid income tax and social security tax on the portion of the upcoming year's salary they agree to set aside for that year's (1) group medical insurance premiums, (2) group dental insurance premiums, (3) out-of-pocket medical expenses, and (4) dependent care expenses.

In exchange for its favorable tax treatment, the plan must comply with specific rules set forth by the Internal Revenue Code and Regulations. Employees must decide what they will purchase through the plan and how much they will spend before the year begins. Enrollment in the plan is for a full calendar year. Enrollments may not be changed after the year has begun unless the employee experiences a change in family status and reports that change promptly. Employees must use the amounts set aside in each category for corresponding expenses incurred during the year and any amount not used by the employee must be subject to forfeiture.

Tennessee's Flexible Benefits Plan, or "cafeteria" plan was implemented January 1, 1989. From 1989 through the first half of the 1991-92 fiscal year, administration was performed by VISTA Management Company and overseen jointly by the Treasury Department and the Department of Finance

and Administration. The Treasury Department took over administration of the program effective January 1, 1992.

State employees enrolled in a group health or dental insurance program are automatically enrolled in the insurance premium portion of the plan unless they elect not to participate. Use of the other benefit options requires a new election each year.

At June 30, 1993, 34,759 state employees were enrolled in one or more of the plan's four options: 34,429 employees used the plan to pay medical insurance

premiums, 7,263 paid dental insurance premiums, 2,326 used the medical expense reimbursement account, and 373 used the dependent care reimbursement account.

Since contributions to the plan are exempt from both employee and employer F.I.C.A. (social security) tax, employees' use of the plan creates F.I.C.A. savings for the state. In fiscal year 1992-93,

the state's F.I.C.A. savings totaled \$1,916,524. Since the program began operation in January 1989, the state's F.I.C.A. savings have totaled \$6,206,543. These savings have been designated for paying the administrative expenses of the plan, offsetting costs in the state's wellness program, and providing assistance for day care programs. As of June 30, 1993, \$227,983 has been transferred to offset costs of the state's wellness program and \$512,727 has been transferred to provide day care program assistance.

" Due to potential federal legislation, the flex plan is one of the last tax breaks an individual can use. "

— Money Magazine
November 1993

**Claims Against the State
CLAIMS ADMINISTRATION**

The Division of Claims Administration processes claims filed against the state for the negligent operation of motor vehicles or machinery; negligent care, custody and control of persons or property; professional malpractice; workers' compensation claims by state employees; dangerous conditions on state maintained highways and bridges; and nuisances created or maintained by the state. The Division of Claims Administration operates in conjunction with the Attorney General's Office and the Tennessee Claims Commission in this claims process. The Division of Claims Administration handles all workers' compensation claims, employee property damage claims and tort claims up to a certain monetary limit. During fiscal year 1992-93, the Division of Claims Administration received a total of 5,988 claims falling within these categories.

In order for a claim to be acted upon by the Division of Claims Administration, notice must be filed with the division. The division then has 90 days to make a determination on the claim. If the division is unable to act, the claim is automatically referred to the Tennessee Claims Commission. This process ensures that claims will be processed in a timely fashion. The division has recently contracted with a third party claims administrator to handle its

workers' compensation claims. It is also implementing a medical management program to better serve injured state employees.

This division also provides staff support to the Board of Claims. The Board of Claims has the authority to hear claims which do not fall within the jurisdiction of the Tennessee Claims Commission. During fiscal year 1992-93, the Board took action on a total of seven claims. The Board also reviews and approves the purchase of insurance policies by the state and makes recommendations to the Commissioner of Finance and Administration and the General Assembly regarding the required funding for the Claims Award Fund.

The primary function of the Division of Claims Administration, Board of Claims, and Tennessee Claims Commission is to provide an avenue for persons who have been damaged by the state to be heard and, if appropriate, compensated for their loss or damage. All claims are paid through the Claims Award Fund. This fund is supported by premiums paid by each state department, agency and institution. The required funding is based upon an actuarial study which reflects risk assessment and estimated losses.

Claims and Payment Activity Fiscal Year 1992-93

| | Claims Filed | Payments Made |
|----------------------------------|--------------|----------------------|
| Workers' Compensation Claims | 3,937 | |
| Death Payments | | \$ 557,818 |
| Medical Payments | | 4,630,313 |
| Assault Injury Payments | | 670 |
| Temporary Disability (Lost Time) | | 903,548 |
| Permanent Disability | | 2,655,156 |
| Subtotal | | \$ 8,747,505 |
| Employee Property Damage | 262 | 21,621 |
| Tort Claims | 1,789 | |
| Death Payments | | \$ 643,878 |
| Bodily Injury Payments | | 2,683,845 |
| Property Damage Payments | | 599,775 |
| Subtotal | | 3,927,498 |
| TOTAL | 5,988 | \$ 12,696,624 |

The purpose of the Criminal Injury Compensation Program is to assist persons who are innocent victims of crime. Payments made under the Criminal Injury Compensation Program are intended to defray the costs of medical services, loss of earnings, burial costs, and other pecuniary losses to either the victim of a crime or to the dependents of deceased victims. This program is funded through privilege taxes assessed in courts against criminal defendants and other offenders upon conviction, fees levied against parolees and probationers, the proceeds of bond forfeitures in felony cases, and a federal grant.

The division continues to work on public outreach in an effort to make citizens of the state aware of the assistance available to innocent victims of crime.

Applications for Criminal Injuries Compensation are filed with the Division of Claims Administration. The division's staff reviews the application and obtains supporting information from the appropriate District Attorney's Office to determine eligibility for payment from the Criminal Injuries Compensation fund. If the division cannot process a

claim within 90 days, then the claim is referred to the Tennessee Claims Commission.

During the 1992-93 fiscal year, the Division of Claims Administration made payments on 2,146 criminal injury claims for a total of \$8,649,426. Payments are issued promptly to the victim and, if appropriate, his or her attorney. Federal funding assistance for the program has aided in allowing prompt claim payment.

Victims of drunk drivers are also paid from the Criminal Injury Compensation Fund. Effective July 1, 1990, the identical monetary benefits are available to both drunk driver and criminal injury victims. When the proximate cause of a death or injury is the operator's intoxication as prohibited by T.C.A. 55-10-401, the victim's death or injury is eligible for compensation in the same manner as criminal injury compensation, not to exceed a maximum award of \$7,000 per claim plus attorney fees for injuries occurring on or after July 1, 1992.

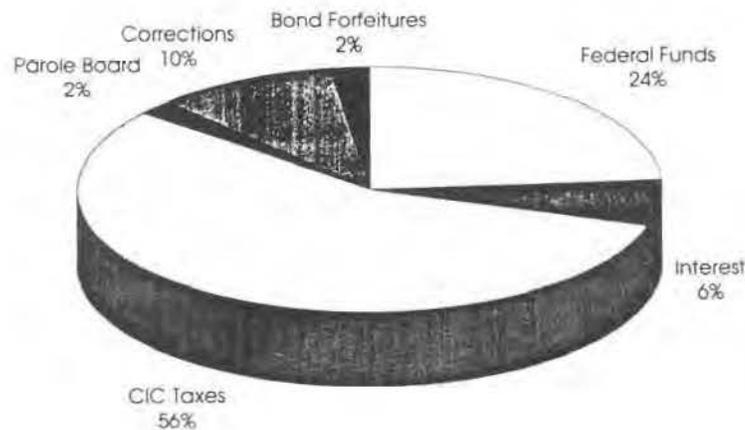
Since the first claims were paid in 1982, the program has awarded a total of over \$58.8 million to crime victims. The Division of Claims Administration has made an effort to educate members of the public of the existence and benefits of the Criminal Injury Compensation Program by printing and distributing informative brochures explaining the program. Public awareness programs and the use of victim assistance coordinators in each judicial district have also aided in providing the public with information about the availability of criminal injury compensation.

**Analysis of Victim Compensation Awards
Paid During Fiscal Year 1992-93**

| Classification of Crime | Number of Awards | Percent of Total | Dollar Value of Awards | Percent of Total | Average Award |
|---------------------------|------------------|------------------|------------------------|------------------|-----------------|
| <i>Criminal Injuries:</i> | | | | | |
| Homicide | 325 | 15.9% | \$ 1,573,984 | 19.3% | \$ 4,843 |
| Sexual Assault - Adult | 470 | 23.0 | 1,611,664 | 19.8 | 3,429 |
| Sexual Assault - Child | 207 | 10.1 | 685,118 | 8.4 | 3,310 |
| Robbery | 95 | 4.6 | 290,326 | 3.6 | 3,056 |
| Assault | 940 | 45.9 | 3,937,741 | 48.3 | 4,189 |
| Other | 10 | .5 | 46,287 | .6 | 4,629 |
| Total | 2,047 | 100.0% | \$ 8,145,120 | 100.0% | \$ 3,979 |
| <i>Drunk Drivers</i> | 99 | 100.0% | \$ 504,306 | 100.0% | \$ 5,094 |

Sources of Funds

Victims of Criminal Injury



The Defense Counsel Commission was established for the purpose of hearing and making decisions on requests for private legal representation by state employees who have been sued in civil litigation. The members of the Defense Counsel Commission are empowered to review the case to determine if the incident occurred in the course of the employee's assigned official duties while under apparent lawful authority. If the appropriate statutory findings have been made, the members are empowered to approve payment of attorney's fees incurred by state employees in the defense of the lawsuit against them.

The Defense Counsel Commission has authority to act on cases when the incident which gave rise to the lawsuit occurred before January 1, 1985. Jurisdiction for incidents which arise on or after January 1, 1985 was transferred to a subcommittee of the Board of Claims.

During fiscal year 1992-93, the Defense Counsel Commission/Subcommittee authorized payments of attorney's fees and litigation expenses which totaled \$799,223. The Defense Counsel Commission/Subcommittee considered 327 requests for representation, of which 323 were approved and

four were denied. At the end of the fiscal year, there were 180 active Defense Counsel Commission/Subcommittee files.

Prior to seeking approval through the Defense Counsel Commission/Subcommittee, a state employee must first contact the Attorney General's Office and request defense through the Attorney General's staff. If the Attorney General cannot represent the state employee, the employee must

The defense of lawsuits against state employees is monitored by the division's staff attorney in an effort to manage the legal costs associated with these cases.

make a formal request to the Defense Counsel Commission/Subcommittee. The number of requests for reimbursement of attorney's fees referred to the Defense Counsel Subcommittee decreased during the past fiscal year. This decrease was due to the Attorney General's staff being able to handle the defense of more lawsuits against state employees.

The Division of Claims Administration serves as staff to the Defense Counsel Commission/Subcommittee and maintains the records and minutes of the Defense Counsel Commission/Subcommittee. It also houses the files and processes bills for payment after approval by the members.

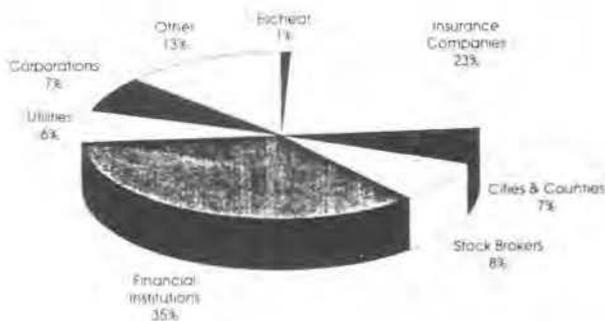
UNCLAIMED PROPERTY

The Treasury Department has administered the Uniform Disposition of Unclaimed Property Act since it was enacted in 1978. Specifically, the administration of this act is carried out by the Unclaimed Property Division which operates the program in a manner designed to return unclaimed property to the rightful owner.

The Unclaimed Property Act provides that cash property which an organization or individual is holding for another person will be reported to the Treasurer if the holder of the property has had no contact with the owner for a period of seven years and if the holder cannot locate the owner. Once property is reported, the Treasurer advertises the owner's name and last known address and attempts to direct the owners to their property. Over \$6.0 million was advertised during the 1992-93 fiscal year.

Property which is not claimed from the holder as a result of advertising is turned over to the Treasurer's custody. During the period July 1, 1992 through June 30, 1993, \$6,248,392 of cash property was turned over to the Treasurer. The chart below illustrates the sources of cash collections for fiscal year 1992-93.

Sources of Unclaimed Property



After the Treasurer receives the property from the holders, additional efforts are made to locate the rightful owner. The first location method used is to send notification to the last known address of each owner. If no response is received, additional search efforts are made through employment security records, telephone directories, city directories, retirement records, and other sources. In addition, the records of unclaimed property owners are available for viewing by the public in the Unclaimed Property office. All property turned over to the Treasurer is held in trust for the rightful owner or his heirs in perpetuity, thereby allowing the owners or their heirs to make claims on it at anytime.

Legislation passed this year will ease the reporting burden of holders by streamlining the reporting process.

Effective July 1, 1989 all money that is received from this program which is not used to pay claims or administrative expenses is deposited into the Health Access Incentive fund. Since the inception of this fund, over \$14.2 million has been deposited to provide financial assistance to doctors who agree to set up practice in rural areas of the state where health care is not currently available. At June 30, 1993, 101 practitioners had been placed in health resource shortage areas of the state.

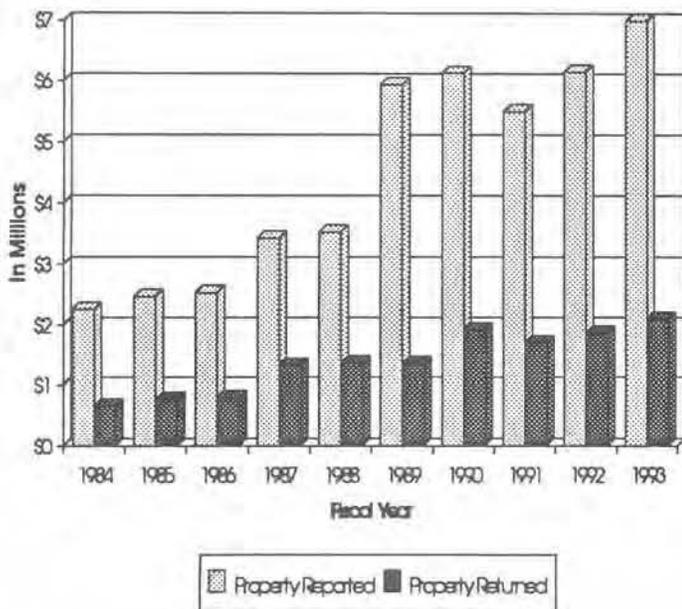
During the period July 1, 1992 through June 30, 1993, \$2,101,590 of cash property was returned by holders and the Unclaimed Property Division to the owners or their heirs. Of this total, \$1,344,740 represented accounts returned by the state and \$756,850 represented accounts returned by holders as a result of the division's efforts. An analysis of the property returned during the 1992-93 fiscal year is shown on the next page.

**Property Returned by the Treasury Department
July 1, 1992 - June 30, 1993**

| Reporting Entity | Number of Accounts | Value of Claims | Percentage of Total Value |
|------------------------------|--------------------|---------------------|---------------------------|
| Financial Institutions | 762 | \$ 517,440 | 26.1% |
| Insurance Companies | 784 | 232,122 | 11.7 |
| Stock Brokers | 80 | 56,746 | 2.9 |
| Escheat | 11 | 14,815 | .7 |
| Cities & Counties | 15 | 15,389 | .8 |
| Corporations | 369 | 305,343 | 15.4 |
| Hospitals | 78 | 26,847 | 1.4 |
| Utilities | 247 | 41,280 | 2.1 |
| Other | 441 | 134,758 | 6.8 |
| Subtotal | 2,787 | \$ 1,344,740 | 67.9% |
| Refunds to Local Governments | 13 | \$ 635,708 | 32.1% |
| Total | 2,800 | \$ 1,980,448 | 100.0% |

Since the program began in 1979, \$60.8 million in unclaimed property has been reported to the Treasurer and \$17.5 million (29%) has been returned to owners or heirs. The schedule below shows the amount of property reported and returned in each of the last ten years.

**Unclaimed Property Reported and Returned
Fiscal Years 1984 - 1993**



Any local government in Tennessee which turns over unclaimed property to the state may request that the unclaimed property be returned to the local government for safekeeping after it has been held by the state for 18 months. This fiscal year, \$635,708 was refunded to 13 local governments.

Outside audit organizations remitted \$907,011 in cash and stock from out-of-state non-reporting holders for Tennessee residents this fiscal year.

Legislation, passed this fiscal year, effective July 1, 1993, made two major changes to the unclaimed property law. The first major change will require holders to deliver property to the Treasurer on the initial report, eliminating a second or final report. This change is expected to double the amount of claims processed by the division, since individual claims will no longer be referred to the holder. The second major change decreases the holding or dormancy period required to be met before property is deemed abandoned and delivered to the Treasurer. This change brings Tennessee in line with the 1981 Uniform Disposition of Unclaimed Property Act.

CHAIRS OF EXCELLENCE

 The Chairs of Excellence (COE) Trust provides funds with which state colleges and universities are able to contract with persons of regional or national prominence to teach in specified academic areas. The program is open to all state four-year colleges and universities, and the UT Space Institute. The funding of the program is provided through contributions made by a private donor and a matching amount by the state, thus, creating a chair. Income from the fixed income

portion of the trust is used to fund required expenditures for the chair. All other funds, including equity income and profit/loss, become part of the corpus of the fund for use in supporting the trust in future years. Since the start of the program in 1984, there have been 84 chairs created, with state appropriations totaling \$44,000,000 and matching contributions totaling \$45,455,002. For the year ending June 30, 1993, investment income totaled \$11,135,886 with expenditures of \$6,327,208.

The University of Tennessee

Chattanooga

Miller COE in Management & Technology
American National Bank COE in the Humanities
Provident Life & Accident Ins. Co. COE in Applied Math
West COE in Communications & Public Affairs
COE in Judaic Studies
Cline COE in Rehabilitation Technology
Frierson COE in Business Leadership
Harris COE in Business
Lyndhurst COE in Arts Education

Knoxville

Racheff Chair Ornamental Horticulture
Racheff Chair of Material Science & Engineering
COE in English
Condra COE in Computer Integrated Engineering & Manufacturing
Condra COE in Power Electronics Applications
Pilot COE in Management
Holly COE in Political Economy
Schmitt COE in History
COE in Science, Technology & Medical Writing
Shumway COE in Romance Languages
Goodrich COE in Civil Engineering
Clayton Homes COE in Finance
COE in Policy Studies
Blasingame COE in Agricultural Policy Studies
* Lincoln COE in Physics

Martin

Hendrix COE in Free Enterprise & Economics
Dunagan COE in Banking
Parker COE in Food & Fiber Industries

Memphis

Van Vleet COE in Microbiology & Immunology
Van Vleet COE in Pharmacology
Van Vleet COE in Biochemistry
Van Vleet COE in Virology
Muirhead COE in Pathology
COE in Obstetrics & Gynecology
LeBonheur COE in Pediatrics
Crippled Children's Hospital COE in Biomedical Engineering
Plough COE in Pediatrics
Gerwin COE in Physiology
Hyde COE in Rehabilitation
Dunavant COE in Pediatrics
First Tennessee Bank COE in Pediatrics
Federal Express COE in Pediatrics
Semmes-Murphey COE in Neurology
Bronstein COE in Cardiovascular Physiology
Goodman COE in Medicine
LeBonheur COE in Pediatrics (II)
* Soloway COE in Urology

Space Institute

Boling COE in Space Propulsion

* Chair established during fiscal year 1992-93.

Tennessee Board of Regents

Austin Peay State University

Acuff COE in Creative Arts
 Harper/Jones and Bourne COE in Business
 The Foundation Chair of Free Enterprise

East Tennessee State University

Quillen COE of Medicine in Geriatrics
 & Gerontology
 AFG Industries COE in Business
 & Technology
 Harris COE in Business
 Long Chair of Surgical Research
 Dishner COE in Medicine

Middle Tennessee State University

Seigenthaler Chair of First Amendment
 Studies
 Jones Chair of Free Enterprise
 Adams COE in Health Care Services
 National Healthcorp COE in Nursing
 Russell COE in Manufacturing Excellence
 Murfree Chair of Dyslexic Studies

Tennessee State University

* Frist COE in Business Administration

Memphis State University

COE in Molecular Biology
 Herff COE in Law
 Fogelman COE in Real Estate
 Sales & Marketing Executives of Memphis
 COE in Sales
 COE in Accounting
 Arthur Andersen Company Alumni COE in
 Accounting
 Moss COE in Philosophy
 Wunderlich COE in Finance
 Herff COE in Biomedical Engineering
 Bomblum COE in Judaic Studies
 Shelby County Government COE in
 International Economics
 Wang COE in International Business
 COE in Free Enterprise Management
 COE in English Poetry
 Herff COE in Computer Engineering
 Lowenberg COE in Nursing
 COE in Art History
 Federal Express COE in Mgmt. Info. Systems
 Moss COE in Psychology
 Moss COE in Education

Tennessee Technological University

Owen Chair of Business Administration
 Mayberry Chair of Business Administration

* Chair established during fiscal year 1992-93.

EXECUTIVE STAFF DIRECTORY

Treasurer's Office

| | | |
|----------------------------------|-------------------|----------------|
| Treasurer | Steve Adams, CPA | (615) 741-2956 |
| Executive Assistant | Dale Sims | (615) 741-2956 |
| Executive Assistant | Janice Cunningham | (615) 741-2956 |
| Director of Personnel | Ann Taylor-Tharpe | (615) 741-2956 |
| Staff Assistant to the Treasurer | Rhonda Hicks | (615) 741-5514 |

Investments

| | | |
|---|---------------------|----------------|
| Chief Investment Officer | Chuck Webb, CFA | (615) 532-1157 |
| Senior Equity Portfolio Manager | Jeremy Conlin | (615) 532-1152 |
| Senior Fixed Income Portfolio Manager | Frank Puryear, CFA | (615) 532-1153 |
| Senior International Fixed Income Portfolio Manager | Roy Wellington, CFA | (615) 532-1151 |
| Senior Short-Term Portfolio Manager | Randy Graves, CPA | (615) 532-1154 |
| Senior Analyst | Michael Keeler, CFA | (615) 532-1165 |

Retirement Administration

| | | |
|---|-------------------------|----------------|
| Director of TCRS | Steve Curry, CPA | (615) 741-7063 |
| Assistant Director of TCRS | Ed Hennessee | (615) 741-7063 |
| Director of Deferred Compensation, Research and Publications | Deana Reed | (615) 741-7063 |
| Staff Attorney | Mary Roberts-Krause, JD | (615) 741-7063 |
| Director of Old Age and Survivors Insurance | Mary E. Smith | (615) 741-7063 |
| Chief of Counseling | Donna Finley | (615) 741-1971 |
| Manager of Benefits and Retired Payroll | Velva Booker | (615) 741-1971 |
| Manager of Membership, Field Services, Prior Service and Flexible Benefits | Jamie Fohl | (615) 741-4868 |

Claims

| | | |
|---|---------------------|----------------|
| Director of Claims Administration and Unclaimed Property | Susan Clayton | (615) 741-2734 |
| Staff Attorney - Defense Counsel | Phyllis Simpson, JD | (615) 741-2734 |

Support Divisions

| | | |
|---------------------------------|-------------------------|----------------|
| Director of Accounting | Jill Bachus, CPA | (615) 741-1337 |
| Director of Computer Operations | Sam Baker, CDP, CCP | (615) 741-3601 |
| Director of Financial Control | Rick DuBray, CPA | (615) 741-5220 |
| Director of Information Systems | Newton Molloy, III, CDP | (615) 741-3601 |
| Director of Internal Audit | Beth Chapman, CPA | (615) 532-1164 |
| Director of Management Services | Grady Martin | (615) 741-4985 |
| Budget Officer | Wendy Padgett | (615) 741-4985 |

*The Treasurer is housed on the 1st floor of the State Capitol Building.
The Division of Internal Audit is housed on the 2nd floor of the Rachael Jackson Building.
All other divisions are housed on the 10th and 11th floors of the Andrew Jackson Building.*

DUTIES OF THE STATE TREASURER

References to the various duties and responsibilities assigned to the office of State Treasurer set forth in the code are indexed below.

The office of the State Treasurer is a constitutional office authorized by Article 7, Section 3 of the State Constitution and established by Title 8, Chapter 5 of the Tennessee Code.

| <i>Boards and Commissions</i> | <i>Tennessee Code Annotated Section</i> | <i>Administration</i> | <i>Tennessee Code Annotated Section</i> |
|---|---|--|---|
| Baccalaureate Education System Trust | 49-7-801, et seq. | Board of Claims | 9-8-101, et seq. |
| Board of Equalization | 4-3-5101 | Chairs of Excellence Trust | 49-7-501 - 49-7-502 |
| Board of Trustees of the Tennessee Consolidated Retirement System | 8-34-301 - 8-34-319 | Collateral Pool | 9-4-501 - 9-4-523 |
| Commission to Purchase Federal Property | 12-1-103 | Collateral Program | 9-4-101 - 9-4-105 |
| Funding Board | 9-9-101 | Council on Pensions and Insurance | 3-9-101 |
| National Resources Trust Fund | 11-14-304 | Criminal Injury Compensation Fund | 29-13-101, et seq. |
| Public Records Commission | 10-7-302 | Defense Counsel Commission | 9-8-107 |
| Sick Leave Bank Board | 8-50-903 | Deferred Compensation | 8-25-101, et seq. |
| State Building Commission | 4-15-101 | Escheat | 31-6-101, et seq. |
| State Capitol Commission | 4-8-301, et seq. | Flexible Benefits Plan | 8-25-305 |
| State Insurance Committee | 8-27-101 | Investment Advisory Council | 8-37-108 |
| State Library and Archives Management Board | 10-1-101, et seq. | Investment of State Idle Cash Funds | 9-4-602 |
| State School Bond Authority | 49-3-1204 | Local Government Investment Pool | 9-4-704 |
| State Teacher Insurance Committee | 8-27-301 | Old Age and Survivors Insurance Agency | 8-38-101, et seq. |
| State Trust of Tennessee | 9-4-801, et seq. | Pooled Investment Fund | 9-4-704 |
| Tennessee Child Care Loan Guarantee Board | 4-37-101, et seq. | Receipt and Disbursement of Public Funds | 8-5-106 - 8-5-111; 9-4-301, et seq. |
| Tennessee Competitive Export Corp. | 13-27-104 | State Cash Management | 9-4-106 - 9-4-108; 9-4-401 - 9-4-409 |
| Tennessee Housing Development Agency | 13-23-106 | Tennessee Consolidated Retirement System & Miscellaneous Systems | Title 8, Chpts. 34, 35, 36, 37 & 39 |
| Tennessee Local Development Authority | 4-31-103 | Unclaimed Property | 66-29-101, et seq. |
| Tennessee Student Assistance Corp. | 49-4-202 | Victims of Drunk Drivers Compensation Fund | 40-24-107 |
| Tuition Guaranty Fund Board | 49-7-2018 | | |
| Volunteer Public Education Trust | 49-3-401, et seq. | | |
| Workers Compensation Fund Board | 50-6-604 | | |



TENNESSEE TREASURERS

The office of State Treasurer is a constitutional office authorized by Article 7, Section 3 of the State Constitution and established by Title 8, Chapter 5 of the Tennessee Code. Chapter 9 of the Acts of 1794 provided for the appointment of two Regional Treasurers: one for East Tennessee and one for West Tennessee. In 1827, a third Regional Treasury Department was created. Chapter 27 of the Acts of 1836 repealed the authorization for Regional Treasurers and provided for one Treasurer for the state. The individuals who have served as State Treasurer since 1836 are listed below.

| | | | |
|------------------|-----------|--------------------|--------------|
| Miller Francis | 1836-1843 | Porter Dunlap | 1915-1919 |
| Matthew Nelson | 1843-1845 | Hill McAlister | 1919-1927 |
| Robert B. Turner | 1845-1847 | John F. Nolan | 1927-1931 |
| Anthony Dibrell | 1847-1855 | Hill McAlister | 1931-1933 |
| G.C. Torbett | 1855-1857 | James J. Bean | 1933-1937 |
| W.Z. McGregor | 1857-1865 | Grover Keaton | 1937-1939 |
| R.L. Standford | 1865-1866 | John W. Harton | 1939-1945 |
| John R. Henry | 1866-1868 | Cecil C. Wallace | 1945-1948 |
| W.H. Stilwell | 1868-1869 | J. Floyd Murray | 1948-1949 |
| J.E. Rust | 1869-1871 | W.N. Estes | 1949-1953 |
| William Morrow | 1871-1877 | J.B. Walker, Sr. | 1953-1955 |
| M.T. Polk | 1877-1883 | Ramon Davis | 1955-1963 |
| Atha Thomas | 1883-1885 | James H. Alexander | 1963-1964 |
| J.W. Thomas | 1885-1886 | Nobel Caudill | 1964-1964 |
| Atha Thomas | 1886-1889 | James H. Alexander | 1964-1967 |
| M.F. House | 1889-1893 | Charlie Worley | 1967-1971 |
| E.B. Craig | 1893-1901 | Thomas A. Wiseman | 1971-1974 |
| Reau Folk | 1901-1911 | Harlan Mathews | 1974-1987 |
| G.T. Taylor | 1911-1913 | Steve Adams | 1987-Present |
| W.P. Hickerson | 1913-1915 | | |

"I do solemnly swear that, as Treasurer for the state of Tennessee, I will support the Constitution of the United States and the Constitution of the state of Tennessee, and that I will perform with fidelity and faithfully execute the duties of this office to the best of my ability, so help me God."

Investment Portfolios

**State Cash
Portfolio**

**Tennessee Consolidated
Retirement System
Portfolio**

**Chairs of Excellence
Portfolio**



Raccoon
State Wild Animal

State Cash Portfolio
INVESTMENT PORTFOLIOS

| | Rating | Maturity | Coupon | | Par Value | Market Value |
|---|--------|----------|--------|----|------------------|------------------|
| <i>U.S. Treasury Notes & Bills:</i> | | | | | | |
| FEDERAL HOME LOAN BANK | AAA | 6/27/94 | 8.600 | \$ | 5,000,000 | \$ 5,242,200 |
| FEDERAL HOME LOAN BANK | AAA | 8/25/94 | 8.600 | | 5,000,000 | 5,275,000 |
| FED HOME LOAN MORTGAGE CORP. | AAA | 3/24/97 | 5.170 | | 10,800,000 | 10,847,304 |
| FED HOME LOAN MORTGAGE CORP. | AAA | 1/19/98 | 6.100 | | 4,000,000 | 4,053,760 |
| FED. NATIONAL MORTGAGE ASSOC. | AAA | 7/12/93 | 8.450 | | 5,000,000 | 5,004,700 |
| FED. NATIONAL MORTGAGE ASSOC. | AAA | 6/10/94 | 8.600 | | 5,000,000 | 5,231,250 |
| FED. NATIONAL MORTGAGE ASSOC. | AAA | 1/10/97 | 6.200 | | 20,000,000 | 20,562,400 |
| TVA POWER BONDS | AAA | 10/1/94 | 8.250 | | 5,000,000 | 5,264,050 |
| UNITED STATES TREASURY BILLS | AAA | 8/5/93 | 0.000 | | 50,000,000 | 49,587,500 |
| UNITED STATES TREASURY BILLS | AAA | 8/12/93 | 0.000 | | 50,000,000 | 49,570,000 |
| UNITED STATES TREASURY BILLS | AAA | 9/2/93 | 0.000 | | 50,000,000 | 49,480,500 |
| UNITED STATES TREASURY BILLS | AAA | 9/2/93 | 0.000 | | 30,000,000 | 29,703,000 |
| UNITED STATES TREASURY BILLS | AAA | 9/9/93 | 0.000 | | 50,000,000 | 49,452,000 |
| UNITED STATES TREASURY BILLS | AAA | 9/16/93 | 0.000 | | 40,000,000 | 39,542,800 |
| UNITED STATES TREASURY BILLS | AAA | 10/7/93 | 0.000 | | 30,000,000 | 29,661,300 |
| UNITED STATES TREASURY NOTES | AAA | 7/15/93 | 7.250 | | 30,000,000 | 30,046,800 |
| UNITED STATES TREASURY NOTES | AAA | 7/31/93 | 6.875 | | 30,000,000 | 30,084,300 |
| UNITED STATES TREASURY NOTES | AAA | 7/31/93 | 6.875 | | 30,000,000 | 30,084,300 |
| UNITED STATES TREASURY NOTES | AAA | 8/15/93 | 11.875 | | 30,000,000 | 30,318,600 |
| UNITED STATES TREASURY NOTES | AAA | 9/30/93 | 6.125 | | 40,000,000 | 40,287,600 |
| UNITED STATES TREASURY NOTES | AAA | 9/30/93 | 8.250 | | 40,000,000 | 40,500,000 |
| UNITED STATES TREASURY NOTES | AAA | 10/15/93 | 7.125 | | 40,000,000 | 40,437,600 |
| UNITED STATES TREASURY NOTES | AAA | 10/15/93 | 7.125 | | 31,000,000 | 31,339,140 |
| UNITED STATES TREASURY NOTES | AAA | 10/31/93 | 6.000 | | 30,000,000 | 30,262,500 |
| UNITED STATES TREASURY NOTES | AAA | 10/31/93 | 6.000 | | 9,000,000 | 9,078,750 |
| UNITED STATES TREASURY NOTES | AAA | 11/15/93 | 11.750 | | 30,000,000 | 30,923,400 |
| UNITED STATES TREASURY NOTES | AAA | 2/28/94 | 5.375 | | 30,000,000 | 30,379,800 |
| UNITED STATES TREASURY NOTES | AAA | 3/31/94 | 8.500 | | 30,000,000 | 31,101,600 |
| UNITED STATES TREASURY NOTES | AAA | 4/30/94 | 5.375 | | 30,000,000 | 30,445,200 |
| UNITED STATES TREASURY NOTES | AAA | 5/15/94 | 9.500 | | 30,000,000 | 31,514,100 |
| UNITED STATES TREASURY NOTES | AAA | 5/15/94 | 9.500 | | 50,000,000 | 52,523,500 |
| UNITED STATES TREASURY NOTES | AAA | 6/30/94 | 8.500 | | 30,000,000 | 31,434,300 |
| UNITED STATES TREASURY NOTES | AAA | 7/31/94 | 4.250 | | 30,000,000 | 30,196,800 |
| UNITED STATES TREASURY NOTES | AAA | 8/15/94 | 8.625 | | 20,000,000 | 21,078,200 |
| UNITED STATES TREASURY NOTES | AAA | 8/15/94 | 8.625 | | 40,000,000 | 42,156,400 |
| UNITED STATES TREASURY NOTES | AAA | 11/15/94 | 8.250 | | 30,000,000 | 31,776,600 |
| UNITED STATES TREASURY NOTES | AAA | 2/28/98 | 5.125 | | 30,000,000 | 30,182,700 |
| UNITED STATES TREASURY NOTES | AAA | 3/31/98 | 5.125 | | 30,000,000 | 30,154,800 |
| UNITED STATES TREASURY NOTES | AAA | 4/30/98 | 5.125 | | 30,000,000 | 30,121,800 |
| <i>Total Notes and Bills</i> | | | | | \$ 1,109,800,000 | \$ 1,124,906,554 |

Certificates of Deposit:

| | | | | | | |
|-------------------------------|--|----------|-------|----|-----------|--------------|
| AMERICAN NAT'L BK CHATTANOOGA | | 7/21/93 | 4.000 | \$ | 1,500,000 | \$ 1,500,000 |
| AMERICAN NAT'L BK CHATTANOOGA | | 7/21/93 | 4.000 | | 3,500,000 | 3,500,000 |
| BANK OF ALAMO | | 10/15/93 | 3.100 | | 500,000 | 500,000 |
| BANK OF ALAMO | | 11/19/93 | 3.750 | | 120,000 | 120,000 |
| BANK OF ALAMO | | 11/29/93 | 3.250 | | 1,500,000 | 1,500,000 |
| BANK OF ALAMO | | 12/14/93 | 3.250 | | 1,500,000 | 1,500,000 |
| BANK OF BRADFORD | | 1/7/94 | 3.150 | | 100,000 | 100,000 |
| BANK OF CROCKETT BELLS | | 7/16/93 | 4.000 | | 200,000 | 200,000 |
| BANK OF COMMERCE TRENTON | | 12/21/93 | 3.250 | | 1,000,000 | 1,000,000 |

State Cash Portfolio
INVESTMENT PORTFOLIOS

| | Maturity | Coupon | Par Value | Market Value |
|-------------------------------|----------|--------|------------|--------------|
| BANK OF GLEASON | 8/13/93 | 3.100 | \$ 300,000 | \$ 300,000 |
| BANK OF GLEASON | 11/30/93 | 3.750 | 200,000 | 200,000 |
| BANK OF GLEASON | 12/14/93 | 3.250 | 350,000 | 350,000 |
| BANK OF HALLS | 8/19/93 | 3.750 | 200,000 | 200,000 |
| BANK OF HALLS | 8/27/93 | 3.750 | 400,000 | 400,000 |
| BANK OF HALLS | 12/31/93 | 3.750 | 200,000 | 200,000 |
| BANK OF HALLS | 3/1/94 | 3.600 | 300,000 | 300,000 |
| BANK OF HALLS | 3/3/94 | 3.600 | 700,000 | 700,000 |
| BANK OF NASHVILLE | 7/26/93 | 3.250 | 2,000,000 | 2,000,000 |
| BANK OF NASHVILLE | 11/9/93 | 3.650 | 2,000,000 | 2,000,000 |
| BANK OF NASHVILLE | 12/2/93 | 3.750 | 500,000 | 500,000 |
| BANK OF NASHVILLE | 1/13/94 | 3.750 | 2,000,000 | 2,000,000 |
| BANK OF NASHVILLE | 6/10/94 | 3.500 | 1,000,000 | 1,000,000 |
| BANK OF RIPLEY | 10/29/93 | 3.650 | 100,000 | 100,000 |
| BANK OF RIPLEY | 12/3/93 | 3.750 | 150,000 | 150,000 |
| BANK OF RIPLEY | 12/17/93 | 3.750 | 100,000 | 100,000 |
| BANK OF RIPLEY | 1/21/94 | 3.750 | 200,000 | 200,000 |
| BANK OF RIPLEY | 2/11/94 | 3.600 | 100,000 | 100,000 |
| BK OF SHARON | 7/23/93 | 3.750 | 100,000 | 100,000 |
| BRIGHTON BANK | 8/17/93 | 3.750 | 100,000 | 100,000 |
| BRIGHTON BANK | 11/5/93 | 3.250 | 100,000 | 100,000 |
| BROWNSVILLE BANK | 7/21/93 | 3.500 | 500,000 | 500,000 |
| BROWNSVILLE BANK | 11/17/93 | 3.100 | 1,000,000 | 1,000,000 |
| BROWNSVILLE BANK | 12/14/93 | 3.250 | 2,000,000 | 2,000,000 |
| BROWNSVILLE BANK | 12/15/93 | 3.150 | 500,000 | 500,000 |
| BROWNSVILLE BANK | 1/4/94 | 3.150 | 1,000,000 | 1,000,000 |
| BROWNSVILLE BANK | 2/9/94 | 3.150 | 1,000,000 | 1,000,000 |
| BOATMEN'S BK MEMPHIS | 11/12/93 | 3.650 | 5,000,000 | 5,000,000 |
| CHARTER FED S&L KNOXVILLE | 8/12/93 | 3.750 | 5,000,000 | 5,000,000 |
| CHARTER FED S&L KNOXVILLE | 8/26/93 | 3.750 | 100,000 | 100,000 |
| CHARTER FED S&L KNOXVILLE | 1/20/94 | 3.750 | 85,000 | 85,000 |
| CHARTER FED S&L KNOXVILLE | 3/10/94 | 3.500 | 5,000,000 | 5,000,000 |
| CHARTER FED S&L KNOXVILLE | 4/7/94 | 3.500 | 5,000,000 | 5,000,000 |
| CHARTER FED S&L NASHVILLE | 12/29/93 | 3.750 | 5,000,000 | 5,000,000 |
| CHARTER FED S&L SEVIERVILLE | 12/16/93 | 3.750 | 100,000 | 100,000 |
| CHARTER FED S&L SEVIERVILLE | 4/7/94 | 3.500 | 100,000 | 100,000 |
| CHESTER CO BANK HENDERSON | 7/22/93 | 4.000 | 100,000 | 100,000 |
| CHESTER CO BANK HENDERSON | 8/6/93 | 3.750 | 100,000 | 100,000 |
| CITIZENS BK ELIZABETHTON | 12/30/93 | 3.150 | 1,000,000 | 1,000,000 |
| CITIZENS BK LAFAYETTE | 7/13/93 | 3.250 | 100,000 | 100,000 |
| CITIZENS BK LAFAYETTE | 10/22/93 | 3.650 | 250,000 | 250,000 |
| CITIZENS BK LAFAYETTE | 11/29/93 | 3.150 | 500,000 | 500,000 |
| CITIZENS BK LAFAYETTE | 2/25/94 | 3.600 | 100,000 | 100,000 |
| CITIZENS NAT'L BK ATHENS | 7/23/93 | 3.250 | 250,000 | 250,000 |
| CITIZENS NAT'L BK ATHENS | 10/22/93 | 3.500 | 500,000 | 500,000 |
| CITIZENS NAT'L BK SEVIERVILLE | 7/7/93 | 3.100 | 2,000,000 | 2,000,000 |
| CITIZENS NAT'L BK SEVIERVILLE | 7/16/93 | 3.100 | 2,000,000 | 2,000,000 |
| CITIZENS STATE BK JASPER | 8/26/93 | 3.500 | 200,000 | 200,000 |
| CITIZENS STATE BK JASPER | 12/31/93 | 3.150 | 100,000 | 100,000 |
| CITIZENS STATE BK JASPER | 2/7/94 | 3.150 | 200,000 | 200,000 |
| CITIZENS STATE BK TRENTON | 7/23/93 | 3.750 | 300,000 | 300,000 |
| CITIZENS STATE BK TRENTON | 10/13/93 | 3.250 | 250,000 | 250,000 |
| CITIZENS UNION BK BULLS GAP | 11/24/93 | 3.750 | 100,000 | 100,000 |
| CITIZENS UNION BK BULLS GAP | 1/21/94 | 3.750 | 100,000 | 100,000 |
| CITIZENS UNION BK BULLS GAP | 2/4/94 | 3.600 | 400,000 | 400,000 |
| CITIZENS UNION BK BULLS GAP | 3/25/94 | 3.500 | 100,000 | 100,000 |
| CITIZENS UNION BK CHURCH HILL | 1/28/94 | 3.750 | 300,000 | 300,000 |
| CITIZENS UNION BK KINGSPORT | 9/24/93 | 3.100 | 1,050,000 | 1,050,000 |

State Cash Portfolio
INVESTMENT PORTFOLIOS

| | Maturity | Coupon | Par Value | Market Value |
|--------------------------------|----------|--------|--------------|--------------|
| CITIZENS UNION BK ROGERSVILLE | 7/12/93 | 3.100 | \$ 1,100,000 | \$ 1,100,000 |
| CITIZENS UNION BK ROGERSVILLE | 10/15/93 | 3.100 | 550,000 | 550,000 |
| CITIZENS UNION BK ROGERSVILLE | 10/26/93 | 3.100 | 1,600,000 | 1,600,000 |
| COFFEE CO BK MANCHESTER | 8/12/93 | 3.500 | 350,000 | 350,000 |
| COFFEE COUNTY BK MANCHESTER | 12/29/93 | 3.750 | 280,000 | 280,000 |
| COMMERCIAL BANK OBION | 10/1/93 | 3.250 | 200,000 | 200,000 |
| COMMUNITY BK OF GERMANTOWN | 9/24/93 | 3.100 | 4,000,000 | 4,000,000 |
| CUMBERLAND BANK CARTHAGE | 12/21/93 | 3.750 | 90,000 | 90,000 |
| CUMBERLAND BK CARTHAGE | 6/28/94 | 3.500 | 500,000 | 500,000 |
| FARM'S & MERCH BK BUMPUS MILL | 1/4/94 | 3.750 | 100,000 | 100,000 |
| THE FARMERS BK LYNCHBURG | 10/22/93 | 3.100 | 170,000 | 170,000 |
| FARMERS BK LYNCHBURG | 5/18/94 | 3.500 | 100,000 | 100,000 |
| FARMERS BK LYNCHBURG | 5/20/94 | 3.500 | 150,000 | 150,000 |
| FARMERS UNION BK RIPLEY | 10/29/93 | 3.100 | 1,500,000 | 1,500,000 |
| FENTRESS CO BANK JAMESTOWN | 7/29/93 | 3.500 | 200,000 | 200,000 |
| FENTRESS CO BANK JAMESTOWN | 8/6/93 | 3.750 | 450,000 | 450,000 |
| FENTRESS CO BANK JAMESTOWN | 8/20/93 | 3.500 | 300,000 | 300,000 |
| FENTRESS CO BANK JAMESTOWN | 1/31/94 | 3.150 | 500,000 | 500,000 |
| FIRST AMERICAN BK NASHVILLE | 11/29/93 | 3.150 | 30,000,000 | 30,000,000 |
| FIRST AMERICAN BK NASHVILLE | 12/3/93 | 3.150 | 20,000,000 | 20,000,000 |
| FIRST AMERICAN FED S&L PULASKI | 11/19/93 | 3.750 | 400,000 | 400,000 |
| FIRST AMERICAN FED S&L PULASKI | 1/20/94 | 3.750 | 500,000 | 500,000 |
| FIRST CENTRAL BK LENOIR CITY | 11/23/93 | 3.750 | 500,000 | 500,000 |
| FIRST CENTRAL BK LENOIR CITY | 5/20/94 | 3.500 | 500,000 | 500,000 |
| FIRST CITIZENS BANK HOHENWALD | 6/3/94 | 3.500 | 1,000,000 | 1,000,000 |
| FIRST CITY NAT'L BK MEMPHIS | 8/10/93 | 3.100 | 1,000,000 | 1,000,000 |
| FIRST CITY NAT'L BK MEMPHIS | 10/7/93 | 3.250 | 500,000 | 500,000 |
| FIRST CITY NAT'L BK MEMPHIS | 12/23/93 | 3.150 | 500,000 | 500,000 |
| FIRST CITY NAT'L BK MEMPHIS | 12/31/93 | 3.150 | 1,000,000 | 1,000,000 |
| FIRST CITY NAT'L BK MEMPHIS | 1/4/94 | 3.750 | 1,000,000 | 1,000,000 |
| FIRST CITY BK MURFREESBORO | 7/26/93 | 3.100 | 7,000,000 | 7,000,000 |
| FIRST CITY BK MURFREESBORO | 8/20/93 | 3.100 | 15,000,000 | 15,000,000 |
| FIRST FEDERAL S&L CLARKSVILLE | 8/27/93 | 3.750 | 100,000 | 100,000 |
| FIRST FED S&L LAFOLLETTE | 7/26/93 | 3.500 | 100,000 | 100,000 |
| FIRST FED S&L SELMER | 12/21/93 | 3.750 | 300,000 | 300,000 |
| FIRST FED S&L SELMER | 2/18/94 | 3.600 | 300,000 | 300,000 |
| FIRST FIDELITY S&L CROSSVILLE | 12/17/93 | 3.750 | 300,000 | 300,000 |
| FIRST NAT'L BK CENTERVILLE | 7/30/93 | 3.750 | 100,000 | 100,000 |
| FIRST NAT'L BK CENTERVILLE | 8/18/93 | 3.500 | 200,000 | 200,000 |
| FIRST NAT'L BK COPPERHILL | 7/19/93 | 3.100 | 4,300,000 | 4,300,000 |
| FIRST NAT'L BK OF GATLINBURG | 7/20/93 | 3.100 | 3,000,000 | 3,000,000 |
| FIRST NAT'L BK GATLINBURG | 9/15/93 | 3.100 | 3,000,000 | 3,000,000 |
| FIRST NATIONAL BK GATLINBURG | 12/21/93 | 3.250 | 3,000,000 | 3,000,000 |
| FIRST NAT'L BK LENOIR CITY | 11/26/93 | 3.750 | 300,000 | 300,000 |
| FIRST NAT'L BK LENOIR CITY | 4/26/94 | 3.500 | 200,000 | 200,000 |
| FIRST NAT'L BK LENIOR CITY | 6/3/94 | 3.500 | 100,000 | 100,000 |
| FIRST NAT'L BK ONEIDA | 7/23/93 | 3.500 | 500,000 | 500,000 |
| FIRST NAT'L BK ONEIDA | 9/17/93 | 3.500 | 500,000 | 500,000 |
| FIRST NAT'L BK PIKEVILLE | 9/24/93 | 3.500 | 300,000 | 300,000 |
| FIRST NAT'L BK PULASKI | 2/11/94 | 3.600 | 700,000 | 700,000 |
| FIRST NAT'L BK PULASKI | 2/18/94 | 3.600 | 300,000 | 300,000 |
| FIRST NAT'L BK SHELBYVILLE | 8/6/93 | 3.750 | 200,000 | 200,000 |
| FIRST NAT'L BK SHELBYVILLE | 2/4/94 | 3.600 | 200,000 | 200,000 |
| FIRST SOUTHERN S&L NASHVILLE | 10/19/93 | 3.150 | 85,000 | 85,000 |
| FIRST STATE BANK BROWNSVILLE | 9/24/93 | 3.500 | 500,000 | 500,000 |
| FIRST STATE BANK BROWNSVILLE | 10/15/93 | 3.500 | 500,000 | 500,000 |
| FIRST STATE BANK BROWNSVILLE | 10/25/93 | 3.250 | 500,000 | 500,000 |
| FIRST STATE BANK BROWNSVILLE | 11/30/93 | 3.750 | 500,000 | 500,000 |

State Cash Portfolio
INVESTMENT PORTFOLIOS

| | Maturity | Coupon | Par Value | Market Value |
|--------------------------------|----------|--------|------------|--------------|
| FIRST STATE BANK BROWNSVILLE | 12/21/93 | 3.750 | \$ 500,000 | \$ 500,000 |
| FIRST STATE BANK BROWNSVILLE | 12/28/93 | 3.150 | 500,000 | 500,000 |
| FIRST STATE BANK CHAPEL HILL | 9/1/93 | 3.750 | 200,000 | 200,000 |
| FIRST TN BK LEBANON | 1/13/94 | 3.750 | 300,000 | 300,000 |
| GATES BK & TR CO. GATES | 11/15/93 | 3.250 | 400,000 | 400,000 |
| HARDIN COUNTY BK SAVANNAH | 10/14/93 | 3.250 | 100,000 | 100,000 |
| HARDIN COUNTY BK SAVANNAH | 10/22/93 | 3.650 | 200,000 | 200,000 |
| HOME BANK OF TN DUCKTOWN | 8/6/93 | 3.750 | 95,000 | 95,000 |
| HOME BANK OF TN DUCKTOWN | 8/13/93 | 3.750 | 95,000 | 95,000 |
| HOME BANK OF TN DUCKTOWN | 9/14/93 | 3.500 | 95,000 | 95,000 |
| HOME BANK OF TN DUCKTOWN | 5/6/94 | 3.500 | 95,000 | 95,000 |
| HOME BANK OF TN DUCKTOWN | 5/17/94 | 3.500 | 95,000 | 95,000 |
| HOME FED S&L ERWIN | 12/3/93 | 3.750 | 100,000 | 100,000 |
| HOME FED S&L JOHNSON CITY | 12/23/93 | 3.750 | 500,000 | 500,000 |
| JACKSON CO BK GAINESBORO | 7/30/93 | 3.100 | 250,000 | 250,000 |
| JACKSON CO BK GAINESBORO | 11/15/93 | 3.150 | 1,000,000 | 1,000,000 |
| MARION BK & TR JASPER | 7/7/93 | 3.100 | 300,000 | 300,000 |
| MARION BK & TR JASPER | 7/9/93 | 3.500 | 300,000 | 300,000 |
| MARION BK & TR JASPER | 8/2/93 | 3.100 | 150,000 | 150,000 |
| MERCH & PLANTERS BK TOONE | 8/27/93 | 3.750 | 200,000 | 200,000 |
| MERCH & PLANTERS BK TOONE | 2/18/94 | 3.600 | 200,000 | 200,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 7/16/93 | 3.500 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 8/5/93 | 3.750 | 2,000,000 | 2,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 10/29/93 | 3.650 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 11/3/93 | 3.650 | 2,000,000 | 2,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 11/5/93 | 3.650 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 11/9/93 | 3.650 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 12/1/93 | 3.750 | 2,000,000 | 2,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 12/3/93 | 3.750 | 4,000,000 | 4,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 12/17/93 | 3.750 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 12/24/93 | 3.750 | 3,000,000 | 3,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 1/14/94 | 3.750 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 2/4/94 | 3.600 | 2,000,000 | 2,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 3/3/94 | 3.500 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 3/22/94 | 3.500 | 2,000,000 | 2,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 4/5/94 | 3.500 | 2,000,000 | 2,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 4/27/94 | 3.500 | 3,000,000 | 3,000,000 |
| NAT'L BK OF COMMERCE KNOXVILLE | 5/13/94 | 3.500 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 8/6/93 | 3.750 | 5,000,000 | 5,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 8/13/93 | 3.500 | 10,000,000 | 10,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 9/30/93 | 3.500 | 10,000,000 | 10,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 10/20/93 | 3.500 | 5,000,000 | 5,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 10/29/93 | 3.650 | 5,000,000 | 5,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 11/5/93 | 3.650 | 15,000,000 | 15,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 12/17/93 | 3.750 | 5,000,000 | 5,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 1/12/94 | 3.750 | 10,000,000 | 10,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 1/14/94 | 3.750 | 5,000,000 | 5,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 2/4/94 | 3.600 | 10,000,000 | 10,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 3/16/94 | 3.500 | 5,000,000 | 5,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 3/22/94 | 3.500 | 10,000,000 | 10,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 4/15/94 | 3.500 | 10,000,000 | 10,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 4/22/94 | 3.500 | 10,000,000 | 10,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 5/18/94 | 3.500 | 10,000,000 | 10,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 5/26/94 | 3.500 | 5,000,000 | 5,000,000 |
| NAT'L BK OF COMMERCE MEMPHIS | 5/27/94 | 3.500 | 20,000,000 | 20,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 7/16/93 | 3.500 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 8/5/93 | 3.750 | 2,000,000 | 2,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 10/29/93 | 3.650 | 1,000,000 | 1,000,000 |

State Cash Portfolio
INVESTMENT PORTFOLIOS

| | Maturity | Coupon | Par Value | Market Value |
|--------------------------------|----------|--------|--------------|--------------|
| NAT'L BK OF COMMERCE NASHVILLE | 11/3/93 | 3.650 | \$ 2,000,000 | \$ 2,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 11/5/93 | 3.650 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 11/9/93 | 3.650 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 12/1/93 | 3.750 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 12/17/93 | 3.750 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 1/14/94 | 3.750 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 2/4/94 | 3.600 | 5,000,000 | 5,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 3/3/94 | 3.500 | 1,000,000 | 1,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 4/5/94 | 3.500 | 2,000,000 | 2,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 4/27/94 | 3.500 | 3,000,000 | 3,000,000 |
| NAT'L BK OF COMMERCE NASHVILLE | 5/13/94 | 3.500 | 1,000,000 | 1,000,000 |
| NATIONS BANK LAWRENCEBURG | 5/27/94 | 3.500 | 200,000 | 200,000 |
| NEWPORT FED S&L NEWPORT | 1/7/94 | 3.750 | 500,000 | 500,000 |
| NEWPORT FED S&L NEWPORT | 4/1/94 | 3.500 | 300,000 | 300,000 |
| OAKLAND DEPOSIT BK OAKLAND | 4/13/94 | 3.500 | 100,000 | 100,000 |
| PEOPLE'S BK BYRDSTOWN | 9/24/93 | 3.500 | 100,000 | 100,000 |
| PEOPLE'S BK BYRDSTOWN | 11/12/93 | 3.650 | 100,000 | 100,000 |
| PEOPLE'S BK BYRDSTOWN | 12/3/93 | 3.150 | 100,000 | 100,000 |
| PEOPLE'S BK BYRDSTOWN | 1/7/94 | 3.750 | 400,000 | 400,000 |
| PEOPLE'S BK BYRDSTOWN | 1/21/94 | 3.750 | 100,000 | 100,000 |
| PEOPLE'S BK BYRDSTOWN | 1/24/94 | 3.150 | 100,000 | 100,000 |
| PEOPLES BK CLIFTON | 7/17/93 | 3.250 | 100,000 | 100,000 |
| PEOPLES BK DICKSON | 11/10/93 | 3.650 | 500,000 | 500,000 |
| PEOPLES BK OF POLK CO BENTON | 10/22/93 | 3.100 | 100,000 | 100,000 |
| PEOPLES BK OF POLK CO BENTON | 10/25/93 | 3.250 | 100,000 | 100,000 |
| PEOPLES BK OF POLK CO BENTON | 12/3/93 | 3.150 | 100,000 | 100,000 |
| PEOPLES BK OF POLK CO BENTON | 1/14/94 | 3.750 | 200,000 | 200,000 |
| PLANTERS BK MAURY CITY | 10/29/93 | 3.250 | 100,000 | 100,000 |
| PLANTERS BK MAURY CITY | 1/24/94 | 3.150 | 200,000 | 200,000 |
| PROGRESSIVE SVG BK JAMESTOWN | 9/17/93 | 3.500 | 300,000 | 300,000 |
| REELFOOT BANK UNION CITY | 4/29/94 | 3.500 | 4,000,000 | 4,000,000 |
| RHEA COUNTY NAT'L BK DAYTON | 11/15/93 | 3.250 | 200,000 | 200,000 |
| RHEA CO BK DAYTON | 1/14/94 | 3.750 | 500,000 | 500,000 |
| SECURITY BK & TR PARIS | 8/24/93 | 3.250 | 500,000 | 500,000 |
| SECURITY BK & TR PARIS | 11/15/93 | 3.250 | 300,000 | 300,000 |
| SECURITY BK & TR PARIS | 1/21/94 | 3.750 | 500,000 | 500,000 |
| SECURITY BK & TR PARIS | 1/28/94 | 3.600 | 1,000,000 | 1,000,000 |
| SHELBY BANK BARTLETT | 7/28/93 | 3.750 | 200,000 | 200,000 |
| SHELBY COUNTY BANK BARTLETT | 9/29/93 | 3.500 | 700,000 | 700,000 |
| SOMERVILLE BK&TR SOMERVILLE | 12/6/93 | 3.150 | 200,000 | 200,000 |
| SOUTHTRUST BK NASHVILLE | 10/22/93 | 3.100 | 1,500,000 | 1,500,000 |
| TN BANK & TRUST MILLINGTON | 7/15/93 | 3.250 | 200,000 | 200,000 |
| TN BANK & TRUST MILLINGTON | 9/30/93 | 3.250 | 1,000,000 | 1,000,000 |
| TN BANK & TRUST MILLINGTON | 10/4/93 | 3.250 | 750,000 | 750,000 |
| TN BANK & TRUST MILLINGTON | 11/2/93 | 3.650 | 500,000 | 500,000 |
| TN BANK & TRUST MILLINGTON | 2/10/94 | 3.600 | 300,000 | 300,000 |
| TN BANK & TRUST MILLINGTON | 2/10/94 | 3.600 | 200,000 | 200,000 |
| TN BANK & TRUST MILLINGTON | 2/11/94 | 3.600 | 500,000 | 500,000 |
| TN STATE BK GATLINBURG | 3/22/94 | 3.500 | 5,000,000 | 5,000,000 |
| TRI COUNTY FED S&L COVINGTON | 12/16/93 | 3.750 | 100,000 | 100,000 |
| TWIN CITIES FED SAV BRISTOL | 12/2/93 | 3.150 | 500,000 | 500,000 |
| TWIN CITIES FED SAV BRISTOL | 2/18/94 | 3.150 | 500,000 | 500,000 |
| UNITED AMERICAN BK MEMPHIS | 11/9/93 | 3.100 | 1,000,000 | 1,000,000 |
| UNITED AMERICAN BK MEMPHIS | 9/30/93 | 3.150 | 1,000,000 | 1,000,000 |
| UNITED AMERICAN BK MEMPHIS | 8/13/93 | 3.100 | 1,000,000 | 1,000,000 |
| VOLUNTER B&T CHATTANOOGA | 10/20/93 | 3.500 | 80,000 | 80,000 |
| VOLUNTEER B&T CHATTANOOGA | 1/26/94 | 3.750 | 500,000 | 500,000 |
| VOLUNTEER BK JACKSON | 9/17/93 | 3.100 | 1,000,000 | 1,000,000 |

State Cash Portfolio
INVESTMENT PORTFOLIOS

| | | Maturity | Coupon | Par Value | Market Value |
|--------------------------------------|-----|----------|--------|------------------|------------------|
| VOL FED S&L MADISONVILLE | | 1/25/94 | 3.750 | \$ 100,000 | \$ 100,000 |
| WAYNE COUNTY BK WAYNESBORO | | 12/30/93 | 3.750 | 900,000 | 900,000 |
| WAYNE COUNTY BK WAYNESBORO | | 1/21/94 | 3.150 | 200,000 | 200,000 |
| WAYNE CO BK WAYNESBORO | | 2/18/94 | 3.150 | 200,000 | 200,000 |
| WHITEVILLE BK WHITEVILLE | | 8/20/93 | 3.100 | 300,000 | 300,000 |
| WHITEVILLE BK WHITEVILLE | | 10/1/93 | 3.100 | 400,000 | 400,000 |
| WHITEVILLE BK WHITEVILLE | | 10/19/93 | 3.100 | 150,000 | 150,000 |
| WHITEVILLE BK WHITEVILLE | | 11/19/93 | 3.100 | 350,000 | 350,000 |
| <i>Total Certificates of Deposit</i> | | | | \$ 412,235,000 | \$ 412,235,000 |
| Repurchase Agreements: | | | | | |
| CARROLL MCENTEE INC. | | 7/1/93 | 3.500 | \$ 5,340,000 | \$ 5,340,000 |
| CARROLL MCENTEE INC. | | 7/1/93 | 3.500 | 8,660,000 | 8,660,000 |
| FIRST AMERICAN NAT'L BK NASHVILLE | | 7/1/93 | 2.900 | 11,750,000 | 11,750,000 |
| FIRST AMERICAN NAT'L BK NASHVILLE | | 7/1/93 | 2.900 | 3,250,000 | 3,250,000 |
| GREENWICH CAPT. MKT. INC. | | 7/1/93 | 3.300 | 40,000,000 | 40,000,000 |
| HARRIS GOVT. SECURITIES INC. | | 7/1/93 | 3.300 | 50,000,000 | 50,000,000 |
| KIDDER PEABODY | | 7/1/93 | 3.450 | 10,500,000 | 10,500,000 |
| PAINE WEBBER | | 7/1/93 | 3.100 | 9,000,000 | 9,000,000 |
| <i>Total Repurchase Agreements</i> | | | | \$ 138,500,000 | \$ 138,500,000 |
| Commercial Paper: | | | | | |
| AT&T CORP. | A1+ | 7/6/93 | 0.000 | \$ 20,000,000 | \$ 19,871,200 |
| AT&T CORP. | A1+ | 7/7/93 | 0.000 | 20,000,000 | 19,869,600 |
| ASSET SECUR. CO-OP CORP. | A1+ | 8/16/93 | 0.000 | 20,000,000 | 19,903,200 |
| CORP. ASSET SECUR. AUSTRALIA | A1+ | 8/3/93 | 0.000 | 20,000,000 | 19,924,200 |
| GENERAL ELECTRIC CAPT. CORP. | A1+ | 10/5/93 | 0.000 | 50,000,000 | 49,566,000 |
| GOLDMAN SACHS PROMISSORY | A1+ | 8/19/93 | 3.188 | 20,000,000 | 20,000,000 |
| GOLDMAN SACHS PROMISSORY | A1+ | 11/10/93 | 3.438 | 30,000,000 | 30,000,000 |
| MERRILL LYNCH & CO. | A1+ | 7/1/93 | 0.000 | 50,000,000 | 49,693,000 |
| MITSUBISHI ELEC. FINANCE AMER. | A1 | 9/23/93 | 0.000 | 8,700,000 | 8,633,271 |
| MITSUJ & CO. (USA) INC. | A1 | 9/22/93 | 0.000 | 15,000,000 | 14,886,300 |
| MORGAN STANLEY GROUP INC. | A1+ | 8/18/93 | 0.000 | 50,000,000 | 49,747,000 |
| PREFERRED REC'VLES FUNDING CORP. | A1 | 7/8/93 | 0.000 | 20,000,000 | 19,875,400 |
| PREFERRED REC'VLES FUNDING CORP. | A1 | 7/9/93 | 0.000 | 20,000,000 | 19,873,800 |
| RECEIVABLES PURCHASE CORP. | A1 | 8/10/93 | 0.000 | 4,020,000 | 3,989,046 |
| RECEIVABLES CAPITAL CORP. | A1 | 8/10/93 | 0.000 | 15,000,000 | 14,945,700 |
| TREASURY CORP. OF VICTORIA | A1+ | 8/18/93 | 0.000 | 25,000,000 | 24,756,750 |
| WMC FINANCE LTD | A1 | 8/6/93 | 0.000 | 15,000,000 | 14,890,650 |
| WMC FINANCE LTD | A1 | 8/6/93 | 0.000 | 10,000,000 | 9,959,400 |
| <i>Total Commercial Paper</i> | | | | \$ 412,720,000 | \$ 410,384,517 |
| TOTAL PORTFOLIO | | | | \$ 2,073,255,000 | \$ 2,086,026,071 |

See Key to Ratings on Page 59

Domestic Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|------------------------------------|--------|--------|------------|---------------|--------------------|
| <i>Government Bonds and Notes:</i> | | | | | |
| Cert of Accrual Treasury - Ser. T | AAA | 0.000 | 5 15 1996 | \$ 34,280,000 | \$ 30,149,945.60 |
| Cert of Accrual Treasury - Ser. T | AAA | 0.000 | 11 15 1996 | 9,404,000 | 8,031,580.24 |
| Coupon Treasury Receipts | AAA | 0.000 | 8 15 1997 | 30,000,000 | 24,465,600.00 |
| Coupon Treasury Receipts | AAA | 0.000 | 2 15 1998 | 39,720,000 | 31,399,454.40 |
| Coupon Treasury Receipts | AAA | 0.000 | 8 15 1998 | 49,140,000 | 37,604,876.40 |
| Coupon Treasury Receipts | AAA | 0.000 | 8 15 2004 | 23,075,400 | 11,292,177.74 |
| Coupon Treasury Receipts | AAA | 0.000 | 11 15 2003 | 74,236,964 | 38,629,946.46 |
| Coupon Treasury Receipts | AAA | 0.000 | 8 15 2003 | 100,000,000 | 52,961,000.00 |
| Coupon Treasury Receipts | AAA | 0.000 | 8 15 2004 | 10,134,000 | 4,959,174.24 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 5 15 2005 | 100,000,000 | 46,156,000.00 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 5 15 2000 | 13,678,000 | 9,305,553.74 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 5 15 2000 | 4,723,875 | 3,213,793.88 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 5 15 1994 | 17,803,000 | 17,280,659.98 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 11 15 1994 | 17,812,500 | 16,918,668.75 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 5 15 1995 | 8,208,000 | 7,621,538.40 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 11 15 1995 | 17,803,000 | 16,129,161.94 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 5 15 1996 | 8,312,500 | 7,311,010.00 |
| Treasury Invest. Growth Receipts | AAA | 0.000 | 5 15 2000 | 15,513,500 | 10,554,299.46 |
| United States Treasury Bonds | AAA | 9.125 | 5 15 2009 | 25,000,000 | 30,988,250.00 |
| United States Treasury Bonds | AAA | 10.375 | 11 15 2012 | 159,000,000 | 219,916,080.00 |
| United States Treasury Bonds | AAA | 12.000 | 8 15 2013 | 80,000,000 | 123,962,400.00 |
| United States Treasury Bonds | AAA | 11.875 | 11 15 2003 | 10,000,000 | 14,634,400.00 |
| United States Treasury Bonds | AAA | 10.750 | 8 15 2005 | 162,000,000 | 227,762,280.00 |
| United States Treasury Bonds | AAA | 9.250 | 2 15 2016 | 70,000,000 | 91,142,100.00 |
| United States Treasury Bonds | AAA | 8.750 | 5 15 2017 | 60,000,000 | 74,700,000.00 |
| United States Treasury Bonds | AAA | 8.125 | 8 15 2019 | 93,700,000 | 109,790,164.00 |
| United States Treasury Bonds | AAA | 7.125 | 2 15 2023 | 21,000,000 | 22,214,010.00 |
| United States Treasury Corpus | AAA | 0.000 | 11 15 2001 | 76,000,000 | 43,721,280.00 |
| United States Treasury Notes | AAA | 6.000 | 12 31 1997 | 10,000,000 | 10,431,200.00 |
| United States Treasury Notes | AAA | 6.375 | 1 15 2000 | 13,000,000 | 13,698,750.00 |
| United States Treasury Notes | AAA | 6.250 | 2 15 2003 | 10,000,000 | 10,343,700.00 |
| United States Treasury Notes | AAA | 5.375 | 5 31 1998 | 50,000,000 | 50,679,500.00 |
| United States Treasury Notes | AAA | 7.375 | 5 15 1996 | 50,000,000 | 53,961,000.00 |
| United States Treasury Notes | AAA | 7.250 | 11 15 1996 | 56,850,000 | 61,486,686.00 |
| United States Treasury Notes | AAA | 8.875 | 5 15 2000 | 75,000,000 | 89,671,500.00 |
| United States Treasury Notes | AAA | 7.750 | 2 15 2001 | 26,900,000 | 30,548,178.00 |
| United States Treasury Strip | AAA | 0.000 | 11 15 1997 | 35,000,000 | 28,226,800.00 |
| United States Treasury Strip | AAA | 0.000 | 8 15 1996 | 50,000,000 | 43,443,500.00 |
| United States Treasury Strip | AAA | 0.000 | 8 15 1998 | 16,000,000 | 12,305,280.00 |
| United States Treasury Strip | AAA | 0.000 | 2 15 2001 | 22,000,000 | 14,300,660.00 |
| United States Treasury Strip | AAA | 0.000 | 2 15 2005 | 45,600,000 | 21,998,808.00 |
| United States Treasury Strip | AAA | 0.000 | 5 15 2000 | 31,000,000 | 21,237,480.00 |
| United States Treasury Strip | AAA | 0.000 | 5 15 2001 | 71,000,000 | 45,371,130.00 |
| United States Treasury Strip | AAA | 0.000 | 5 15 2002 | 31,000,000 | 18,394,780.00 |
| United States Treasury Strip | AAA | 0.000 | 11 15 2010 | 40,000,000 | 12,084,800.00 |
| <i>Total Bonds and Notes</i> | | | | | \$1,870,999,157.23 |
| <i>Agencies:</i> | | | | | |
| Agency Int'l Development | AAA | 9.300 | 7 1 2020 | \$ 25,000,000 | \$ 31,062,500.00 |
| Amer. SW Financial CMO 37-C | AAA | 9.200 | 12 1 2006 | 10,871,507 | 11,132,531.47 |
| CMO Trust 15-D | AAA | 5.000 | 12 20 2016 | 12,726,525 | 12,762,286.10 |
| Farmers Home Administration | AAA | 8.750 | 11 26 1994 | 66,754 | 66,753.72 |

TCRS Portfolio
INVESTMENT PORTFOLIOS

Domestic Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|------------------------------|--------|--------|------------|-------------|---------------|
| Farmers Home Administration | AAA | 5.750 | 6 30 1999 | \$ 27,454 | \$ 26,610.00 |
| Farmers Home Administration | AAA | 6.250 | 10 10 1998 | 30,699 | 30,699.16 |
| Farmers Home Administration | AAA | 5.750 | 6 29 2001 | 177,324 | 187,520.31 |
| Farmers Home Administration | AAA | 6.500 | 3 26 1994 | 126,126 | 113,709.31 |
| Farmers Home Administration | AAA | 8.500 | 8 28 1994 | 106,301 | 106,301.45 |
| Federal Farm Credit MT Notes | AAA | 8.875 | 10 1 1999 | 10,000,000 | 10,456,200.00 |
| F H A and V A Mortgages | AAA | 5.250 | 11 1 1995 | 19,490 | 19,032.67 |
| F H A and V A Mortgages | AAA | 6.000 | 10 1 1997 | 57,323 | 55,986.41 |
| FHLMC 125 A | AAA | 8.750 | 3 15 2000 | 70,073,773 | 73,927,830.09 |
| FHLM REMIC 1141 F PAC | AAA | 8.500 | 10 15 2020 | 40,000,000 | 43,824,800.00 |
| FHLMC REMIC SERIES 1166-PG | AAA | 8.000 | 2 15 2020 | 14,500,000 | 14,839,735.00 |
| FHLMC 1415 M | AAA | 6.750 | 2 15 2006 | 20,000,000 | 20,306,200.00 |
| FHLM REMIC 1398-F | AAA | 6.000 | 12 15 2005 | 15,890,000 | 15,477,813.40 |
| FHLM REMIC 1414 G | AAA | 6.250 | 7 15 2006 | 10,000,000 | 9,818,700.00 |
| FHLM REMIC 1417G | AAA | 6.500 | 7 15 2006 | 5,000,000 | 4,993,750.00 |
| FHLM REMIC 1409 Y3 | AAA | 6.750 | 2 15 2006 | 10,000,000 | 10,156,200.00 |
| FHLM REMIC 1546 YT | AAA | 7.000 | 12 15 2022 | 10,000,000 | 9,812,500.00 |
| FHLMC G-93 Series 13 | AAA | 6.000 | 3 25 2018 | 20,000,000 | 19,206,200.00 |
| FHLMC CAP DEB | AAA | 7.950 | 4 3 1995 | 20,000,000 | 21,323,200.00 |
| FHLMC PC #170220 | AAA | 8.000 | 4 1 2017 | 10,874,842 | 11,350,616.55 |
| FHLMC PC #189272 | AAA | 8.500 | 12 1 2007 | 7,446,543 | 7,809,562.12 |
| FHLMC PC #256498 | AAA | 8.000 | 4 1 2009 | 4,734,842 | 4,977,502.44 |
| FHLMC B PC#220007 | AAA | 8.750 | 8 1 2001 | 5,797,061 | 6,097,754.91 |
| FHLMC PC #220010 | AAA | 8.750 | 8 1 2001 | 8,430,153 | 8,867,425.43 |
| FHLMC B PC#286896 | AAA | 7.500 | 2 1 2017 | 9,484,215 | 9,792,451.99 |
| FNMA Deb. | AAA | 0.000 | 7 5 2014 | 297,000,000 | 63,391,680.00 |
| FNMA Deb. | AAA | 9.150 | 9 10 1997 | 20,000,000 | 21,362,400.00 |
| FNMA GVT | AAA | 8.875 | 1 10 2001 | 5,000,000 | 5,393,750.00 |
| FNMA 91-24-C | AAA | 8.250 | 9 25 2009 | 19,723,000 | 20,092,806.25 |
| FNMA 1991 141 PX Z | AAA | 0.000 | 7 25 2018 | 14,875,000 | 15,967,271.25 |
| FNMA #050542 | AAA | 7.500 | 2 1 2007 | 10,668,876 | 11,138,946.66 |
| FNMA MBS #89930 | AAA | 8.000 | 7 1 2009 | 9,687,297 | 10,220,098.63 |
| FNMA MBS #7238 | AAA | 8.000 | 6 1 2008 | 17,628,592 | 18,598,165.03 |
| FNMA MBS #18742 | AAA | 8.500 | 11 1 2008 | 10,860,759 | 11,559,866.50 |
| FNMA MT Notes | AAA | 10.350 | 4 1 2019 | 25,000,000 | 26,156,250.00 |
| FNMA REMIC Trust 90-69-Z2 | AAA | 0.000 | 6 25 2020 | 23,307,486 | 26,330,000.63 |
| FNMA REMIC 1991-82 PL | AAA | 7.000 | 12 25 2020 | 30,000,000 | 28,621,800.00 |
| FNMA REMIC 1991 86 Z | AAA | 0.000 | 7 25 2021 | 14,206,846 | 12,621,788.49 |
| FNMA REMIC 1991-113 Z | AAA | 0.000 | 12 25 2004 | 5,592,000 | 5,920,530.00 |
| FNMA REMIC GNMA 27 H PAC | AAA | 8.500 | 9 25 2020 | 30,377,500 | 32,465,953.13 |
| FNMA REMIC #91116 Z | AAA | 0.000 | 9 25 2021 | 21,462,686 | 22,562,649.08 |
| FNMA REMIC SER 91-160-ZB | AAA | 0.000 | 11 25 2020 | 22,274,080 | 23,088,420.36 |
| FNMA REMIC 92-10-ZA | AAA | 0.000 | 9 25 2018 | 21,760,000 | 22,501,145.60 |
| FNMA REMIC 1992 171ZA | AAA | 0.000 | 2 25 2019 | 15,917,209 | 15,892,218.94 |
| FNMA REMIC 1992-186 G | AAA | 6.000 | 1 25 2006 | 8,605,000 | 8,384,453.85 |
| FNMA REMIC 1992-193 GA | AAA | 6.500 | 11 25 2007 | 10,000,000 | 10,012,500.00 |
| FNMA REMIC 93-17 Z3 | AAA | 0.000 | 1 25 2016 | 14,238,000 | 14,407,005.06 |
| FNMA REMIC 1988-8-Z | AAA | 0.000 | 4 25 2018 | 15,130,911 | 17,083,706.37 |
| FNMA REMIC 89-81 E | AAA | 9.000 | 3 25 2019 | 21,000,000 | 23,342,760.00 |
| GMAC MTG SECS CMO SER B-2 | AAA | 7.800 | 5 20 2011 | 5,341,671 | 5,406,785.69 |

Domestic Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|--|--------|--------|------------|---------------|---------------------|
| GMAC 92-F | AAA | 4.500 | 9 15 1997 | \$ 58,114,331 | \$ 58,241,020.36 |
| GNMA MBS #193196 | AAA | 9.000 | 8 15 2016 | 16,728,563 | 18,077,220.02 |
| GNMA #198306 | AAA | 9.000 | 1 15 2017 | 11,298,810 | 12,209,720.27 |
| GNMA #218124 | AAA | 9.000 | 6 15 2017 | 4,554,899 | 4,922,115.36 |
| GNMA #235870 | AAA | 9.500 | 10 15 2017 | 2,468,388 | 2,696,714.22 |
| GNMA #266932 | AAA | 9.500 | 1 15 2019 | 2,723,995 | 2,975,964.93 |
| GNMA #270479 | AAA | 10.000 | 7 15 2019 | 5,476,618 | 6,060,206.68 |
| GNMA #271685 | AAA | 9.500 | 4 15 2019 | 4,197,858 | 4,586,159.99 |
| GNMA #279522 | AAA | 9.000 | 11 15 2019 | 13,843,832 | 14,959,922.09 |
| Government Trust Certificates | AAA | 9.250 | 11 15 2001 | 50,000,000 | 59,483,500.00 |
| Government Trust Certificates | AAA | 9.400 | 5 15 2002 | 20,000,000 | 23,753,200.00 |
| International Bk. for Rec. & Dev. Bonds | Aaa | 8.250 | 9 1 2016 | 7,000,000 | 8,015,700.00 |
| International Bk. for Rec. & Dev. Bonds | Aaa | 8.625 | 10 15 2016 | 49,000,000 | 58,223,270.00 |
| International Bk. for Rec. & Dev. Bonds | Aaa | 9.250 | 7 15 2017 | 5,000,000 | 6,281,050.00 |
| International Bk. for Rec. & Dev. MT Notes | Aaa | 10.030 | 9 15 1997 | 5,000,000 | 5,878,550.00 |
| International Bk. for Rec. & Dev. MT Notes | Aaa | 9.320 | 10 29 2003 | 10,000,000 | 12,288,900.00 |
| International Bk. for Rec. & Dev. MT Notes | Aaa | 9.570 | 11 1 2018 | 10,000,000 | 12,966,200.00 |
| National Archive | Aaa | 8.500 | 9 1 2019 | 28,782,000 | 32,694,625.08 |
| Navy Dept. - U S Government Cert. | Aaa | 8.625 | 12 15 2013 | 10,500,000 | 11,451,510.00 |
| Rural Electric Co-Op Trust Cert. | Aaa | 9.200 | 9 30 2001 | 20,000,000 | 21,557,400.00 |
| Ryan Mtg. CMO IV 4-2 | Aaa | 9.400 | 1 1 2010 | 2,475,384 | 2,493,157.62 |
| Ryan Mtg. CMO IV 8-C | Aaa | 9.000 | 9 1 2007 | 11,564,872 | 12,096,046.40 |
| Salomon Capital CMO Ser. 85-32 | Aaa | 8.625 | 10 1 2004 | 19,952,374 | 20,376,361.47 |
| US SBA PC Ser. SBIC 1986A | Aaa | 8.750 | 9 1 1996 | 14,665,873 | 16,007,947.13 |
| US SBA PC Ser. SBIC 1987A | Aaa | 7.950 | 2 1 1997 | 4,409,913 | 4,749,696.69 |
| US SBA PC SBIC 1990-10 D | Aaa | 8.700 | 12 1 2000 | 11,000,000 | 12,518,440.00 |
| <i>Total Agencies</i> | | | | | \$ 1,276,689,922.36 |
| <i>Total Governments and Agencies</i> | | | | | \$ 3,147,689,079.59 |
| <i>Corporates:</i> | | | | | |
| AT & T Capital MT Notes | Aa3 | 8.800 | 7 15 1994 | \$ 6,000,000 | \$ 6,296,760.00 |
| AT & T Capital MT Notes | Aa3 | 7.240 | 7 29 2002 | 8,500,000 | 9,050,035.00 |
| Alcoa | A2 | 4.625 | 2 15 1996 | 30,000,000 | 29,909,400.00 |
| Allstate Notes | A2 | 5.875 | 6 15 1998 | 15,000,000 | 15,137,700.00 |
| Alltel Corp. | A2 | 9.500 | 3 1 2021 | 7,000,000 | 7,943,320.00 |
| Anheuser Busch Co. | A1 | 8.750 | 12 1 1999 | 11,500,000 | 13,172,445.00 |
| Anheuser Busch Co. | A1 | 6.900 | 10 1 2002 | 10,000,000 | 10,465,000.00 |
| Arco | A1 | 9.875 | 3 1 2016 | 19,500,000 | 24,927,630.00 |
| Arco | A1 | 9.125 | 3 1 2011 | 10,000,000 | 11,898,900.00 |
| Arco Co. MT Notes | A1 | 8.300 | 9 15 1999 | 7,000,000 | 7,842,030.00 |
| Arkla, Inc. | Ba2 | 8.900 | 12 15 2006 | 14,000,000 | 15,400,000.00 |
| Associates Corp. | A1 | 9.125 | 4 1 2000 | 20,080,000 | 23,068,707.20 |
| Associates Corp. | A1 | 8.750 | 2 1 1996 | 7,000,000 | 7,636,300.00 |
| Associates Corp. | A1 | 6.000 | 6 15 2000 | 25,000,000 | 25,036,750.00 |
| BP America Corp. | A1 | 10.000 | 7 1 2018 | 13,000,000 | 15,471,430.00 |
| Bell Atlantic Fin. Serv. Notes | A1 | 6.625 | 11 30 1997 | 20,000,000 | 20,945,200.00 |
| Bell Tel Co. Pennsylvania | Aa1 | 7.700 | 1 15 2023 | 15,000,000 | 15,648,150.00 |
| Bell South Telecommunications | AAA | 7.875 | 8 1 2032 | 37,500,000 | 39,663,750.00 |
| Boeing Co. | A1 | 8.100 | 11 15 2006 | 32,000,000 | 35,968,320.00 |
| Boeing Co. | A1 | 7.250 | 6 15 2025 | 25,000,000 | 24,692,000.00 |
| British Gas Finance | Aa2 | 8.750 | 3 15 1998 | 10,000,000 | 11,303,300.00 |

Domestic Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|-----------------------------------|--------|--------|------------|---------------|------------------|
| British Gas Finance | Aa2 | 9.500 | 3 15 2018 | \$ 15,000,000 | \$ 16,050,000.00 |
| British Tel Finance | Aaa | 9.375 | 2 15 1999 | 15,000,000 | 17,682,600.00 |
| CSX Corp. SEC Notes | A3 | 8.400 | 8 1 1996 | 11,000,000 | 11,964,370.00 |
| Cajun Electric Co-Op, Inc. | AAA | 9.520 | 3 15 2019 | 3,000,000 | 3,556,140.00 |
| Cajun Electric Power | AAA | 8.920 | 3 15 2019 | 7,500,000 | 8,309,325.00 |
| Central Illinois Light Co. | Aa2 | 7.500 | 1 15 2007 | 10,000,000 | 11,051,900.00 |
| Central Power and Light | A2 | 6.000 | 4 1 2000 | 25,000,000 | 25,035,250.00 |
| Chesapeake Potomac Tel Virginia | Aaa | 8.500 | 9 1 2026 | 5,000,000 | 5,217,500.00 |
| Citizens Utilities Corp. | Aaa | 8.450 | 9 1 2001 | 5,000,000 | 5,632,000.00 |
| Consolidated Edison | Aa1 | 9.375 | 6 1 2026 | 15,000,000 | 17,533,350.00 |
| Consolidated Edison | Aa1 | 7.500 | 6 15 2023 | 10,000,000 | 10,272,000.00 |
| Consolidated Natural Gas | A1 | 7.625 | 4 1 1996 | 3,785,000 | 3,861,002.80 |
| Consolidated Natural Gas | A1 | 8.625 | 12 1 2011 | 9,555,000 | 10,142,728.05 |
| Consolidated Natural Gas | A1 | 5.875 | 10 1 1998 | 5,000,000 | 5,034,300.00 |
| Dayton Power and Light | A2 | 7.875 | 2 15 2024 | 28,300,000 | 29,597,555.00 |
| Dean Witter Discover | A2 | 6.000 | 3 1 1998 | 12,000,000 | 12,180,600.00 |
| Duke Power Co. | Aa2 | 8.500 | 2 1 2017 | 18,700,000 | 19,759,168.00 |
| Duke Power Co. | Aa2 | 8.750 | 3 1 2021 | 28,000,000 | 29,329,720.00 |
| Farmers Insurance Group | Aa2 | 8.250 | 7 15 1996 | 21,000,000 | 22,699,530.00 |
| Financial Assistance Credit | Aa2 | 8.800 | 6 10 2005 | 10,000,000 | 11,981,200.00 |
| Florida Power and Light | A2 | 5.500 | 7 1 1999 | 35,000,000 | 34,605,200.00 |
| Ford Capital | A2 | 9.875 | 5 15 2002 | 30,000,000 | 36,210,900.00 |
| Ford Credit Grantor Trust | Aaa | 4.850 | 1 15 1998 | 17,097,607 | 17,193,695.59 |
| Ford Motor Credit | A2 | 8.000 | 6 15 2002 | 48,500,000 | 52,758,785.00 |
| Ford Motor Credit | A2 | 6.750 | 5 15 2005 | 12,000,000 | 11,913,120.00 |
| Ford Motor Credit Corp. | A2 | 7.500 | 1 15 2003 | 10,000,000 | 10,644,300.00 |
| Ford Motor Credit MT Notes | A2 | 9.700 | 10 6 1998 | 14,400,000 | 16,841,088.00 |
| Ford Motor Credit MT Notes | A2 | 5.150 | 3 18 1996 | 10,000,000 | 10,044,500.00 |
| Ford Motor Credit MT Notes | A2 | 6.600 | 7 14 1997 | 15,000,000 | 15,581,550.00 |
| Ford Motor Credit Notes | A2 | 8.000 | 8 15 1993 | 10,000,000 | 10,044,600.00 |
| Ford Motor Holdings Notes | A2 | 9.250 | 3 1 2000 | 40,000,000 | 46,254,800.00 |
| GTE Corp. | A3 | 10.250 | 11 1 2020 | 20,000,000 | 24,513,200.00 |
| GTE Corp. | A3 | 9.100 | 6 1 2003 | 12,000,000 | 14,172,480.00 |
| GTE Finance MT Notes | A3 | 9.680 | 2 18 1999 | 10,000,000 | 11,323,600.00 |
| General Electric | Aaa | 5.875 | 12 1 1994 | 27,000,000 | 27,640,710.00 |
| General Electric Capital | Aaa | 8.650 | 5 1 2018 | 10,000,000 | 10,930,600.00 |
| General Electric Capital | Aaa | 9.500 | 2 1 1999 | 25,000,000 | 25,719,750.00 |
| General Electric Capital | Aaa | 7.875 | 11 22 2004 | 15,000,000 | 16,663,350.00 |
| General Electric Capital | Aaa | 8.500 | 7 24 2008 | 13,000,000 | 15,212,860.00 |
| General Electric Capital | Aaa | 5.625 | 1 15 1995 | 20,000,000 | 20,405,600.00 |
| General Electric Capital MT Notes | Aaa | 6.290 | 11 5 1997 | 24,300,000 | 25,232,634.00 |
| General Electric Corp. | Aaa | 5.500 | 11 1 2001 | 8,500,000 | 8,074,660.00 |
| General Electric Corp. MT Notes | Aaa | 6.440 | 12 16 1997 | 20,000,000 | 20,855,200.00 |
| General Electric Credit Corp. | Aaa | 8.125 | 5 15 2012 | 36,400,000 | 40,757,444.00 |
| GMAC Deb. | Baa1 | 8.750 | 9 15 1993 | 1,000,000 | 1,007,900.00 |
| GMAC Deb. | Baa1 | 8.000 | 4 1 1994 | 15,000,000 | 15,379,350.00 |
| GMAC MT Notes | Baa1 | 7.850 | 11 17 1997 | 57,000,000 | 60,756,870.00 |
| GMAC MT Notes | Baa1 | 6.550 | 6 12 1995 | 36,000,000 | 36,927,720.00 |
| GMAC MT Notes | Baa1 | 7.000 | 7 7 1997 | 29,800,000 | 30,894,554.00 |
| GMAC Notes | Baa1 | 8.750 | 2 1 1996 | 25,000,000 | 26,898,500.00 |

Domestic Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|-----------------------------------|--------|--------|------------|---------------|------------------|
| General Motors, Inc. | Baa1 | 8.000 | 7 1 1994 | \$ 10,000,000 | \$ 10,314,500.00 |
| General Motors, Inc. | Baa1 | 7.625 | 2 15 1997 | 10,000,000 | 10,534,300.00 |
| General Tel of California | Aa3 | 8.625 | 12 1 2016 | 18,000,000 | 18,846,540.00 |
| General Tel of Florida | Aa3 | 8.750 | 4 15 2026 | 14,750,000 | 15,563,020.00 |
| General Tel Northwest | Aa3 | 8.750 | 4 15 2016 | 5,000,000 | 5,238,800.00 |
| Georgia Power | A3 | 6.000 | 3 1 2000 | 19,000,000 | 19,102,790.00 |
| GTE Finance MT Notes | A3 | 7.440 | 8 9 1993 | 21,500,000 | 21,570,520.00 |
| Gulf Power Co. | A2 | 8.750 | 12 1 2021 | 5,000,000 | 5,371,750.00 |
| Gulf Power Co. | A2 | 5.550 | 4 1 1998 | 11,400,000 | 11,423,940.00 |
| Halliburton Co. | A2 | 8.750 | 2 15 2021 | 5,000,000 | 5,839,250.00 |
| Illinois Bell Tel | Aa1 | 7.625 | 4 1 2006 | 17,500,000 | 17,882,550.00 |
| Illinois Bell Tel | Aa1 | 8.250 | 8 18 2016 | 17,000,000 | 17,764,490.00 |
| Illinois Bell Tel | Aa1 | 8.500 | 4 22 2026 | 5,000,000 | 5,251,700.00 |
| Imperial Oil | Aa1 | 8.750 | 10 15 2019 | 23,500,000 | 27,222,870.00 |
| IBM Corp. | A1 | 6.375 | 11 1 1997 | 10,000,000 | 10,323,100.00 |
| IBM Notes | A1 | 6.375 | 6 15 2000 | 15,000,000 | 15,210,000.00 |
| Kennecott (BP) | A1 | 7.875 | 5 1 2001 | 72,346,000 | 72,969,622.52 |
| Kentucky Utilities | Aa2 | 5.950 | 6 15 2000 | 10,000,000 | 10,097,000.00 |
| Knight Ridder | A1 | 9.875 | 4 15 2009 | 6,000,000 | 7,576,500.00 |
| MCA Funding MT Notes | A2 | 4.880 | 5 20 1996 | 18,000,000 | 18,000,000.00 |
| MCA Funding MT Notes | A2 | 5.690 | 7 1 1998 | 20,000,000 | 20,000,000.00 |
| McDonalds Corp. MT Notes | Aa2 | 8.750 | 11 15 2000 | 7,000,000 | 8,143,240.00 |
| Michigan Bell Tel | Aa1 | 6.375 | 2 1 2005 | 5,000,000 | 4,970,800.00 |
| Michigan Bell Tel | Aa1 | 7.500 | 2 15 2023 | 10,000,000 | 10,270,800.00 |
| New England Tel & Tel | Aa2 | 9.000 | 3 1 2026 | 45,000,000 | 48,000,600.00 |
| New England Tel & Tel | Aa2 | 5.750 | 5 1 2000 | 25,000,000 | 24,923,750.00 |
| New Jersey Bell Tel | Aaa | 7.750 | 9 1 2013 | 6,000,000 | 6,179,700.00 |
| New York Tel | A2 | 8.625 | 11 15 2010 | 20,000,000 | 23,500,600.00 |
| Northern Illinois Gas | Aa1 | 9.250 | 7 1 1996 | 5,000,000 | 5,000,000.00 |
| Northern Illinois Gas | Aa1 | 9.000 | 7 1 2019 | 9,000,000 | 9,639,900.00 |
| Northern States Power | Aa2 | 9.125 | 7 1 2019 | 10,000,000 | 10,769,600.00 |
| Northern Telecom | Aa3 | 8.250 | 6 13 1996 | 10,000,000 | 10,859,000.00 |
| Ohio Bell Tel | Aaa | 7.850 | 12 15 2022 | 35,000,000 | 37,404,500.00 |
| Pacific Bell | Aa3 | 8.625 | 4 15 2023 | 25,000,000 | 25,902,000.00 |
| Pacific Bell | Aa3 | 8.500 | 8 15 2031 | 31,000,000 | 34,506,100.00 |
| Pacific Beil | Aa3 | 7.500 | 2 1 2033 | 7,000,000 | 7,463,750.00 |
| Pacific Bell Tel | Aa3 | 7.750 | 9 15 2032 | 23,000,000 | 23,895,850.00 |
| Pacific Gas & Electric | A1 | 9.000 | 8 1 2019 | 7,000,000 | 7,243,250.00 |
| Pacific Gas & Electric | A1 | 8.500 | 2 1 2020 | 20,000,000 | 20,946,400.00 |
| Pacific Tel & Tel | Aa3 | 7.800 | 3 1 2007 | 20,000,000 | 20,466,400.00 |
| Pacific Tel & Tel | Aa3 | 9.000 | 1 15 2018 | 10,000,000 | 10,535,900.00 |
| Pacific Tel Capital | A1 | 8.950 | 6 20 1995 | 15,000,000 | 16,199,250.00 |
| Pacific Tel Capital MT Notes | A1 | 9.320 | 5 22 1995 | 10,000,000 | 10,843,200.00 |
| Pennsylvania Power & Light | A2 | 9.250 | 10 1 2019 | 15,500,000 | 17,942,180.00 |
| Pennsylvania Power & Light | A2 | 6.000 | 6 1 2000 | 5,000,000 | 5,023,900.00 |
| Pepsico, Inc. | A1 | 7.625 | 11 1 1998 | 12,000,000 | 12,944,520.00 |
| Phillip Morris | A2 | 9.000 | 5 15 1998 | 12,000,000 | 13,575,000.00 |
| Phillip Morris | A2 | 8.750 | 11 15 1994 | 20,000,000 | 21,138,200.00 |
| Phillip Morris | A2 | 7.125 | 12 1 1999 | 20,000,000 | 20,938,000.00 |
| Potomac Electric Capital MT Notes | A3 | 9.870 | 7 30 1998 | 10,000,000 | 11,483,500.00 |
| Potomac Electric Capital MT Notes | A3 | 9.500 | 1 10 1995 | 10,000,000 | 10,735,000.00 |

TCRS Portfolio
INVESTMENTS

Domestic Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|---------------------------------------|--------|--------|------------|---------------|--------------------|
| Potomac Electric Capital MT Notes | A3 | 9.800 | 1 20 1998 | \$ 10,000,000 | \$ 11,675,500.00 |
| Potomac Electric Capital MT Notes | A3 | 9.690 | 8 11 1997 | 10,000,000 | 11,299,800.00 |
| Premier Auto Trust 1993-2 A3 | Aaa | 4.900 | 10 15 1998 | 9,999,967 | 10,006,166.80 |
| Premier Auto Trust 1993-3 | Aaa | 4.900 | 12 15 1998 | 30,000,000 | 30,018,600.00 |
| Proctor & Gamble Gtd. Notes | Aa2 | 9.360 | 1 1 2021 | 37,000,000 | 45,489,280.00 |
| Provident Life Capital Corp. | A1 | 10.000 | 11 1 1997 | 25,000,000 | 26,607,750.00 |
| PSEG Capital Corp. MT Notes | Baa2 | 9.720 | 8 25 1993 | 10,000,000 | 10,067,900.00 |
| PSEG Capital Corp. MT Notes | Baa2 | 9.300 | 11 13 1995 | 20,000,000 | 21,671,800.00 |
| PSEG Capital Corp. MT Notes | Baa2 | 9.690 | 8 24 1993 | 10,000,000 | 10,066,000.00 |
| Rockwell Int'l | Aa3 | 6.750 | 9 15 2002 | 10,000,000 | 10,289,200.00 |
| Savannah Electric & Power | A1 | 9.250 | 10 1 2019 | 5,000,000 | 5,367,000.00 |
| Sears Credit Acct. Trust | Aaa | 8.600 | 5 15 1996 | 20,000,000 | 21,843,600.00 |
| Shell Oil Co. | Aa2 | 6.625 | 7 1 1999 | 10,000,000 | 10,451,100.00 |
| Shell Oil Co. Notes | Aa2 | 6.000 | 1 15 1997 | 15,000,000 | 15,464,700.00 |
| Sony USA Capital Corp. MT Notes | Aa2 | 7.400 | 7 9 1999 | 26,000,000 | 27,797,900.00 |
| Sony USA Capital Corp. MT Notes | Aa2 | 5.970 | 4 14 1998 | 28,000,000 | 28,238,840.00 |
| South Central Bell | Aaa | 8.250 | 3 1 2017 | 10,000,000 | 10,419,900.00 |
| South Central Bell | Aaa | 8.500 | 8 1 2029 | 19,000,000 | 20,116,630.00 |
| Southern Bell | Aaa | 8.250 | 4 15 2016 | 25,000,000 | 26,011,500.00 |
| Southern Bell Tel | Aaa | 7.375 | 7 15 2010 | 35,000,000 | 35,829,500.00 |
| Southern Bell Tel | Aaa | 8.625 | 9 1 2026 | 46,500,000 | 48,607,845.00 |
| Southern Bell Tel | Aaa | 8.750 | 11 1 2024 | 8,000,000 | 8,356,480.00 |
| Southern Bell Tel | Aaa | 8.500 | 8 1 2029 | 16,000,000 | 17,036,800.00 |
| Southern California Edison | Aa3 | 8.375 | 12 1 2017 | 10,000,000 | 10,299,400.00 |
| Southern California Edison | Aa3 | 8.875 | 6 1 2024 | 10,000,000 | 10,614,400.00 |
| Southern New England Tel | Aa2 | 9.625 | 2 15 2030 | 15,000,000 | 18,790,050.00 |
| Southwestern Bell | A1 | 6.625 | 4 1 2005 | 10,000,000 | 10,144,300.00 |
| Southwestern Bell Tel | A1 | 7.625 | 3 1 2023 | 32,000,000 | 32,835,520.00 |
| Standard Credit Corp. Master TR 91-2A | Aaa | 7.875 | 9 7 1995 | 10,000,000 | 10,375,000.00 |
| Standard Credit Corp. Master TR 91-4A | Aaa | 8.000 | 10 7 1997 | 10,000,000 | 10,850,000.00 |
| Standard Oil Ohio (BP) | A1 | 6.300 | 7 1 2001 | 10,000,000 | 10,000,100.00 |
| Standard Oil Ohio (BP) | A1 | 9.000 | 6 1 2019 | 15,000,000 | 17,035,350.00 |
| Teco Finance, Inc. MT Notes | A1 | 6.450 | 11 5 1997 | 20,000,000 | 20,774,600.00 |
| TVA | Aaa | 8.625 | 11 15 2029 | 58,000,000 | 66,131,600.00 |
| TVA | Aaa | 6.875 | 1 15 2002 | 31,000,000 | 32,123,750.00 |
| TVA Notes | Aaa | 6.250 | 8 1 1999 | 10,000,000 | 10,275,000.00 |
| Toyota Motor Credit | A1 | 7.100 | 8 15 1994 | 15,000,000 | 15,491,100.00 |
| Travelers Corp. Notes | Baa1 | 7.625 | 1 15 1997 | 25,000,000 | 26,573,500.00 |
| Union Electric Power | A1 | 8.000 | 12 15 2022 | 20,000,000 | 21,352,000.00 |
| U S West Communications | Aa3 | 7.500 | 6 15 2023 | 25,000,000 | 25,555,000.00 |
| Washington Gas Light | Aa3 | 8.750 | 7 1 2019 | 15,000,000 | 16,943,700.00 |
| Weyerhaeuser Co. | A2 | 7.500 | 3 1 2013 | 30,000,000 | 30,854,400.00 |
| Wisconsin Electric Power | Aa2 | 9.125 | 9 1 2024 | 3,000,000 | 3,239,040.00 |
| Wisconsin Electric Power | Aa2 | 7.700 | 12 15 2027 | 10,000,000 | 10,325,000.00 |
| Wisconsin Electric Power | Aa2 | 7.750 | 1 15 2023 | 5,000,000 | 5,273,200.00 |
| Zions Auto Trust 1993-1 A2 | Aaa | 4.650 | 6 15 1999 | 10,000,000 | 9,953,000.00 |
| <i>Subtotal Corporates</i> | | | | | \$3,069,917,820.96 |

Domestic Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|--|--------|--------|-----------|--------------|---------------------|
| <i>Convertible Corporates:</i> | | | | | |
| AES Corp. Conv. | Ba3 | 6.500 | 3 15 2002 | \$ 2,000,000 | \$ 2,000,000.00 |
| Airborne Freight Conv. | Ba1 | 6.750 | 8 15 2001 | 2,500,000 | 2,525,000.00 |
| Baker Hughes Inc. Conv. | A3 | 0.000 | 5 5 2008 | 10,000,000 | 6,200,000.00 |
| Bank of New York Conv. | Baa1 | 7.500 | 8 15 2001 | 5,500,000 | 9,095,625.00 |
| Chubb Corp. Conv. | Aa3 | 6.000 | 5 15 1998 | 5,500,000 | 6,380,000.00 |
| Conner Peripherals Corp. | B1 | 6.500 | 3 1 2002 | 3,500,000 | 2,966,250.00 |
| Delta Airlines Conv. | Ba3 | 3.230 | 6 15 2003 | 3,250,000 | 2,421,250.00 |
| General Instrument Corp. Conv. Pfd. | B1 | 5.000 | 6 15 2000 | 3,000,000 | 3,123,750.00 |
| Hasbro Inc., Conv. | Baa2 | 6.000 | 11 5 1998 | 4,500,000 | 6,120,000.00 |
| Magnetek Inc., Conv. | B2 | 8.000 | 9 15 2001 | 4,500,000 | 6,615,000.00 |
| Mark IV Industries Conv. | B1 | 6.250 | 2 15 2007 | 3,000,000 | 4,380,000.00 |
| Mattel Inc. Conv. | Ba1 | 8.000 | 3 15 2001 | 4,500,000 | 7,224,300.00 |
| Mobile Tele Tech Conv. | B1 | 6.750 | 5 15 2002 | 5,000,000 | 11,500,000.00 |
| Oryx Energy Co. Conv. | B1 | 7.500 | 5 15 2014 | 5,000,000 | 4,850,000.00 |
| Service Corp. Int'l Conv. | Baa1 | 6.500 | 9 1 2001 | 5,000,000 | 6,025,000.00 |
| Solectron Corp. Conv. | B1 | 0.000 | 5 5 2012 | 10,000,000 | 5,100,000.00 |
| Statesman Group Conv. | B1 | 6.250 | 5 1 2003 | 3,000,000 | 3,015,000.00 |
| Synetic, Inc. Conv. | B | 7.000 | 12 1 2001 | 3,500,000 | 3,106,250.00 |
| TPI Enterprises, Inc. Conv. | B3 | 8.250 | 7 15 2002 | 3,000,000 | 4,800,000.00 |
| T.W. Food Service, Inc. Conv. | B2 | 10.000 | 11 1 2014 | 3,000,000 | 3,090,000.00 |
| Time Warner, Inc. Conv. | Ba3 | 8.750 | 1 10 2015 | 10,000,000 | 10,625,000.00 |
| Time Warner, Inc. Conv. | Ba3 | 0.000 | 6 22 2013 | 35,000,000 | 13,212,500.00 |
| Unifi, Inc. Conv. | Baa1 | 6.000 | 3 15 2002 | 4,000,000 | 5,160,000.00 |
| <i>Subtotal Convertible Corporates</i> | | | | | \$ 129,534,925.00 |
| <i>Total Corporates</i> | | | | | \$ 3,199,452,745.96 |
| TOTAL DOMESTIC FIXED INCOME PORTFOLIO | | | | | \$ 6,347,141,825.55 |

Key to ratings: All ratings presented are from Moody's Investors Service with the exception of some of the government agency securities. Moody's does not rate these securities. Standard & Poor's does provide ratings for the securities (AAA is Standard & Poor's highest rating). Government Securities are not rated per se' but are considered the best quality securities. By policy, TCRS considers convertible bonds as an equity investment, thus the ratings of the convertible bonds are not as large a factor when an investment decision is made. As a result, some of the convertible bond ratings are lower than other TCRS bond investments. In accordance with generally accepted accounting principles, the convertible bonds are classified as corporate bonds for financial reporting purposes.

Moody's rates securities as follows:

- Aaa—Best Quality
- Aa—High Quality
- A—Upper Medium Quality
- Baa—Medium Quality

Moody's applies numerical modifiers in each rating classification as follows:

- 1—Higher End
- 2—Mid Range
- 3—Lower End

NR indicates the security is not rated by Moody's.

TCRS Portfolio
INVESTMENT PORTFOLIOS

International Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|---|--------|--------|------------|---------------|--------------------|
| <i>Governments:</i> | | | | | |
| African Development Bank | Aaa | 11.250 | 7 23 2001 | \$ 5,000,000 | \$ 8,820,984.37 |
| BTAN (Bons Du Tresor) | Aaa | 8.500 | 11 12 1996 | 100,000,000 | 18,704,443.50 |
| BTAN (Bons Du Tresor) | Aaa | 9.000 | 2 12 1995 | 160,000,000 | 29,141,533.42 |
| BTAN (Bons Du Tresor) | Aaa | 9.000 | 11 12 1995 | 100,000,000 | 18,568,639.10 |
| BTAN (Bons Du Tresor) | Aaa | 8.000 | 7 12 1994 | 100,000,000 | 17,727,696.52 |
| Bundesobligation #86 | Aaa | 7.000 | 9 20 1994 | 50,000,000 | 29,515,027.69 |
| Bundesrepublik | Aaa | 6.000 | 3 20 1997 | 70,000,000 | 40,717,302.30 |
| Bundesrepublik | Aaa | 8.000 | 7 22 2002 | 50,000,000 | 31,844,312.26 |
| Bundesrepublik | Aaa | 8.875 | 12 20 2000 | 15,000,000 | 9,936,129.49 |
| Bundesrepublik | Aaa | 9.000 | 10 20 2000 | 30,000,000 | 19,960,267.21 |
| Dutch State Loan | Aaa | 6.250 | 2 15 1994 | 20,000,000 | 10,452,042.73 |
| Dutch State Loan | Aaa | 7.500 | 1 15 2023 | 20,000,000 | 11,172,079.32 |
| Dutch State Loan | Aaa | 8.250 | 9 15 2007 | 20,000,000 | 11,794,785.38 |
| European Investment Bank | Aaa | 6.750 | 5 10 2001 | 800,000,000 | 8,380,022.58 |
| France (Government of) | Aaa | 8.500 | 10 25 2019 | 100,000,000 | 19,780,432.15 |
| France (Government of) | Aaa | 9.500 | 1 25 2001 | 200,000,000 | 40,744,800.04 |
| Gtd. Export Finance Corp. | Aaa | 10.625 | 9 15 2001 | 5,000,000 | 8,596,959.37 |
| Inter American Develop Bank | Aaa | 6.750 | 2 20 2001 | 1,550,000,000 | 16,145,486.75 |
| International Bk. for Rec. & Dev. | Aaa | 4.500 | 3 20 2003 | 1,600,000,000 | 14,838,451.63 |
| International Bk. for Rec. & Dev. | Aaa | 4.500 | 12 22 1997 | 800,000,000 | 7,625,483.10 |
| Manitoba (Province) Notes | A1 | 7.750 | 2 1 2002 | 30,000,000 | 32,656,500.00 |
| Nova Scotia (Province) | A2 | 8.875 | 3 15 2016 | 20,000,000 | 22,790,000.00 |
| Nova Scotia (Province) | A2 | 9.625 | 1 1 1995 | 18,000,000 | 19,271,340.00 |
| Quebec (Province) | A1 | 8.625 | 12 1 2026 | 39,000,000 | 34,156,200.00 |
| Quebec (Province) | A1 | 9.375 | 1 16 2023 | 45,000,000 | 36,648,000.00 |
| Queensland Treasury Corp. | Aa2 | 8.000 | 5 14 2003 | 12,000,000 | 8,310,039.68 |
| Societe Nat Des Chemins De Fer | Aaa | 8.600 | 3 9 2004 | 100,000,000 | 19,561,055.82 |
| UK Conversion Gilt stock | Aaa | 9.000 | 7 12 2011 | 5,000,000 | 8,111,571.87 |
| UK Treasury Gilt Stock | Aaa | 9.000 | 8 6 2012 | 15,000,000 | 24,348,829.20 |
| Victorian Finance Authority | A1 | 12.500 | 7 15 2000 | 7,000,000 | 5,894,279.36 |
| <i>Total Governments</i> | | | | | \$ 586,214,694.84 |
| <i>Corporates:</i> | | | | | |
| Arcor Limited Conv. | NR | 9.000 | 1 1 9999 | \$ 10,000,000 | \$ 11,445,826.56 |
| Bear Stearns Mtg. #1 | AA2 | 11.750 | 4 30 2017 | 3,907,610 | 6,040,276.57 |
| Nippon Tel & Tel Notes | Aaa | 9.500 | 7 27 1998 | 60,000,000 | 70,168,800.00 |
| Pioneer Concrete Conv. | NR | 9.500 | 6 21 1998 | 4,000,000 | 2,707,042.03 |
| Hydro-Quebec | A1 | 8.250 | 1 15 2027 | 18,000,000 | 19,398,060.00 |
| Hydro-Quebec | A1 | 8.000 | 2 1 2013 | 32,650,000 | 34,821,551.50 |
| Hydro-Quebec MT Notes | A1 | 9.640 | 12 29 1997 | 12,000,000 | 13,867,560.00 |
| Ontario Hydro Global | Aa2 | 8.625 | 2 6 2002 | 25,000,000 | 25,852,500.00 |
| Shell Canada Ltd. | Aa3 | 8.875 | 1 14 2001 | 11,000,000 | 12,868,790.00 |
| Shell Canada Notes | Aa3 | 7.375 | 6 1 1999 | 20,000,000 | 21,611,400.00 |
| <i>Total Corporates</i> | | | | | \$ 218,781,806.66 |
| TOTAL INTERNATIONAL FIXED INCOME PORTFOLIO | | | | | \$ 804,996,501.50 |
| GRAND TOTAL FIXED INCOME PORTFOLIO | | | | | \$7,152,138,327.05 |

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|---------------------------------|-----------|-----------------|-----------------|
| AFLAC, Inc. | 137,000 | \$ 4,299,012.30 | \$ 3,887,375.00 |
| Acclaim Enmnt. Inc. | 74,000 | 1,449,660.60 | 2,210,750.00 |
| Adobe Systems, Inc. | 71,000 | 3,480,162.00 | 4,384,250.00 |
| Advanta Corp. Class B | 100,000 | 2,357,174.60 | 3,850,000.00 |
| Aetna Life and Casualty | 450,000 | 19,656,517.30 | 24,918,750.00 |
| Affiliated Publications | 215,000 | 2,917,680.50 | 2,956,250.00 |
| Albertson's, Inc. | 330,000 | 12,427,691.40 | 17,820,000.00 |
| Alco Standard Corp. | 200,000 | 8,173,395.43 | 9,750,000.00 |
| Allegheny Ludlum Corp. | 110,000 | 4,013,883.40 | 4,908,750.00 |
| Allied Signal, Inc. | 370,000 | 19,974,367.60 | 24,697,500.00 |
| Allwaste, Inc. | 150,000 | 1,174,048.95 | 731,250.00 |
| Aluminum Company of America | 100,000 | 5,208,091.59 | 7,000,000.00 |
| Amx | 70,000 | 1,552,450.00 | 1,627,500.00 |
| Amerada Hess Corp. | 625,000 | 31,155,201.10 | 30,625,000.00 |
| American Airlines Pfd. | 140,000 | 7,070,000.00 | 7,140,000.00 |
| American Express Co. | 500,000 | 11,945,519.70 | 16,125,000.00 |
| American Federal Bank | 50,000 | 437,500.00 | 468,750.00 |
| American General Corp. | 823,000 | 15,042,195.00 | 26,027,375.00 |
| American Int'l Group, Inc. | 50,000 | 5,958,675.00 | 6,450,000.00 |
| American Medical Holdings | 54,000 | 637,368.70 | 654,750.00 |
| American Tel & Tel | 1,023,000 | 37,917,892.50 | 64,449,000.00 |
| Ameritech Corp. | 429,000 | 27,657,034.50 | 34,480,875.00 |
| Amoco Corp. | 625,000 | 26,410,550.50 | 34,296,875.00 |
| Anadarko Petroleum | 50,000 | 2,156,435.50 | 2,012,500.00 |
| Apache Corp. | 75,000 | 1,642,950.00 | 2,081,250.00 |
| Applied Materials | 75,000 | 2,133,062.50 | 4,050,000.00 |
| Arco Chemical Co. | 50,000 | 2,287,660.45 | 2,037,500.00 |
| Ashland Oil, Inc. | 270,000 | 8,858,645.80 | 6,885,000.00 |
| Ashland Oil Corp. Conv. Pfd. | 100,000 | 5,066,875.00 | 5,150,000.00 |
| Atlantic Richfield | 525,000 | 50,795,181.40 | 61,031,250.00 |
| Auspex Systems | 25,000 | 311,875.00 | 293,750.00 |
| Autodesk, Inc. | 125,000 | 6,447,656.20 | 7,046,875.00 |
| Automatic Data Processing | 680,000 | 16,749,550.34 | 32,640,000.00 |
| Avery Dennison Corp. | 175,000 | 4,924,476.50 | 5,140,625.00 |
| Avnet, Inc. | 150,000 | 5,179,258.40 | 5,100,000.00 |
| Avon Products | 150,000 | 7,741,723.00 | 8,643,750.00 |
| BB & T Financial Corp. | 84,700 | 2,504,968.95 | 2,911,562.50 |
| Bankamerica Conv. Pfd. | 100,000 | 5,942,094.00 | 6,000,000.00 |
| Banc One Corp. | 165,000 | 6,391,628.99 | 9,281,250.00 |
| Bank of New York | 36,000 | 2,162,340.40 | 2,137,500.00 |
| Bank South Corp. | 100,000 | 1,018,813.00 | 1,287,500.00 |
| Baxter Int'l, Inc. | 500,000 | 11,982,616.95 | 14,312,500.00 |
| Bear Stearns Companies | 75,000 | 1,551,450.00 | 1,762,500.00 |
| Becton Dickinson | 310,000 | 11,474,838.40 | 12,400,000.00 |
| Bell Atlantic Corp. | 379,000 | 19,666,532.80 | 22,503,125.00 |
| Bellsouth Corp. | 400,000 | 21,157,222.00 | 22,200,000.00 |
| Ben & Jerry's Ice Cream Class A | 113,600 | 3,155,724.98 | 2,896,800.00 |
| Berkshire Hathaway, Inc. | 130 | 1,671,800.00 | 2,002,000.00 |
| Bethlehem Steel | 270,000 | 5,202,050.00 | 5,062,500.00 |

TCRS Portfolio
INVESTMENT PORTFOLIOS

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|---------------------------------|-----------|-----------------|-----------------|
| Beverly Enterprises | 445,000 | \$ 5,144,111.06 | \$ 5,506,875.00 |
| Boeing Company | 277,000 | 10,593,723.40 | 10,249,000.00 |
| Boise Cascade Corp. | 150,000 | 3,808,577.80 | 3,525,000.00 |
| Bombay Co., Inc. | 31,000 | 666,673.79 | 1,526,750.00 |
| Boston Edison Co. | 725,000 | 15,113,173.70 | 22,203,125.00 |
| Brock Candy Co. Class A | 55,000 | 791,250.00 | 838,750.00 |
| Brock Control Systems | 20,000 | 229,375.00 | 235,000.00 |
| Browning Ferris Industries | 600,000 | 14,999,307.30 | 16,275,000.00 |
| Burlington Northern Pfd. | 80,000 | 4,276,364.50 | 5,150,000.00 |
| CML Group, Inc. | 200,000 | 5,021,687.45 | 8,250,000.00 |
| CSX Corp. | 100,000 | 4,614,250.00 | 7,150,000.00 |
| Cabletron Systems, Inc. | 69,000 | 6,897,356.20 | 7,279,500.00 |
| Carnival Cruise Lines | 36,000 | 1,419,369.80 | 1,408,500.00 |
| Carolina Power & Light | 600,000 | 12,606,146.70 | 19,575,000.00 |
| Castle & Cooke Home, Inc. | 95,000 | 1,438,700.00 | 1,235,000.00 |
| Caterpillar Tractor | 450,000 | 25,899,010.60 | 33,693,750.00 |
| Centex Corp. | 200,000 | 6,362,818.80 | 6,825,000.00 |
| Central & South West Corp. | 1,050,000 | 20,680,221.89 | 34,125,000.00 |
| Century Tel Enterprises | 118,000 | 3,709,727.90 | 3,643,250.00 |
| Chase Manhattan Corp. | 204,000 | 6,868,508.30 | 6,579,000.00 |
| Chemical Banking Conv. Pfd. | 70,000 | 4,363,750.00 | 6,055,000.00 |
| Chevron Corp. | 530,000 | 35,858,930.20 | 46,507,500.00 |
| Cheyenne Software | 30,000 | 931,958.40 | 945,000.00 |
| Chrysler Corp. | 325,000 | 8,645,655.60 | 15,356,250.00 |
| Chrysler Corp. Conv. Pfd. | 115,000 | 7,180,700.00 | 15,525,000.00 |
| Cigna Corp. | 275,000 | 15,576,815.20 | 16,740,625.00 |
| Circuit City Stores, Inc. | 800,000 | 11,783,294.08 | 25,800,000.00 |
| Cisco Systems, Inc. | 260,000 | 5,307,058.56 | 14,235,000.00 |
| Circus Enterprises, Inc. | 150,000 | 8,701,448.50 | 9,075,000.00 |
| Citizens Utilities Co. | 101,803 | 2,198,856.68 | 3,410,401.51 |
| Clayton Homes, Inc. | 250,000 | 5,034,176.90 | 5,750,000.00 |
| Clorox Co. | 125,000 | 6,082,432.70 | 6,515,625.00 |
| Coastal Corp. | 400,000 | 10,751,537.68 | 10,450,000.00 |
| Coca-Cola Co. | 300,000 | 5,916,219.06 | 12,900,000.00 |
| Columbia Gas | 110,000 | 2,432,602.50 | 2,722,500.00 |
| Comcast Corp. Class A | 145,000 | 2,550,107.37 | 3,190,000.00 |
| Commonwealth Edison Co. | 243,000 | 7,171,608.20 | 6,804,000.00 |
| Community Health Systems, Inc. | 20,700 | 400,875.00 | 439,875.00 |
| Compaq Computer Co. | 115,000 | 6,137,462.50 | 5,635,000.00 |
| Computer Assoc. Int'l. Inc. | 300,000 | 6,076,695.00 | 8,925,000.00 |
| Comsat Corp. | 316,000 | 6,992,187.00 | 9,559,000.00 |
| Consolidated Edison of NY, Inc. | 225,000 | 8,095,225.00 | 7,931,250.00 |
| Consolidated Natural Gas | 250,000 | 10,937,899.50 | 13,218,750.00 |
| Corning, Inc. | 225,000 | 8,543,533.70 | 7,481,250.00 |
| DPL, Inc. | 375,000 | 6,590,470.10 | 7,593,750.00 |
| Dana Corp. | 174,000 | 8,445,806.64 | 9,439,500.00 |
| Danek Group, Inc. | 147,000 | 4,377,477.70 | 5,769,750.00 |
| Deere & Co. | 216,000 | 12,945,460.00 | 14,337,000.00 |
| Diamond Shamrock Conv. Pfd. | 70,000 | 3,526,250.00 | 3,395,000.00 |
| Disney (Walt) Co. | 750,000 | 26,232,052.50 | 30,562,500.00 |

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|--------------------------------------|-----------|-----------------|------------------|
| Dole Food Company, Inc. | 300,000 | \$ 9,839,519.03 | \$ 10,725,000.00 |
| Dollar General Corp. | 107,000 | 1,031,876.03 | 3,022,750.00 |
| Dow Chemical | 220,500 | 13,291,693.35 | 12,485,812.50 |
| Dupont (E I) De Nemours | 450,000 | 22,805,812.00 | 21,206,250.00 |
| Eastman Kodak Co. | 215,000 | 9,831,888.00 | 10,750,000.00 |
| Emerson Electric Co. | 565,000 | 22,883,380.58 | 32,911,250.00 |
| Enron Corp. | 300,000 | 9,147,636.00 | 19,762,500.00 |
| Entergy Corp. | 200,000 | 4,984,410.00 | 7,250,000.00 |
| Envirotest Systems Corp. | 75,000 | 1,200,000.00 | 1,143,750.00 |
| EQK Realty Investors I | 1,250,000 | 5,781,250.01 | 3,437,500.00 |
| Equitable Resources, Inc. | 52,500 | 1,571,290.45 | 1,995,000.00 |
| Exxon Corp. | 873,000 | 46,431,100.90 | 57,727,125.00 |
| FHP Int'l Corp. | 343,000 | 6,823,562.50 | 9,346,750.00 |
| Federal Home Loan Mtg. Corp. | 371,000 | 13,870,913.27 | 20,729,625.00 |
| Federal Mogul Conv. Pfd. | 60,000 | 4,080,625.00 | 4,080,000.00 |
| Federal National Mtg. Assn. | 250,000 | 13,627,236.90 | 20,718,750.00 |
| Federal Paper Board Inc., Conv. Pfd. | 100,000 | 5,219,756.40 | 5,200,000.00 |
| First Brands Corp. | 84,000 | 2,482,377.00 | 2,467,500.00 |
| First Interstate Bancorp | 133,000 | 7,310,590.00 | 8,345,750.00 |
| First Tennessee National | 200,000 | 8,781,574.68 | 8,100,000.00 |
| Flagstar Co. Pfd. | 100,000 | 3,116,712.50 | 2,525,000.00 |
| Fleet Financial Group, Inc. | 550,000 | 16,510,647.96 | 18,562,500.00 |
| Flowers Industries | 150,000 | 2,747,131.42 | 2,475,000.00 |
| Fluor Corp. | 420,000 | 17,032,520.60 | 17,640,000.00 |
| Ford Motor Co. | 505,000 | 19,583,532.00 | 26,386,250.00 |
| Ford Motor Co. Conv. Pfd. | 120,000 | 9,069,895.00 | 10,830,000.00 |
| Foster Wheeler Corp. | 520,500 | 13,081,835.32 | 15,354,750.00 |
| GTE Corp. | 780,000 | 21,296,511.80 | 28,177,500.00 |
| Gannett Co. | 575,000 | 24,284,449.15 | 28,606,250.00 |
| General Electric Co. | 489,500 | 24,655,396.00 | 46,869,625.00 |
| General Instruments Corp. | 120,000 | 3,397,791.00 | 4,665,000.00 |
| General Mills, Inc. | 270,000 | 11,986,605.40 | 18,360,000.00 |
| General Motors Corp. | 638,500 | 25,673,214.42 | 28,413,250.00 |
| General Motors Corp. Class H | 190,600 | 4,702,178.35 | 6,146,850.00 |
| General Motors Corp. Conv. Pfd. | 120,000 | 5,999,950.00 | 6,660,000.00 |
| Genesco, Inc. | 200,000 | 1,428,568.53 | 1,550,000.00 |
| Gentex | 200,000 | 2,535,801.00 | 4,400,000.00 |
| Georgia Pacific Corp. | 128,000 | 7,947,105.00 | 7,472,000.00 |
| Giant Food Inc., Class A | 108,000 | 2,867,429.50 | 2,673,000.00 |
| Gillette Co. | 205,000 | 7,180,608.45 | 11,300,625.00 |
| Goodrich (B F) Co. | 505,500 | 26,675,460.02 | 21,483,750.00 |
| Goodyear Tire & Rubber Co. | 600,000 | 18,177,948.20 | 25,500,000.00 |
| Goodys | 116,750 | 2,539,643.25 | 2,305,812.50 |
| Great Atlantic & Pacific Tea, Inc. | 100,000 | 3,034,322.40 | 3,175,000.00 |
| Grow Group, Inc. | 235,000 | 3,159,026.00 | 3,965,625.00 |
| Gulf States Utilities Co. | 300,000 | 4,803,160.00 | 5,550,000.00 |
| Halliburton Co. | 550,000 | 18,344,970.20 | 20,968,750.00 |
| Handy & Harman | 200,000 | 3,314,358.25 | 3,225,000.00 |
| Harris Corp. | 150,000 | 5,029,488.30 | 5,812,500.00 |
| Hasbro, Inc. | 100,000 | 3,761,038.50 | 3,775,000.00 |
| Health Management Assoc., Inc. | 115,000 | 2,946,648.00 | 3,565,000.00 |

TCRS Portfolio
INVESTMENT PORTFOLIOS

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|----------------------------------|---------|-----------------|-----------------|
| Healthcare Realty Trust, Inc. | 100,000 | \$ 1,950,000.00 | \$ 1,925,000.00 |
| Healthtrust, Inc. | 175,000 | 2,975,163.00 | 3,390,625.00 |
| Heinz (H J) Co. | 100,000 | 4,311,180.00 | 3,687,500.00 |
| Helmerich & Payne | 75,000 | 2,437,525.00 | 2,615,625.00 |
| Hercules, Inc. | 90,000 | 4,272,394.00 | 6,986,250.00 |
| Hewlett Packard | 400,000 | 31,626,298.00 | 32,400,000.00 |
| Hillenbrand Industries | 125,000 | 3,997,701.42 | 5,328,125.00 |
| Home Depot, Inc. | 379,166 | 5,503,362.22 | 16,588,512.50 |
| Honeywell, Inc. | 300,000 | 7,136,858.48 | 11,137,500.00 |
| Hospital Corp of America | 308,000 | 6,030,154.00 | 6,006,000.00 |
| Houston Industries, Inc. | 500,000 | 19,118,998.36 | 21,875,000.00 |
| Humana, Inc. | 100,000 | 1,010,650.00 | 1,125,000.00 |
| Hunt Co. | 70,000 | 1,190,000.00 | 1,295,000.00 |
| IBP, Inc. | 500,000 | 9,023,836.38 | 10,625,000.00 |
| ITT Corp. | 75,000 | 5,175,815.00 | 6,393,750.00 |
| Immunex Corp. | 225,000 | 6,058,745.48 | 7,031,250.00 |
| Ingersoll Rand Co. | 715,000 | 18,196,654.43 | 24,220,625.00 |
| Intel Corp. | 100,000 | 4,560,625.00 | 5,500,000.00 |
| Interleaf, Inc. | 100,000 | 1,158,844.18 | 862,500.00 |
| Jan Bell Mkt, Inc. | 225,000 | 4,521,273.35 | 3,037,500.00 |
| Johnson & Johnson | 300,000 | 5,759,135.00 | 12,450,000.00 |
| Jones Apparel Group, Inc. | 56,000 | 2,036,910.00 | 1,239,000.00 |
| Kansas City Power & Light | 100,000 | 2,505,686.80 | 2,475,000.00 |
| Kansas City Southern Ind., Inc. | 80,000 | 1,832,904.58 | 3,310,000.00 |
| Kaufman & Broad Corp. Conv. Pfd. | 150,000 | 2,702,875.00 | 3,075,000.00 |
| Kirby Corp. | 175,000 | 2,703,423.95 | 3,281,250.00 |
| LCI International, Inc. | 50,000 | 912,500.00 | 1,137,500.00 |
| Lafarge Corp. | 175,000 | 2,828,549.94 | 2,821,875.00 |
| Lam Research Corp. | 50,000 | 643,743.54 | 1,981,250.00 |
| Libbey, Inc. | 450,000 | 5,850,000.00 | 5,568,750.00 |
| Liberty Corp. | 75,000 | 2,255,670.00 | 2,278,125.00 |
| Lockheed Corp. | 75,000 | 3,441,466.54 | 4,950,000.00 |
| Long Island Lighting Co. | 505,000 | 10,728,775.00 | 13,761,250.00 |
| Loral Corp. | 95,000 | 5,377,860.00 | 5,676,250.00 |
| Lotus Development Corp. | 182,000 | 5,205,824.47 | 6,301,750.00 |
| Louisiana Pacific Corp. | 300,000 | 4,859,692.50 | 9,600,000.00 |
| Lowes Companies, Inc. | 288,000 | 6,310,469.65 | 11,268,000.00 |
| MBNA Corp. | 150,000 | 3,874,786.00 | 4,387,500.00 |
| MCI Communications Corp. | 375,000 | 13,138,963.30 | 21,562,500.00 |
| Manor Care | 300,000 | 4,910,842.33 | 5,925,000.00 |
| Mark Centers Trust | 35,000 | 682,500.00 | 704,375.00 |
| Marriott Corp. | 119,000 | 3,116,565.00 | 3,034,500.00 |
| Masco Corp. | 400,000 | 11,194,492.80 | 11,950,000.00 |
| Masco Industries | 117,000 | 1,985,311.80 | 3,495,375.00 |
| May Department Stores Co. | 400,000 | 14,194,746.60 | 15,300,000.00 |
| McCaw Cellular | 35,000 | 1,551,761.00 | 1,610,000.00 |
| McDermott Int'l, Inc. | 475,000 | 10,901,236.10 | 13,656,250.00 |
| McDonalds Corp. | 605,000 | 18,772,153.57 | 29,720,625.00 |
| Mead Corp. | 175,000 | 6,962,451.90 | 7,831,250.00 |
| Medusa Corp. | 100,000 | 1,943,729.81 | 2,612,500.00 |

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|---------------------------------------|---------|------------------|------------------|
| Mellon Bank Corp. | 500,000 | \$ 18,442,945.95 | \$ 28,187,500.00 |
| Mercantile Bancorporation, Inc. | 75,000 | 2,551,746.90 | 3,693,750.00 |
| Merrill Lynch & Co. | 275,000 | 15,999,399.68 | 22,275,000.00 |
| Micron Technology, Inc. | 100,000 | 2,662,185.00 | 3,712,500.00 |
| Mitchell Energy & Development Class A | 50,000 | 1,345,050.00 | 1,250,000.00 |
| Mobil Corp. | 500,000 | 18,476,990.00 | 37,375,000.00 |
| Mobile Telecom Tech Corp. | 150,000 | 1,567,575.65 | 3,356,250.00 |
| Mondavi (Robert) Corp. Class A | 10,000 | 135,000.00 | 112,500.00 |
| Monsanto Co. | 224,000 | 12,894,159.92 | 13,216,000.00 |
| Montana Power Co. | 400,000 | 7,785,324.00 | 10,700,000.00 |
| Morrison Knudson Corp. | 143,000 | 3,146,303.70 | 3,628,625.00 |
| Morton Int'l, Inc. | 100,000 | 7,733,450.10 | 7,737,500.00 |
| Motorola, Inc. | 700,000 | 27,686,133.50 | 61,162,500.00 |
| Multimedia, Inc. | 125,000 | 4,427,591.50 | 4,156,250.00 |
| Murphy Oil Corp. | 300,000 | 12,897,030.00 | 12,037,500.00 |
| Mylan Laboratories, Inc. | 410,000 | 7,937,696.40 | 11,172,500.00 |
| Nipsco Industries, Inc. | 200,000 | 5,212,266.90 | 6,525,000.00 |
| Nabors Industries, Inc. | 120,000 | 930,919.50 | 1,215,000.00 |
| Nalco Chemical Co. | 200,000 | 7,546,238.40 | 6,925,000.00 |
| Nationwide Health Properties | 26,000 | 787,800.00 | 1,023,750.00 |
| New York Times | 350,000 | 10,243,253.80 | 8,531,250.00 |
| Newmont Mining Corp. | 100,000 | 4,848,344.40 | 5,250,000.00 |
| Newmont Mining Conv. Pfd. | 100,000 | 5,236,885.00 | 6,400,000.00 |
| Noble Affiliates, Inc. | 51,000 | 1,223,694.00 | 1,230,375.00 |
| Norfolk Southern Corp. | 170,000 | 4,376,146.09 | 11,071,250.00 |
| Norwest Corp. | 800,000 | 10,796,238.40 | 21,900,000.00 |
| Novell, Inc. | 200,000 | 1,258,381.60 | 5,200,000.00 |
| Nynex Corp. | 470,000 | 36,040,233.80 | 42,535,000.00 |
| OEA, Inc. | 75,000 | 1,815,319.00 | 1,921,875.00 |
| Occidental Petroleum Corp. | 838,000 | 19,787,449.50 | 17,598,000.00 |
| Occidental Petroleum Corp. Conv. Pfd. | 130,000 | 6,586,250.00 | 7,280,000.00 |
| Office Depot, Inc. | 120,000 | 1,667,572.00 | 3,150,000.00 |
| Offshore Pipelines Conv. Pfd. | 60,000 | 2,198,600.00 | 2,385,000.00 |
| Oracle Systems Corp. | 496,000 | 9,471,839.36 | 24,428,000.00 |
| PNC Financial Corp. | 400,000 | 10,333,297.60 | 13,100,000.00 |
| PPG Industries, Inc. | 300,000 | 16,382,609.56 | 19,650,000.00 |
| PSI Resources | 80,000 | 1,872,413.00 | 1,910,000.00 |
| Pacific Gas & Electric Co. | 900,000 | 17,945,329.30 | 30,037,500.00 |
| Pacific Telesis Group | 479,000 | 18,180,888.90 | 23,291,375.00 |
| Paging Network, Inc. | 225,000 | 6,461,724.04 | 6,693,750.00 |
| Panhandle Eastern Corp. | 150,000 | 3,246,006.80 | 3,675,000.00 |
| Parametric Technology | 160,000 | 4,893,112.60 | 5,120,000.00 |
| Paramount Communications, Inc. | 500,000 | 23,066,836.50 | 27,000,000.00 |
| Penney (J C) Co. | 600,000 | 20,354,180.24 | 27,075,000.00 |
| Pepsico, Inc. | 550,000 | 12,256,280.50 | 20,350,000.00 |
| Pfizer, Inc. | 92,000 | 6,600,844.60 | 6,164,000.00 |
| Phillips Petroleum | 402,000 | 10,628,333.60 | 11,256,000.00 |
| Pinnacle West Cap Corp. | 247,000 | 4,961,888.90 | 5,711,875.00 |
| Polaroid Corp. | 51,000 | 1,945,558.00 | 1,950,750.00 |
| Portland General Corp. | 301,000 | 5,235,461.86 | 6,659,625.00 |

TCRS Portfolio
INVESTMENT PORTFOLIOS

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|---------------------------------------|-----------|-----------------|------------------|
| Primerica Corp. | 400,000 | \$ 8,999,895.83 | \$ 21,050,000.00 |
| Procter & Gamble | 255,000 | 11,152,344.60 | 13,260,000.00 |
| Promus Companies, Inc. | 300,000 | 6,100,850.68 | 14,362,500.00 |
| Quaker Oats Co. | 150,000 | 9,959,587.50 | 11,362,500.00 |
| Quaker State Corp. | 250,000 | 3,647,645.05 | 2,937,500.00 |
| Regional Acceptance Corp. | 20,000 | 200,000.00 | 185,000.00 |
| Retix | 159,500 | 2,634,672.55 | 917,125.00 |
| Richfood Holdings, Inc. | 64,000 | 1,186,923.03 | 1,904,000.00 |
| Rochester Community Savings Bank Pfd. | 120,000 | 3,000,000.00 | 3,105,000.00 |
| Rochester Gas & Electric | 75,000 | 1,844,750.00 | 2,053,125.00 |
| Rockwell Int'l Corp. | 140,000 | 4,387,465.00 | 4,655,000.00 |
| Ryder Systems | 198,000 | 5,537,058.00 | 6,187,500.00 |
| St. Jude Medical | 100,000 | 3,578,457.40 | 3,750,000.00 |
| Sara Lee Corp. | 550,000 | 11,157,207.20 | 13,612,500.00 |
| Scherer (R P) Corp. | 92,000 | 2,903,207.00 | 2,599,000.00 |
| Schering Plough Corp. | 359,000 | 22,137,924.80 | 25,040,250.00 |
| Sears, Roebuck & Co. | 430,000 | 19,782,560.66 | 23,650,000.00 |
| Security Capital Bancorp | 80,000 | 1,061,513.00 | 1,070,000.00 |
| Sherwin Williams Co. | 250,000 | 7,399,075.00 | 8,093,750.00 |
| Signet Banking | 100,000 | 5,418,271.00 | 6,037,500.00 |
| Silicon Graphics, Inc. | 228,000 | 6,714,334.20 | 8,521,500.00 |
| Snap-On-Tools | 25,000 | 971,976.00 | 975,000.00 |
| Society Corp. | 130,000 | 3,076,910.60 | 4,566,250.00 |
| Sonat, Inc. | 100,000 | 4,693,511.50 | 6,675,000.00 |
| Sonat Offshore Drilling | 50,000 | 1,100,000.00 | 1,018,750.00 |
| Southern National Bank Conv. Pfd. | 100,000 | 2,651,800.00 | 3,612,500.00 |
| Southwest Airlines Co. | 483,000 | 5,941,206.20 | 21,070,875.00 |
| Southwestern Bell Corp. | 1,150,000 | 30,757,338.50 | 44,562,500.00 |
| Sprint Corp. | 450,000 | 11,757,235.20 | 15,806,250.00 |
| Staples, Inc. | 20,000 | 554,962.00 | 642,500.00 |
| Stewart & Stevenson Serv., Inc. | 130,000 | 4,532,686.50 | 5,850,000.00 |
| Sunamerica Conv. Pfd. | 100,000 | 3,700,000.00 | 3,875,000.00 |
| Supervalu, Inc. | 125,000 | 3,978,432.00 | 4,203,125.00 |
| Sysco Corp. | 200,000 | 4,810,150.00 | 5,025,000.00 |
| Teco Energy, Inc. | 300,000 | 7,877,118.32 | 14,175,000.00 |
| TJX Companies, Inc. | 344,000 | 8,719,382.50 | 11,653,000.00 |
| TRW, Inc. | 145,000 | 8,213,039.42 | 9,153,125.00 |
| Tandem Computers, Inc. | 250,000 | 3,745,150.00 | 3,125,000.00 |
| Tele Communications | 550,000 | 9,506,470.00 | 12,512,500.00 |
| Telephone & Data Systems | 110,000 | 4,909,662.84 | 4,867,500.00 |
| Texas Instruments | 423,000 | 17,152,517.10 | 29,557,125.00 |
| Textron, Inc. | 368,000 | 11,177,646.18 | 20,654,000.00 |
| Tidewater, Inc. | 75,000 | 1,285,323.85 | 1,631,250.00 |
| Time Warner, Inc. | 1,900,000 | 50,060,248.54 | 73,387,500.00 |
| Tosco Corp. | 275,000 | 7,206,806.76 | 6,221,875.00 |
| Toys'R'Us, Inc. | 600,000 | 17,429,230.93 | 22,050,000.00 |
| Trinity Industries, Inc. | 100,000 | 3,822,985.50 | 5,037,500.00 |
| Tyson Foods, Inc. | 175,000 | 4,361,256.02 | 3,850,000.00 |
| UAL Corp. | 63,500 | 8,024,314.00 | 7,826,375.00 |
| USX Corp. Conv. Pfd. | 130,000 | 6,562,350.00 | 7,182,500.00 |

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|---------------------------------------|-----------|----------------------------|----------------------------|
| UST, Inc. | 500,000 | \$ 6,783,360.00 | \$ 14,812,500.00 |
| USX-US Steel Group, Inc. | 256,000 | 8,314,951.74 | 10,432,000.00 |
| Unifi, Inc. | 75,000 | 485,168.50 | 2,521,875.00 |
| Union Carbide | 450,000 | 5,646,416.59 | 8,662,500.00 |
| Union Electric Co. | 600,000 | 18,259,035.89 | 24,825,000.00 |
| Union Pacific Corp. | 50,000 | 3,077,871.10 | 3,050,000.00 |
| Union Planters Corp. Conv. Pfd. | 110,000 | 2,835,000.00 | 3,960,000.00 |
| United Healthcare Corp. | 250,000 | 11,122,262.50 | 16,062,500.00 |
| USAIR Group | 52,500 | 844,650.00 | 866,250.00 |
| U S Healthcare, Inc. | 335,500 | 12,118,885.22 | 15,936,250.00 |
| U S West, Inc. | 725,000 | 23,147,961.63 | 33,259,375.00 |
| United Technologies Corp. | 301,000 | 15,462,082.26 | 16,254,000.00 |
| Unocal Corp. | 1,255,000 | 21,576,271.40 | 36,708,750.00 |
| Varian Associates, Inc. | 204,000 | 8,816,978.78 | 10,633,500.00 |
| Wachovia Corp. | 650,000 | 8,970,921.00 | 22,343,750.00 |
| Wal Mart Stores, Inc. | 500,000 | 7,073,543.00 | 13,125,000.00 |
| Walgreen's, Inc. | 600,000 | 14,538,732.54 | 24,225,000.00 |
| Warner Lambert Co. | 244,000 | 17,195,106.70 | 17,293,500.00 |
| Washington Federal Savings & Loan | 50,000 | 1,374,332.78 | 1,300,000.00 |
| Wellfleet Communications | 100,000 | 4,906,160.50 | 4,875,000.00 |
| Wendy's International, Inc. | 125,000 | 1,532,116.10 | 1,828,125.00 |
| Weyerhaeuser Co. | 362,500 | 12,946,970.25 | 15,451,562.50 |
| Wheelabrator Technologies, Inc. | 700,000 | 10,769,974.66 | 12,600,000.00 |
| Willamette Industries | 550,000 | 21,376,734.75 | 20,900,000.00 |
| Williams Companies, Inc. | 252,500 | 8,988,707.16 | 13,824,375.00 |
| Worthington Industries, Inc. | 110,000 | 2,215,645.00 | 3,437,500.00 |
| Xilinx, Inc. | 36,000 | 1,366,986.40 | 1,395,000.00 |
| Xerox Corp. | 150,000 | 11,160,040.00 | 11,981,250.00 |
| York International | 15,000 | 604,900.00 | 615,000.00 |
| Zurich Reinsurance Centre | 20,500 | 722,800.00 | 661,125.00 |
| TOTAL DOMESTIC STOCK PORTFOLIO | | \$ 2,779,042,747.25 | \$ 3,629,616,939.01 |

TCRS Portfolio
INVESTMENT PORTFOLIOS

International Stock Portfolio

| | Shares | Book Value | Market Value |
|--|-----------|------------------|------------------|
| Ajinomoto Company | 800,000 | \$ 10,112,194.18 | \$ 10,048,528.20 |
| Alcatel Alsthom | 105,000 | 12,350,990.76 | 11,901,165.74 |
| American Barrick Resources | 97,000 | 1,737,523.80 | 2,449,250.00 |
| Aoyama Trading Co. | 200,000 | 12,289,723.72 | 12,448,176.73 |
| Argyll Group | 1,900,000 | 10,231,762.92 | 9,279,115.50 |
| Baloise Holdings PC | 1,500 | 2,478,215.57 | 1,853,658.14 |
| Baloise Holdings | 150 | 157,244.48 | 183,878.92 |
| Banyu Pharmaceutical | 800,000 | 8,513,626.71 | 7,206,444.48 |
| Bat Industries | 1,400,000 | 9,685,847.52 | 8,760,871.00 |
| Bayerische Motoren Werke AG | 20,000 | 5,755,584.13 | 5,976,345.73 |
| Bayerische Vereinsbank Conv. Pfd. W/Warrants | 344,000 | 219,387.76 | 274,491.81 |
| BBC Brown Boveri | 15,000 | 9,414,307.80 | 8,019,301.83 |
| Biomira, Inc. | 66,500 | 646,909.70 | 482,125.00 |
| Brambles Industries | 825,000 | 8,181,851.79 | 6,900,459.91 |
| Bridgestone Corp. | 400,000 | 5,048,425.68 | 4,536,835.49 |
| British Airways | 2,875,000 | 12,508,110.14 | 13,233,530.12 |
| BSN | 40,000 | 7,028,281.67 | 6,351,466.99 |
| BTR Nylex | 1,400,000 | 3,023,322.30 | 2,768,974.36 |
| Chieftain Int'l, Inc. Conv. Pfd. | 150,000 | 3,810,850.00 | 4,612,500.00 |
| Chiyoda Corp. | 700,000 | 10,131,716.89 | 10,301,616.13 |
| Chugai Pharmaceutical | 800,000 | 11,045,878.22 | 10,723,429.35 |
| CKD Corp. | 550,000 | 2,299,339.85 | 4,665,722.86 |
| Coca Cola Amatil | 1,150,000 | 6,120,341.79 | 6,318,096.26 |
| Collins & Leahy Holdings Ltd. | 1,009,250 | 2,694,888.98 | 1,344,197.87 |
| Cott Corp. | 85,900 | 3,651,134.56 | 3,919,187.50 |
| CS Holdings Bearer | 3,012 | 4,251,398.83 | 5,284,650.52 |
| Dai-Tokyo Fire & Marine | 530,000 | 2,995,498.09 | 3,860,153.35 |
| Email Ltd. | 1,205,300 | 2,521,053.11 | 3,106,279.79 |
| GEA | 5,000 | 1,620,467.66 | 1,182,243.92 |
| Glaxo Holdings | 700,000 | 8,161,296.57 | 5,885,883.50 |
| Goodman Fielder Wattie Ltd. | 4,900,000 | 5,063,472.55 | 4,894,651.65 |
| Guinness | 275,000 | 2,041,817.40 | 1,934,455.87 |
| Hankyu Department Store | 290,000 | 2,982,964.80 | 3,452,306.84 |
| Havas | 35,000 | 3,538,724.56 | 2,565,484.26 |
| Hitachi Ltd. | 1,300,000 | 7,942,723.30 | 9,748,572.13 |
| Holderbank Bearer | 5,400 | 2,038,829.77 | 2,362,373.31 |
| Horiba Ltd. | 495,000 | 8,271,003.97 | 8,027,105.52 |
| Horsham Corp. | 200,000 | 2,066,025.00 | 2,525,000.00 |
| Iino Kaiun | 417,000 | 3,427,370.36 | 2,599,353.65 |
| Industrial Bank of Japan | 700,000 | 15,943,704.99 | 19,356,539.87 |
| KAO Corporation | 700,000 | 8,114,939.21 | 7,808,231.33 |
| Kawada Industries | 550,000 | 4,843,816.47 | 7,011,473.03 |
| Kenwood | 1,225,000 | 7,177,170.41 | 7,325,958.22 |
| Ladbroke Group | 2,800,000 | 7,847,142.68 | 7,736,330.00 |
| Lafarge Coppee | 138,500 | 8,209,207.32 | 9,363,460.43 |
| Legrand | 5,380 | 3,826,315.25 | 4,069,970.60 |
| Lion Corp. | 1,400,000 | 9,741,617.03 | 9,225,523.74 |
| Lufthansa Stamm | 100,000 | 6,808,567.54 | 6,923,314.31 |
| LVMH Moet Hennessy | 13,000 | 8,719,410.07 | 8,763,910.15 |
| Maeda Road Construction | 250,000 | 5,331,515.09 | 5,202,363.01 |

International Stock Portfolio

| | Shares | Book Value | Market Value |
|-----------------------------|-----------|-----------------|-----------------|
| Makita Corp. | 200,000 | \$ 2,577,642.92 | \$ 2,962,066.14 |
| Man AG | 50,000 | 9,114,338.18 | 8,360,782.12 |
| Mannesmann AG New | 100,000 | 16,139,902.65 | 15,706,535.96 |
| Maruzen | 400,000 | 3,019,380.30 | 3,052,052.96 |
| Matsushita Electric Ind'l | 700,000 | 7,002,748.60 | 8,267,539.06 |
| Michelin | 291,000 | 7,743,089.72 | 7,893,682.57 |
| Mikuni Coca Cola Bottling | 247,000 | 2,860,235.34 | 4,954,711.78 |
| Mim Holdings Ltd. | 6,400,000 | 10,509,882.84 | 7,969,957.95 |
| Mitsubishi Bank | 500,000 | 12,245,689.50 | 12,607,528.39 |
| Mitsubishi Motors | 1,320,000 | 7,809,368.99 | 9,552,100.91 |
| Morinaga & Co. | 614,000 | 3,309,359.54 | 3,568,352.34 |
| Namura Shipbuilding | 930,000 | 11,563,672.64 | 10,635,317.25 |
| National House Industries. | 200,000 | 3,117,351.67 | 3,337,011.23 |
| National Power ADR | 83,550 | 2,921,824.62 | 4,595,250.00 |
| NEC | 200,000 | 1,554,255.75 | 1,726,622.10 |
| Nestle SA | 11,000 | 8,533,900.76 | 8,294,211.56 |
| Nippon Koei | 888,300 | 8,717,643.29 | 9,325,784.06 |
| Noritake | 700,000 | 6,409,573.24 | 6,233,461.99 |
| Okuma Corp. | 336,000 | 2,399,557.36 | 3,660,401.36 |
| Okumura | 500,000 | 3,730,521.74 | 3,014,108.52 |
| Onoda Cement | 1,350,000 | 8,387,421.35 | 7,782,453.86 |
| Pacific Dunlop Ltd. | 900,000 | 3,001,370.03 | 2,921,807.36 |
| Pasminco Ltd. | 1,550,000 | 1,790,462.17 | 1,011,561.34 |
| Peugeot SA | 75,000 | 7,532,962.40 | 7,547,590.29 |
| Philips Electronics | 450,000 | 7,887,898.95 | 7,087,860.16 |
| Placer Dome, Inc. | 150,000 | 2,589,650.00 | 3,112,500.00 |
| Polly Peck Int'l PLC | 2,589,285 | 25,892.85 | 193,354.85 |
| Polygram NV | 300,000 | 4,887,450.00 | 8,175,000.00 |
| Powergen PLC ADR | 75,000 | 2,622,822.82 | 4,334,850.00 |
| Preussag | 40,000 | 9,090,266.33 | 8,824,292.14 |
| Rhone Poulenc | 108,500 | 10,143,979.06 | 10,881,065.82 |
| Rhone Poulenc Rhorer | 125,500 | 7,342,339.11 | 5,862,510.23 |
| Rolls Royce | 650,000 | 1,492,054.38 | 1,393,062.12 |
| Rothmans International | 730,000 | 4,457,639.81 | 7,609,979.90 |
| Royal | 349,000 | 3,391,053.53 | 4,939,807.72 |
| Royal Dutch Petroleum | 120,000 | 9,871,470.73 | 11,108,238.87 |
| RTZ Corp. | 1,200,000 | 12,596,326.78 | 12,079,428.00 |
| SXL Corp. | 80,000 | 1,137,248.37 | 869,872.59 |
| Sainsbury | 925,000 | 7,126,760.88 | 6,741,659.00 |
| Sanko Metal Industrial Ltd. | 433,000 | 5,475,877.05 | 4,545,834.17 |
| Sankyo Co. Ltd. | 750,000 | 16,662,298.71 | 16,942,830.90 |
| Schweiz Ruckversicherungs | 4,750 | 9,896,411.23 | 9,840,744.00 |
| Sears PLC | 1,530,000 | 2,242,440.16 | 2,262,204.45 |
| Sega | 140,000 | 10,219,917.60 | 13,123,077.87 |
| SGS Surveillance Port | 5,000 | 6,035,110.78 | 5,719,576.21 |
| Shimizu Corporation | 580,000 | 5,037,556.60 | 4,490,717.25 |
| Shinko Electric Industries | 100,000 | 2,300,224.19 | 3,093,296.92 |
| Shiseido | 1,200,000 | 14,919,282.00 | 15,972,660.50 |
| Siemens | 25,000 | 9,529,716.06 | 9,094,184.06 |
| Simon Engineering PLC | 1,600,000 | 3,224,547.92 | 836,360.00 |

TCRS Portfolio
INVESTMENT PORTFOLIOS

International Stock Portfolio

| | Shares | Book Value | Market Value |
|--|-----------|---------------------|---------------------|
| Snow Brands Milk Products | 48,750 | \$ 334,915.77 | \$ 367,856.27 |
| Sony Corp. | 250,000 | 9,146,078.95 | 10,053,215.01 |
| Sony Music Entertainment | 115,000 | 5,057,088.64 | 5,195,801.47 |
| Sumitomo Cement | 1,300,000 | 7,771,838.00 | 7,250,500.52 |
| Sumitomo Corp. | 500,000 | 4,109,238.07 | 3,782,258.51 |
| Tesco | 1,300,000 | 5,032,074.74 | 4,164,624.75 |
| Thyssen | 100,000 | 10,958,093.73 | 11,306,124.31 |
| Tokyo Electron Ltd. | 100,000 | 1,403,025.36 | 2,568,373.81 |
| Toray Industries | 1,200,000 | 7,384,352.20 | 7,300,180.75 |
| Tostem Corp. | 218,000 | 5,258,756.83 | 6,702,518.29 |
| Toyo Engineering Corp. | 640,000 | 4,458,916.91 | 5,111,251.36 |
| Toyobo Co. | 1,050,000 | 4,189,496.26 | 3,799,131.04 |
| Unilever NV | 80,000 | 6,099,125.95 | 8,493,919.98 |
| Volkswagen | 75,000 | 13,049,896.33 | 15,973,494.26 |
| Wellcome | 700,000 | 9,987,704.78 | 6,983,606.00 |
| Western Mining Corp. Holdings Ltd. | 1,800,000 | 5,970,481.50 | 6,952,403.16 |
| Westpac Banking Corp. | 1,870,000 | 4,500,187.92 | 4,620,085.00 |
| Willis Corroon Group | 900,000 | 3,117,025.84 | 3,091,545.00 |
| Yamaha Motor | 600,000 | 4,896,473.07 | 4,611,824.51 |
| Yamanouchi Pharmaceutical | 500,000 | 10,436,727.80 | 10,451,594.16 |
| TOTAL INTERNATIONAL STOCK PORTFOLIO | | \$ 747,983,403.10 | \$ 767,671,125.91 |
| GRAND TOTAL STOCK PORTFOLIO | | \$ 3,527,026,150.35 | \$ 4,397,288,064.92 |

Domestic Fixed Income Portfolio

| | Rating | Coupon | Maturity | Par Value | Market Value |
|--|--------|--------|------------|--------------|-------------------------|
| Governments: | | | | | |
| Bonds and Notes | | | | | |
| United States Treasury Bonds | AAA | 10.75 | 8 15 2005 | \$ 7,200,000 | \$ 10,122,768.00 |
| United States Treasury Notes | AAA | 5.125 | 4 30 1998 | 1,000,000 | 1,004,060.00 |
| United States Treasury Notes | AAA | 8.875 | 5 15 2000 | 1,000,000 | 1,195,620.00 |
| Total Bonds and Notes | | | | | \$ 12,322,448.00 |
| Agencies: | | | | | |
| FNMA #2494 | AAA | 8 | 4 1 2008 | \$ 6,584,783 | \$ 6,946,945.82 |
| GNMA #196110 | AAA | 9 | 12 15 2016 | 2,270,906 | 2,453,986.78 |
| Government Trust Certificates | AAA | 9.4 | 11 15 1996 | 1,471,299 | 1,596,124.03 |
| Government Trust Certificates | AAA | 9.25 | 11 15 1996 | 900,000 | 978,804.00 |
| Navy Dept. - U S Government Cert. | Aaa | 8.625 | 12 15 2013 | 3,000,000 | 3,271,860.00 |
| SBIC 1991-10C | Aaa | 8.33 | 9 1 2001 | 5,500,000 | 6,133,600.00 |
| Total Agencies | | | | | \$ 21,381,320.63 |
| Total Governments and Agencies | | | | | \$ 33,703,768.63 |
| Corporates: | | | | | |
| Arco MT Notes | A1 | 8.2 | 9 15 1998 | \$ 3,000,000 | \$ 3,324,120.00 |
| Associates Corp. | A1 | 4.5 | 2 15 1996 | 500,000 | 495,400.00 |
| AT & T Capital MT Notes | Aa3 | 8.8 | 7 15 1994 | 500,000 | 524,730.00 |
| Coca Cola Enterprises | A3 | 8.2 | 11 29 1993 | 1,000,000 | 1,017,400.00 |
| Dean Witter Discover | A2 | 6.25 | 3 15 2000 | 2,000,000 | 2,005,300.00 |
| Ford Motor Credit MT Notes | A2 | 9.1 | 7 15 1996 | 5,000,000 | 5,548,350.00 |
| Ford Motor Credit MT Notes | A2 | 10.05 | 4 21 1994 | 1,000,000 | 1,047,320.00 |
| General Electric Capital | Aaa | 7.875 | 11 22 2004 | 3,065,000 | 3,404,877.85 |
| General Electric Capital | Aaa | 8.5 | 7 24 2008 | 3,970,000 | 4,645,773.40 |
| General Electric Capital | Aaa | 5.625 | 1 15 1995 | 4,500,000 | 4,591,260.00 |
| GMAC | Baa1 | 8.75 | 7 15 2005 | 1,750,000 | 1,983,030.00 |
| GMAC | Baa1 | 8.75 | 9 15 1993 | 1,050,000 | 1,058,295.00 |
| GMAC MT Notes | Baa1 | 9.25 | 6 8 1995 | 800,000 | 859,472.00 |
| GMAC MT Notes | Baa1 | 8.7 | 1 28 1994 | 100,000 | 102,170.00 |
| Gulf Power Co. | A2 | 8.75 | 12 1 2021 | 1,000,000 | 1,074,350.00 |
| Illinois Bell Tel | Aa1 | 8.25 | 8 18 2016 | 300,000 | 313,491.00 |
| Imperial Oil | Aa1 | 8.75 | 10 15 2019 | 150,000 | 173,763.00 |
| MCA | A2 | 7.55 | 3 28 1997 | 500,000 | 534,575.00 |
| MCA Funding MT Notes | A2 | 7.4 | 9 19 1995 | 2,000,000 | 2,121,000.00 |
| Phillip Morris | A2 | 8.75 | 11 15 1994 | 1,500,000 | 1,585,365.00 |
| Sony USA Capital Corp. MT Notes | Aa2 | 7.25 | 12 13 1996 | 2,000,000 | 2,128,080.00 |
| Sony USA Capital Corp. MT Notes | Aa2 | 4.87 | 3 29 1996 | 5,000,000 | 4,978,000.00 |
| Sony USA Capital Corp. MT Notes | Aa2 | 4.45 | 3 30 1995 | 5,000,000 | 5,005,000.00 |
| Southern Bell Tel | Aaa | 7.375 | 7 15 2010 | 1,000,000 | 1,023,700.00 |
| Southwestern Bell Tel | A1 | 7.625 | 10 1 2013 | 3,319,000 | 3,427,099.83 |
| Southwestern Bell Tel | A1 | 8.3 | 6 1 1996 | 3,000,000 | 3,272,190.00 |
| Southwestern Bell Tel Notes | A1 | 7.7 | 6 1 1994 | 1,000,000 | 1,031,520.00 |
| Standard Credit Corp. Master TR 91-2A | Aaa | 7.875 | 9 7 1995 | 1,000,000 | 1,037,500.00 |
| TVA | Aaa | 8.625 | 11 15 2029 | 500,000 | 570,100.00 |
| Union Electric Co. | A1 | 6.875 | 8 1 2004 | 2,050,000 | 2,141,409.50 |
| Wisconsin Gas Co. | Aa2 | 7.5 | 11 15 1998 | 2,000,000 | 2,144,480.00 |
| Total Corporates | | | | | \$ 63,169,121.58 |
| TOTAL DOMESTIC FIXED INCOME PORTFOLIO | | | | | \$ 96,872,890.21 |

Chairs of Excellence Portfolio
 INVESTMENT PORTFOLIOS

International Fixed Income Portfolio

| | Rating | Coupon | Maturity | | | Par Value | Market Value |
|---|--------|--------|----------|----|------|--------------|------------------|
| <i>Governments:</i> | | | | | | | |
| Nova Scotia (Province) | A2 | 9.625 | 1 | 1 | 1995 | \$ 727,000 | \$ 778,348.01 |
| Metropolis of Tokyo | Aaa | 8.7 | 10 | 5 | 1999 | 3,000,000 | 3,456,720.00 |
| <i>Total Governments</i> | | | | | | | \$ 4,235,068.01 |
| <i>Corporate:</i> | | | | | | | |
| Nippon Tel & Tel Notes | Aaa | 9.5 | 7 | 27 | 1998 | \$ 2,000,000 | \$ 2,338,960.00 |
| <i>Total Corporate</i> | | | | | | | \$ 2,338,960.00 |
| TOTAL INTERNATIONAL FIXED INCOME PORTFOLIO | | | | | | | \$ 6,574,028.01 |
| GRAND TOTAL FIXED INCOME PORTFOLIO | | | | | | | \$103,446,918.22 |

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|---------------------------------|--------|--------------|--------------|
| AFLAC, Inc. | 3,000 | \$ 94,980.00 | \$ 85,125.00 |
| Adobe Systems, Inc. | 6,500 | 302,700.00 | 401,375.00 |
| Aetna Life and Casualty | 7,000 | 301,227.00 | 387,625.00 |
| Affiliated Publications | 5,000 | 69,362.50 | 68,750.00 |
| Albertsons, Inc. | 5,000 | 254,675.00 | 270,000.00 |
| American Express Co. | 10,000 | 239,850.00 | 322,500.00 |
| American General Corp. | 8,000 | 195,640.00 | 253,000.00 |
| American Int'l Group, Inc. | 2,000 | 236,445.00 | 258,000.00 |
| American Medical Holdings | 8,000 | 94,163.90 | 97,000.00 |
| American Tel & Tel | 8,000 | 371,080.00 | 504,000.00 |
| Ameritech Corp. | 7,000 | 438,745.20 | 562,625.00 |
| Anadarko Petroleum | 5,000 | 215,302.00 | 201,250.00 |
| Applied Materials | 3,000 | 81,620.00 | 162,000.00 |
| Arco Chemical Co. | 2,500 | 112,962.40 | 101,875.00 |
| Autodesk, Inc. | 2,000 | 101,848.60 | 112,750.00 |
| Avery Dennison Corp. | 6,000 | 167,537.50 | 176,250.00 |
| Bank of New York | 1,000 | 60,042.90 | 59,375.00 |
| Bell Atlantic Corp. | 5,000 | 266,540.00 | 296,875.00 |
| Beverly Enterprises | 18,000 | 219,630.00 | 222,750.00 |
| Boeing Company | 2,500 | 97,587.50 | 92,500.00 |
| Boise Cascade Corp. | 7,000 | 175,633.00 | 164,500.00 |
| Browning Ferris Industries | 10,000 | 247,100.00 | 271,250.00 |
| Cabletron Systems, Inc. | 2,000 | 203,453.30 | 211,000.00 |
| Carnival Cruise Lines | 1,000 | 39,399.80 | 39,125.00 |
| Caterpillar Tractor | 3,000 | 171,855.00 | 224,625.00 |
| Centex Corp. | 4,000 | 135,719.20 | 136,500.00 |
| Century Tel Enterprises | 9,000 | 275,091.60 | 277,875.00 |
| Chase Manhattan Corp. | 4,000 | 142,640.00 | 129,000.00 |
| Chevron Corp. | 4,000 | 262,472.10 | 351,000.00 |
| Cheyenne Software | 2,000 | 62,085.90 | 63,000.00 |
| Chrysler Corp. | 3,000 | 70,230.00 | 141,750.00 |
| Cisco Systems, Inc. | 5,000 | 219,375.00 | 273,750.00 |
| Citizens Utilities Co. | 1,529 | 32,926.58 | 51,216.48 |
| Clorox Co. | 5,000 | 248,925.00 | 260,625.00 |
| Columbia Gas | 11,000 | 231,635.00 | 272,250.00 |
| Commonwealth Edison Co. | 12,000 | 350,591.30 | 336,000.00 |
| Computer Assoc. Int'l, Inc. | 5,000 | 100,675.00 | 148,750.00 |
| Comsat Corp. | 6,000 | 125,355.00 | 181,500.00 |
| Consolidated Edison of NY, Inc. | 6,000 | 211,960.00 | 211,500.00 |
| Consolidated Natural Gas | 4,000 | 204,390.00 | 211,500.00 |
| DPL, Inc. | 15,000 | 258,210.00 | 303,750.00 |
| Dana Corp. | 5,000 | 238,540.50 | 271,250.00 |
| Danek Group, Inc. | 5,000 | 146,803.00 | 196,250.00 |
| Disney (Walt) Co. | 3,000 | 134,730.00 | 122,250.00 |
| Dole Food Company, Inc. | 7,000 | 234,620.00 | 250,250.00 |
| Emerson Electric Co. | 3,000 | 177,480.00 | 174,750.00 |
| Exxon Corp. | 7,000 | 442,245.00 | 462,875.00 |
| FHP Int'l Corp. | 15,000 | 313,500.00 | 408,750.00 |
| Federal Home Loan Mtg. Corp. | 8,000 | 388,530.10 | 447,000.00 |
| First Interstate Bancorp | 6,000 | 326,490.00 | 376,500.00 |
| First Tennessee National | 5,000 | 223,530.60 | 202,500.00 |

Chairs of Excellence Portfolio
INVESTMENT PORTFOLIOS

Domestic Stock Portfolio

| | Shares | Book Value | Market Value |
|------------------------------------|--------|---------------|---------------|
| Ford Motor Co. | 5,000 | \$ 264,550.00 | \$ 261,250.00 |
| GTE Corp. | 10,000 | 339,150.00 | 361,250.00 |
| General Electric Co. | 2,500 | 224,744.00 | 239,375.00 |
| General Instruments Corp. | 5,000 | 188,550.00 | 194,375.00 |
| General Motors Corp. | 4,500 | 185,495.50 | 200,250.00 |
| General Motors Corp., Class H | 9,000 | 210,359.72 | 290,250.00 |
| Georgia Pacific Corp. | 6,000 | 374,460.00 | 350,250.00 |
| Giant Food Inc., Class A | 6,000 | 157,209.90 | 148,500.00 |
| Goodrich (B F) Co. | 4,500 | 217,345.00 | 191,250.00 |
| Great Atlantic & Pacific Tea, Inc. | 5,000 | 148,114.50 | 158,750.00 |
| Gulf States Utilities Co. | 15,000 | 231,100.00 | 277,500.00 |
| Hospital Corp of America | 10,000 | 192,099.00 | 195,000.00 |
| Halliburton Co. | 6,000 | 203,085.00 | 228,750.00 |
| Harris Corp. | 10,000 | 339,175.00 | 387,500.00 |
| Hasbro, Inc. | 1,000 | 37,285.00 | 37,750.00 |
| Helmerich & Payne | 3,000 | 96,480.00 | 104,625.00 |
| Hercules, Inc. | 3,000 | 137,370.00 | 232,875.00 |
| Humana, Inc. | 10,000 | 99,100.00 | 112,500.00 |
| ITT Corp. | 1,000 | 74,285.00 | 85,250.00 |
| Immunex Corp. | 6,000 | 136,205.00 | 187,500.00 |
| Kansas City Power & Light | 5,000 | 122,675.00 | 123,750.00 |
| Kansas City Southern Ind., Inc. | 4,000 | 90,680.00 | 165,500.00 |
| Lafarge Corp. | 12,000 | 163,010.00 | 193,500.00 |
| Lockheed Corp. | 3,000 | 141,730.00 | 198,000.00 |
| Long Island Lighting Co. | 6,000 | 163,710.00 | 163,500.00 |
| Loral Corp. | 2,000 | 112,070.00 | 119,500.00 |
| Lotus Development Corp. | 8,000 | 239,500.00 | 277,000.00 |
| Lowe's Companies, Inc. | 5,000 | 98,852.50 | 195,625.00 |
| MBNA Corp. | 6,000 | 153,210.00 | 175,500.00 |
| MCI Communications Corp. | 9,000 | 321,217.50 | 517,500.00 |
| Marriott Corp. | 6,000 | 155,960.00 | 153,000.00 |
| May Department Stores Co. | 6,000 | 199,346.40 | 229,500.00 |
| McCaw Cellular | 2,000 | 88,861.00 | 92,000.00 |
| McDermott International, Inc. | 10,000 | 229,789.30 | 287,500.00 |
| McDonalds Corp. | 4,000 | 201,640.00 | 196,500.00 |
| Mead Corp. | 3,000 | 133,605.00 | 134,250.00 |
| Merrill Lynch & Co. | 2,000 | 144,570.00 | 162,000.00 |
| Mobil Corp. | 3,000 | 153,553.00 | 224,250.00 |
| Montana Power Co. | 9,000 | 203,284.00 | 240,750.00 |
| Morrison Knudson Corp. | 5,000 | 114,263.30 | 126,875.00 |
| Morton Int'l, Inc. | 5,000 | 380,175.00 | 386,875.00 |
| Motorola, Inc. | 3,000 | 117,401.40 | 262,125.00 |
| Multimedia, Inc. | 8,000 | 286,827.60 | 266,000.00 |
| Nipsco Industries, Inc. | 10,000 | 258,900.62 | 326,250.00 |
| Nalco Chemical Co. | 3,000 | 109,605.00 | 103,875.00 |
| Noble Affiliates, Inc. | 4,000 | 95,818.50 | 96,500.00 |
| Norwest Corp. | 10,000 | 206,366.20 | 273,750.00 |
| Nynex Corp. | 5,000 | 443,300.00 | 452,500.00 |
| Occidental Petroleum Corp. | 12,000 | 260,640.00 | 252,000.00 |
| Oracle Systems Corp. | 9,000 | 165,161.65 | 443,250.00 |
| Pacific Telesis Group | 4,000 | 188,905.00 | 194,500.00 |
| Paging Network, Inc. | 4,000 | 111,620.00 | 119,000.00 |

Domestic and International Stock Portfolio

| | Shares | Book Value | Market Value |
|--|--------|-------------------------|-------------------------|
| Panhandle Eastern Corp. | 7,000 | \$ 150,870.00 | \$ 171,500.00 |
| Parametric Technology | 10,000 | 287,025.00 | 320,000.00 |
| Paramount Communications, Inc. | 7,000 | 319,120.10 | 378,000.00 |
| Pinnacle West Cap Corp. | 11,000 | 220,510.10 | 254,375.00 |
| Polaroid Corp. | 3,000 | 114,344.50 | 114,750.00 |
| Quaker Oats Co. | 2,000 | 128,320.00 | 151,500.00 |
| Quaker State Corp. | 13,300 | 196,035.68 | 156,275.00 |
| Rockwell Int'l Corp. | 4,000 | 125,640.00 | 133,000.00 |
| Ryder Systems | 9,000 | 249,315.00 | 281,250.00 |
| St. Jude Medical | 3,000 | 106,995.00 | 112,500.00 |
| Schering Plough Corp. | 5,000 | 316,375.00 | 348,750.00 |
| Sherwin Williams Co. | 4,000 | 127,140.00 | 129,500.00 |
| Signet Banking | 3,000 | 163,286.00 | 181,125.00 |
| Silicon Graphics, Inc. | 3,000 | 111,870.00 | 112,125.00 |
| Sonat, Inc. | 3,000 | 126,451.30 | 200,250.00 |
| Southwest Airlines Co. | 4,000 | 47,469.80 | 174,500.00 |
| Southwestern Bell Corp. | 10,000 | 255,418.00 | 387,500.00 |
| Sprint Corp. | 11,000 | 294,260.00 | 386,375.00 |
| Stewart & Stevenson Serv., Inc. | 3,000 | 102,995.00 | 135,000.00 |
| Supervalu, Inc. | 3,500 | 111,685.00 | 117,687.50 |
| TJX Companies, Inc. | 8,000 | 197,607.50 | 271,000.00 |
| Tele Communications | 5,000 | 113,637.50 | 113,750.00 |
| Telephone & Data Systems | 4,000 | 172,390.10 | 177,000.00 |
| Texas Instruments | 5,000 | 244,009.88 | 349,375.00 |
| Textron, Inc. | 3,000 | 125,355.00 | 168,375.00 |
| Time Warner, Inc. | 8,000 | 221,836.10 | 309,000.00 |
| Tosco Corp. | 5,000 | 124,550.00 | 113,125.00 |
| Trinity Industries, Inc. | 4,000 | 150,140.00 | 201,500.00 |
| UAL Corp. | 2,000 | 246,802.00 | 246,500.00 |
| USX-US Steel Group, Inc. | 7,000 | 262,524.20 | 285,250.00 |
| Union Carbide | 5,000 | 90,175.00 | 96,250.00 |
| Union Pacific Corp. | 2,000 | 122,699.00 | 122,000.00 |
| United Healthcare Corp. | 2,000 | 92,570.00 | 128,500.00 |
| USAIR Group | 2,500 | 40,400.00 | 41,250.00 |
| U S West, Inc. | 3,000 | 118,230.00 | 137,625.00 |
| United Technologies Corp. | 2,000 | 108,070.00 | 108,000.00 |
| Unocal Corp. | 17,000 | 412,845.00 | 497,250.00 |
| Warner Lambert Co. | 6,000 | 423,268.80 | 425,250.00 |
| Wellfleet Communications | 3,000 | 146,070.00 | 146,250.00 |
| Wendy's International, Inc. | 12,000 | 145,420.00 | 175,500.00 |
| Weyerhaeuser Co. | 1,500 | 61,489.95 | 63,937.50 |
| Wheelabrator Technologies, Inc. | 8,000 | 112,391.50 | 144,000.00 |
| Williams Companies, Inc. | 2,500 | 130,056.25 | 136,875.00 |
| Xilinx, Inc. | 1,000 | 37,888.90 | 38,750.00 |
| TOTAL DOMESTIC STOCK PORTFOLIO | | \$ 27,486,094.23 | \$ 31,948,116.48 |
| INTERNATIONAL STOCK PORTFOLIO: | | | |
| American Barrick Resources | 4,000 | \$ 77,140.00 | \$ 101,000.00 |
| Cott Corp. | 2,000 | 83,744.60 | 91,250.00 |
| Placer Dome, Inc. | 10,000 | 175,500.00 | 207,500.00 |
| TOTAL INTERNATIONAL STOCK PORTFOLIO | | \$ 336,384.60 | \$ 399,750.00 |
| GRAND TOTAL STOCK PORTFOLIO | | \$ 27,822,478.83 | \$ 32,347,866.48 |

Financial Statements

**Local Government
Investment Pool**

**Tennessee Consolidated
Retirement System**

Deferred Compensation

Flexible Benefits Plan

Claims Award Fund

**Criminal Injuries
Compensation Fund**

**Victims of Drunk Drivers
Compensation Fund**

Chairs of Excellence

Bond Refunding



Mockingbird
State Bird

STATE OF TENNESSEE



COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0230
(615) 741-3697

December 16, 1993

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol Building
Nashville, Tennessee 37243-0260

Dear Mr. Snodgrass:

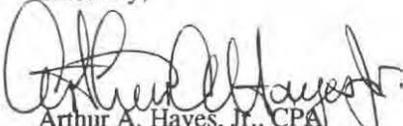
We have audited the accompanying balance sheets of the Local Government Investment Pool as of June 30, 1993, and June 30, 1992, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Government Investment Pool as of June 30, 1993, and June 30, 1992, and the changes in fund balance for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule of cash receipts and disbursements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,


Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

Local Government Investment Pool
Comparative Balance Sheets

| | June 30, 1993 | June 30, 1992 |
|---|-----------------------|-----------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 930,347,419 | \$ 930,465,507 |
| Due from State General Fund | 159,022 | 757,418 |
| Due from State Special Revenue Fund | 21,783 | 0 |
| Due from State Highway Fund | 1,355 | 8,091 |
| Total Assets | \$ 930,529,579 | \$ 931,231,016 |
| Liabilities and Fund Balance | | |
| <i>Liabilities:</i> | | |
| Member Deposits | \$ 727,202,595 | \$ 751,507,038 |
| Due to State Capital Projects Fund | 1,207,197 | 867,054 |
| Due to State College and University Funds | 196,373,475 | 174,191,989 |
| Due to Community Health Agencies | 2,578,413 | 1,610,016 |
| Due to State Veterans' Home Board | 333,442 | 746,157 |
| Warrants Payable | 621 | 0 |
| Total Liabilities | \$ 927,695,743 | \$ 928,922,254 |
| Fund Balance | \$ 2,833,836 | \$ 2,308,762 |
| Total Liabilities and Fund Balance | \$ 930,529,579 | \$ 931,231,016 |

See accompanying Notes to the Financial Statements.

Local Government Investment Pool
Statements of Revenues, Expenditures and Changes in Fund Balance

| | For the Year Ended June 30, 1993 | For the Year Ended June 30, 1992 |
|--------------------------------------|--|--|
| Revenues: | | |
| Investment Income | \$ 33,572,078 | \$ 42,044,979 |
| Expenditures: | | |
| Interest on Deposits | 32,002,937 | 40,693,551 |
| Administrative Cost | 1,044,067 | 600,740 |
| Total Expenditures | \$ 33,047,004 | \$ 41,294,291 |
| Excess of Revenues Over Expenditures | \$ 525,074 | \$ 750,688 |
| Fund Balance, July 1 | \$ 2,308,762 | \$ 1,558,074 |
| Fund Balance, June 30 | \$ 2,833,836 | \$ 2,308,762 |

See accompanying Notes to the Financial Statements.

Description of the Local Government Investment Pool

The Local Government Investment Pool (LGIP) was authorized by the 91st General Assembly to enable local governments and other political subdivisions to participate with the state in providing maximum opportunities for the investment of public funds. LGIP participants can invest any amount for any length of time in the pool. Transfer procedures for making deposits to the pool or withdrawals therefrom specify that an immediate credit process be used, i.e. wire transfers or correspondent banking transactions.

An average rate of return is calculated on the investment made each month from such pool and is used to credit LGIP participants with earnings. An administrative fee of .15 percent was charged against each participant's average daily LGIP balance to provide for recovery of administrative cost. This fee may be changed as the ratio of administrative cost to the pool balance changes. Effective July 1, 1993, the fee was lowered to .06 percent.

Some deposits made to the LGIP are contractually committed to the State Department of Transportation. The only withdrawals allowed from these accounts are to pay the Department of Transportation per progress billings for construction projects contracted between the entity and DOT.

Some deposits are committed to Community Health Agencies, the State Veterans' Homes Board, the State College and University Funds and to the State Capital Projects Fund. Withdrawals from these accounts require authorization by the administering agencies.

Significant Accounting Policies

Pursuant to the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, the Local Government Investment Pool forms an integral part of state government and as such has been included as an expendable trust fund in the Tennessee Comprehensive Annual Financial Report.

The LGIP is accounted for on the modified accrual basis. Revenues are recorded when they become both measurable and available and expenditures are recognized at the time liabilities are incurred.

An interfund receivable in the amount of \$8,091 was reported as due from the General Fund on the June 30, 1992 Balance Sheet. This amount has been reclassified as due from the Highway Fund.

Monies deposited in the LGIP are invested in the Pooled Investment Fund administered by the State Treasurer. The Pooled Investment Fund is authorized by state statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and Agency obligations, limited money market mutual funds, and in obligations of the state of Tennessee pursuant to Tennessee Code Annotated, Section 9-4-602(b). The Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government Securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodian agent against simultaneous receipt of collateral securities. The pool's custodial credit risk is presented in the State of Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1993.

Local Government Investment Pool
Schedules of Cash Receipts and Disbursements

| | July 1, 1992 through June 30, 1993 | July 1, 1991 through June 30, 1992 |
|--|---|---|
| <i>Cash and Cash Equivalents Balance, July 1</i> | \$ 930,465,507 | \$ 726,263,610 |
| <i>Add Cash Receipts:</i> | | |
| Member Deposits | \$ 3,350,290,676 | \$ 3,177,739,291 |
| Investment Income | 33,572,078 | 42,044,979 |
| <i>Total Cash Receipts</i> | \$ 3,383,862,754 | \$ 3,219,784,270 |
| <i>Deduct Cash Disbursements:</i> | | |
| Member Withdrawals | \$ 3,382,936,775 | \$ 3,014,981,633 |
| Administrative Cost Paid | 1,044,067 | 600,740 |
| <i>Total Cash Disbursements</i> | \$ 3,383,980,842 | \$ 3,015,582,373 |
| <i>Cash and Cash Equivalents Balance, June 30</i> | \$ 930,347,419 | \$ 930,465,507 |

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE



COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0230
(615) 741-3697

December 6, 1993

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol Building
Nashville, Tennessee 37243-0260

Dear Mr. Snodgrass:

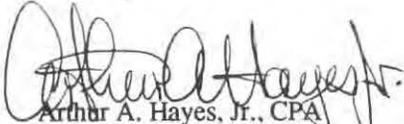
We have audited the accompanying balance sheets of the Tennessee Consolidated Retirement System as of June 30, 1993, and June 30, 1992, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility 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 government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Consolidated Retirement System as of June 30, 1993, and June 30, 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The supplementary schedule of actuarial balances on page 95 is not a required part of the basic financial statements and was not audited by us, and, accordingly, we do not express an opinion thereon.

Sincerely,


Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

Tennessee Consolidated Retirement System
Comparative Balance Sheets

(Expressed in Thousands)

| | June 30, 1993 | June 30, 1992 |
|---|----------------------|---------------------|
| Assets | | |
| <i>Cash and Cash Equivalents</i> | \$ 1,061 | \$ 2,212 |
| <i>Investments:</i> | | |
| Short-term Securities (Amortized Cost) | 826,161 | 682,270 |
| <i>Domestic Securities:</i> | | |
| Government Bonds (Amortized Cost) | 2,149,634 | 1,896,257 |
| Corporate Bonds (Amortized Cost) | 2,918,806 | 2,520,700 |
| Corporate Stocks (Cost) | 2,777,538 | 2,762,060 |
| <i>Domestic Securities on Loan:</i> | | |
| Government Bonds (Amortized Cost) | 585,451 | 702,883 |
| Corporate Bonds (Amortized Cost) | 60,649 | 92,366 |
| Corporate Stocks (Cost) | 1,505 | 0 |
| <i>International Securities:</i> | | |
| Government Bonds (Amortized Cost) | 492,879 | 339,120 |
| Corporate Bonds (Amortized Cost) | 186,806 | 304,997 |
| Corporate Stocks (Cost) | 618,878 | 306,917 |
| American Depository Receipts (Cost) | 10,432 | 13,661 |
| <i>International Securities on Loan:</i> | | |
| Government Bonds (Amortized Cost) | 94,818 | 46,185 |
| Corporate Bonds (Amortized Cost) | 10,116 | 0 |
| Corporate Stocks (Cost) | 118,673 | 39,553 |
| <i>Total Investments</i> | \$ 10,852,346 | \$ 9,706,969 |
| <i>Receivables:</i> | | |
| Member Contributions Receivable | \$ 12,217 | \$ 11,467 |
| Employer Contributions Receivable | 23,234 | 7,361 |
| Political Subdivisions Receivable | 3,045 | 2,633 |
| Accrued Interest Receivable | 124,727 | 125,479 |
| Accrued Dividends Receivable | 10,455 | 9,443 |
| Accrued Loan Income Receivable | 113 | 91 |
| Investments Sold | 89,414 | 39,620 |
| <i>Total Receivables</i> | \$ 263,205 | \$ 196,094 |
| Total Assets | \$ 11,116,612 | \$ 9,905,275 |
| Liabilities and Fund Balance | | |
| <i>Liabilities:</i> | | |
| Retired Payroll Payable | \$ 11,788 | \$ 11,877 |
| Warrants Payable | 402 | 540 |
| <i>Accounts Payable:</i> | | |
| Death Benefits and Refunds Payable | 1,474 | 1,300 |
| Other | 53 | 49 |
| Investments Purchased | 101,955 | 40,635 |
| <i>Total Liabilities</i> | \$ 115,672 | \$ 54,401 |
| <i>Fund Balance:</i> | | |
| Member Reserve | \$ 1,904,043 | \$ 1,752,046 |
| Employer Reserve (Unfunded Accrued Liability totalled \$197.8 million as of June 30, 1993) | 9,096,897 | 8,098,828 |
| <i>Total Fund Balance</i> | \$ 11,000,940 | \$ 9,850,874 |
| Total Liabilities and Fund Balance | \$ 11,116,612 | \$ 9,905,275 |

See accompanying Notes to the Financial Statements.

Tennessee Consolidated Retirement System
Statements of Revenues, Expenses & Changes in Fund Balance

(Expressed in Thousands)

| | For the Year Ended June 30, 1993 | For the Year Ended June 30, 1992 |
|---|--|--|
| Operating Revenues | | |
| <i>Contributions:</i> | | |
| Member Contributions | \$ 108,059 | \$ 102,603 |
| Employer Contributions | 246,525 | 254,494 |
| Political Subdivisions Contributions | 36,382 | 32,495 |
| Total Contributions | \$ 390,966 | \$ 389,592 |
| <i>Investment Income:</i> | | |
| Loan Revenue | \$ 1,458 | \$ 494 |
| Interest | 426,687 | 414,692 |
| Dividends | 99,890 | 85,832 |
| Income from Foreign Investments | 49,033 | 45,397 |
| Net Discount (Premium) Amortization | 57,751 | 81,400 |
| Currency Gain (Loss) on Sale of Foreign Investments | 10,100 | (4,320) |
| Net Gain on Sale of Investments | 492,548 | 362,725 |
| Total Investment Income | \$ 1,137,467 | \$ 986,220 |
| Total Operating Revenues | \$ 1,528,433 | \$ 1,375,812 |
| Operating Expenses | | |
| <i>Annuity Benefits:</i> | | |
| Retirement Benefits | \$ 272,977 | \$ 253,108 |
| Survivor Benefits | 16,207 | 14,631 |
| Disability Benefits | 8,118 | 7,462 |
| Cost of Living | 61,623 | 56,576 |
| <i>Death Benefits</i> | 2,300 | 2,834 |
| <i>Refunds</i> | 17,142 | 20,862 |
| Total Operating Expenses | \$ 378,367 | \$ 355,473 |
| Net Income | \$ 1,150,066 | \$ 1,020,339 |
| Fund Balance, July 1 | \$ 9,850,874 | \$ 8,830,535 |
| Fund Balance, June 30 | \$ 11,000,940 | \$ 9,850,874 |

See accompanying Notes to the Financial Statements.

Tennessee Consolidated Retirement System
Statements of Cash Flows

(Expressed in Thousands)

| | For the Year Ended June 30, 1993 | For the Year Ended June 30, 1992 |
|---|--|--|
| Cash Flows from Operating Activities: | | |
| Cash Received from Member Contributions | \$ 107,308 | \$ 101,697 |
| Cash Received from Employer Contributions | 230,652 | 253,787 |
| Cash Received from Political Subdivision Contributions | 35,970 | 32,237 |
| Cash Payments for Annuity Benefits | (359,014) | (330,810) |
| Cash Payments for Death Benefits | (2,241) | (2,851) |
| Cash Payments for Refunds to Members | (17,165) | (20,859) |
| Other Operating Revenues | 1 | 1 |
| Net Cash Flows Provided by (Used in) Operating Activities | \$ (4,489) | \$ 33,202 |
| Cash Flows from Investing Activities: | | |
| Interest on Investments | \$ 431,137 | \$ 407,722 |
| Dividends on Investments | 99,700 | 84,456 |
| Loan Revenue | 1,436 | 402 |
| Income from Foreign Investments | 44,513 | 37,416 |
| Proceeds from Sales and Maturities of Investments | 12,376,320 | 10,934,405 |
| Purchase of Investments | (12,949,768) | (11,498,064) |
| Net Cash Flows Provided by (Used in) Investing Activities | \$ 3,338 | \$ (33,663) |
| Net Decrease in Cash and Cash Equivalents | \$ (1,151) | \$ (461) |
| Cash and Cash Equivalents at July 1 | \$ 2,212 | \$ 2,673 |
| Cash and Cash Equivalents at June 30 | \$ 1,061 | \$ 2,212 |
| Reconciliation of Net Income to Net Cash Flows from Operating Activities: | | |
| Net Income | \$ 1,150,066 | \$ 1,020,339 |
| Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities: | | |
| Interest Income | \$ (426,687) | \$ (414,692) |
| Dividend Income | (99,890) | (85,832) |
| Income from Foreign Investments | (49,033) | (45,397) |
| Net Gain on Sale of Investments | (492,548) | (362,725) |
| Currency (Gain) Loss on Sale of Foreign Investments | (10,100) | 4,320 |
| Net (Discount) Premium Amortization | (57,751) | (81,400) |
| Loan Revenue | (1,458) | (494) |
| Changes in Receivables: | | |
| Member Contributions | (750) | (906) |
| Employer Contributions | (15,873) | (707) |
| Political Subdivision Contributions | (412) | (257) |
| Changes in Payables: | | |
| Retired Payroll Payable | (89) | 966 |
| Warrants Payable | (138) | (314) |
| Accounts Payable | 174 | 301 |
| Total Adjustments | \$ (1,154,555) | \$ (987,137) |
| Net Cash Flows Provided by Operating Activities | \$ (4,489) | \$ 33,202 |

Noncash Investing, Capital and Financing Activities: At June 30, 1993, the TCRS had unsettled investment purchases of \$101,954,812 and unsettled investment sales of \$89,414,020. As of June 30, 1992, unsettled investment purchases and sales amounted to \$40,635,455 and \$39,620,261 respectively.

See accompanying Notes to the Financial Statements.

Tennessee Consolidated Retirement System
 Notes to the Financial Statements, June 30, 1993 and June 30, 1992

A. Plan Description

1. *TCRS.* The Tennessee Consolidated Retirement System (TCRS) is a defined benefit, agent multiple-employer public employee retirement system. Members of the system consist of teachers, general employees of the state, higher education employees and employees of participating political subdivisions. The state of Tennessee is responsible for the retirement benefits of state employees, higher education employees and teachers, while participating political subdivisions are responsible for the retirement benefits provided their employees.
2. *Membership.* Membership in the system is mandatory for state employees, teachers, higher education employees and employees of participating political subdivisions. At June 30, 1993, the number of participating local government employers and the TCRS membership was:

| | | | |
|---------------------------------------|------------|--|----------------|
| Cities | 115 | Retirees and beneficiaries | |
| Counties | 83 | currently receiving benefits | 58,166 |
| Utility Districts | 27 | Terminated members entitled to benefits, | |
| Special School Districts | 20 | but not yet receiving them | 8,276 |
| Joint Ventures | 20 | Current members: | |
| Regional Libraries | 12 | Vested | 107,086 |
| Development Agencies | 9 | Nonvested | 58,159 |
| Housing Authorities | 10 | Total | <u>231,687</u> |
| 911 Emergency Communication Districts | 14 | | |
| Other | 15 | | |
| Total | <u>325</u> | | |

3. *Benefits.* The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. During fiscal year 1992, vesting was changed from 10 years of service to five years of service for members joining the system on or after July 1, 1979. Members joining prior to July 1, 1979 continue to be vested after four years of service. Political subdivision members joining on or after July 1, 1979 are vested upon completion of 10 years of service unless five years vesting is authorized by resolution of the chief governing body. Benefit provisions are established and amended by state statute.
4. *Contributions.* Effective July 1, 1981, the retirement system became noncontributory for most state and higher education employees. Political subdivisions may elect contributory or noncontributory retirement for their employees. The contribution rate is five percent of gross salary for teachers and contributory employees of political subdivisions. In addition, the employers contribute a set percentage of their payroll determined by an actuarial valuation. State statute provides that the contribution rates be adopted by the TCRS Board of Trustees.
5. *Plans Other Than TCRS.* Pursuant to state statute, the state may establish an optional retirement program for any state institution of higher education that requests such a program. Any teacher employed by a state-supported institution of higher education that has an optional retirement program may elect membership in TCRS or participation in the Optional Retirement Program (ORP). The Optional Retirement Program has been established as a defined contribution plan. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. Both the Tennessee Board of Regents' institutions' faculty and the University of Tennessee System's faculty are eligible to become members of the Optional Retirement Program in lieu of membership in TCRS.

State statute requires the state supported institutions to make contributions to the Optional Retirement Program at the rate of 10 percent of gross salary below the social security wage base and 11 percent of gross salary above the social security wage base. The contributions for each employee (and interest allocated to the employee's account) are fully and immediately vested. During the year ended June 30, 1993, the state of Tennessee contributed \$37.5 million (10.1 percent of current covered payroll) to the Optional Retirement Plan. The total covered payroll was \$373.1 million.

(Continued)

A second, now closed, group of University of Tennessee faculty also participates in the Optional Retirement Plan with certain supplemental benefits provided by the state of Tennessee. Prior to fiscal year 1978, these supplemental benefits were funded by the university on a pay-as-you-go basis. The supplemental benefits have since been assumed by the TCRS and are included in the benefit expenses in the financial statements and in the actuarial calculations for TCRS. The TCRS is responsible for providing supplemental benefits for the difference between a calculated hypothetical fixed income annuity and the basic benefit under TCRS.

B. Summary of Significant Accounting Policies and Plan Asset Matters

1. *Reporting Entity.* The TCRS is a component unit of the State of Tennessee Financial Reporting Entity. The TCRS forms an integral part of Tennessee state government and as such has been included as a pension trust fund in the Tennessee Comprehensive Annual Financial Report.

In accordance with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards Section 2100, the TCRS' oversight responsibilities have been examined to determine whether other state boards, commissions or agencies which benefit the members of the TCRS should be included within the TCRS Financial Reporting Entity. Oversight responsibility is defined to include financial interdependency, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and/or special financing relationships. Based upon this evaluation, the TCRS has not included any other governmental units in its Financial Reporting Entity.

2. *Basis of Accounting and Presentation.* The accompanying financial statements have been prepared in conformity with all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable private sector pronouncements issued on or before November 30, 1989. The TCRS uses the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
3. *Cash and Cash Equivalents.* The classification of Cash and Cash Equivalents, by definition, includes cash and short-term investments with a maturity date within three months of the acquisition date. The state's policy regarding the definition of Cash and Cash Equivalents includes cash management pools as cash. In addition, securities in portfolios where the primary purpose is to facilitate the placement of funds in long-term investments are classified as investments.

Cash received by the TCRS that cannot be invested immediately in securities is invested in the Pooled Investment Fund administered by the State Treasurer. The Pooled Investment Fund is authorized by state statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer approval to invest in collateralized certificates of deposit in state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and Agency obligations, limited money market mutual funds, and in obligations of the state of Tennessee pursuant to Tennessee Code Annotated, Section 9-4-602(b). The Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government securities may be loaned to brokers for a fee. The loaned securities are transferred to the borrower by the custodial agent against simultaneous receipt of collateral securities. The pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1993.

4. *Method Used to Value Investments.* Equity securities are reported at cost subject to adjustment for market declines judged to be other than temporary. Fixed-income securities are reported at amortized cost with discounts or premiums amortized using the effective interest rate method, subject to adjustment for market declines judged to be other than temporary. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income and equity securities are recognized on the transaction date.
5. *Receivables.* Receivables primarily consist of interest which is recorded when earned. The receivables for contributions consist of \$5,276 thousand due from other funds within the state and \$33,220 thousand due from other governments.

(Continued)

6. *Fund Balance.* The Fund Balance consists of two reserves, the Member Reserve and the Employer Reserve. The Member Reserve represents the accumulation of employee contributions plus interest. The Employer Reserve represents the accumulation of employer contributions, investment income and transfers from the member reserve for retiring members. Benefit payments and interest credited to the members' accounts are reductions to the Employer Reserve.
7. *Reclassifications.* Investments in Canadian Corporate Bonds of \$200,250,756 at book value and \$216,488,675 at market value, that were classified as Domestic Corporate Bonds in the June 30, 1992 Balance Sheet, have been reclassified as International Corporate Bonds. Investments in Canadian Government Bonds of \$44,828,869 at book value and \$45,864,800 at market value, that were classified as Domestic Government Bonds in the June 30, 1992 Balance Sheet, have been reclassified as International Government Bonds.

C. Investments

State statute authorizes the TCRS to invest in bonds, debentures, preferred stock and common stock, and in other good and solvent securities subject to the approval of the Board of Trustees and further subject to the following restrictions:

- a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75%) of the total of the funds of the retirement system.
- b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75%) of the total funds of the retirement system.
- c. Within the restrictions in (a) and (b) above, an amount not to exceed fifteen percent (15%) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in the following countries: Japan, the United Kingdom, Germany, Switzerland, France, the Netherlands and Australia. Investments are valued at their book value in determining the compliance with these restrictions.
- d. Investments may not be made in (1) stocks, securities, or other obligations of any U.S. firm or company which has a direct investment in the Republic of South Africa if more than one percent (1%) of the assets of the company are maintained in the Republic of South Africa or (2) any bank or financial institution which has originated loans to the Republic of South Africa.
- e. The total amount of securities loaned under a securities lending program cannot exceed thirty percent (30%) of total assets.

TCRS maintains a portfolio of short-term investments in order to actively manage all funds waiting to be placed in a more permanent investment. These short-term investments may include U.S. Treasuries, commercial paper, medium-term corporate notes, promissory notes and repurchase agreements.

The TCRS investment securities are categorized on the following page according to the level of credit risk associated with the custodial arrangements at that time. Category 1 includes investments that are insured or registered, or for which the securities are held by the TCRS or its agent in the name of the TCRS. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of the TCRS. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by the counterparty's trust department or agent, but not in the name of the TCRS.

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1993 and June 30, 1992

| | June 30, 1993 | | June 30, 1992 | |
|--|-------------------|-------------------|------------------|-------------------|
| | Book Value | Market Value | Book Value | Market Value |
| Cash Equivalents-Not Categorized: | | | | |
| Cash in State Treasurer's Pooled Investment Fund: | \$ 1,061,549 | \$ 1,061,549 | \$ 2,212,068 | \$ 2,212,068 |
| Investments - Category 1: | | | | |
| Short-term Securities: | | | | |
| Commercial Paper | \$ 713,664,881 | \$ 712,649,155 | \$ 465,019,118 | \$ 465,019,187 |
| Medium-term Corporate Notes | 50,000,000 | 50,000,000 | 152,822,345 | 153,194,220 |
| U.S. Treasury Notes | 62,495,722 | 63,764,100 | 64,428,927 | 65,024,700 |
| Long-term Investments: | | | | |
| Domestic Securities | | | | |
| Government Bonds | 2,139,821,328 | 2,473,442,403 | 1,896,257,225 | 2,106,279,993 |
| Corporate Bonds | 2,859,584,373 | 3,077,458,948 | 2,507,111,073 | 2,645,104,750 |
| Corporate Stocks | 2,764,869,547 | 3,615,113,064 | 2,756,759,074 | 3,294,787,308 |
| International Securities | | | | |
| Government Bonds | 492,878,829 | 481,426,837 | 329,335,698 | 348,363,650 |
| Corporate Bonds | 186,806,512 | 208,116,707 | 304,996,210 | 332,308,720 |
| Corporate Stocks | 598,724,613 | 607,254,180 | 294,989,436 | 293,976,180 |
| American Depository Receipts | 10,432,098 | 17,105,100 | 13,661,309 | 21,729,969 |
| | \$ 9,879,277,903 | \$ 11,306,330,494 | \$ 8,785,380,415 | \$ 9,725,788,677 |
| Investments - Categories 2 & 3 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Investments - Not Categorized: | | | | |
| Investments held by broker-dealers under securities on loan contracts: | | | | |
| Domestic Securities | | | | |
| Government Bonds | \$ 585,451,424 | \$ 664,434,177 | \$ 702,882,667 | \$ 753,072,716 |
| Corporate Bonds | 60,648,877 | 62,696,598 | 92,366,036 | 98,564,083 |
| Corporate Stocks | 1,504,827 | 1,721,875 | 0 | 0 |
| International Securities | | | | |
| Government Bonds | 94,817,804 | 104,787,857 | 46,185,386 | 50,401,711 |
| Corporate Bonds | 10,115,830 | 10,665,100 | 0 | 0 |
| Corporate Stocks | 118,673,057 | 123,342,691 | 39,553,434 | 37,821,612 |
| Unsettled Investment Acquisitions: | | | | |
| Domestic Securities | | | | |
| Government Bonds | \$ 9,812,500 | \$ 9,812,500 | \$ 0 | \$ 0 |
| Corporate Bonds | 59,221,450 | 59,297,200 | 13,589,040 | 13,762,080 |
| Corporate Stocks | 12,668,373 | 12,782,000 | 5,300,695 | 5,480,000 |
| International Securities | | | | |
| Government Bonds | 0 | 0 | 9,783,855 | 9,952,687 |
| Corporate Stocks | 20,153,635 | 19,969,155 | 11,927,847 | 11,579,408 |
| Total Investments | \$ 10,852,345,680 | \$ 12,375,839,647 | \$ 9,706,969,375 | \$ 10,706,422,974 |

Since TCRS uses the accrual basis of accounting, securities that relate to unsettled sales are not categorized in the chart above. As of June 30, 1993, the TCRS is subject to custodial credit risk since the securities are held by its agent until the settlement date. These securities, totaling \$89,414,020, would be considered Category 1. The TCRS is authorized by investment policy to engage in the issuance of options. Activity is limited to selling covered call options. The TCRS had no options outstanding at June 30, 1993.

The TCRS invested in repurchase agreements during the year, but had no outstanding agreements at June 30, 1993. The outstanding balance of repurchase agreements reached \$66.4 million during the year and would have been included in Category 1.

(Continued)

Tennessee Consolidated Retirement System
Notes to the Financial Statements, June 30, 1993 and June 30, 1992

The TCRS is authorized to enter into collateralized securities lending agreements whereby TCRS loans its debt and equity securities for a fee to a select few of the highest quality securities firms and banks. Loans must be limited so the total amount on loan does not exceed 30 percent of the book value of TCRS' assets. The loaned securities are collateralized at 102 percent of their market value. TCRS' custodian bank manages the lending program and maintains the collateral on behalf of TCRS. At June 30, 1993, the market value of TCRS securities on loan to brokers was \$967,648,298, and the market value of collateral pledged for the securities on loan was \$999,992,274.

The TCRS is authorized by statute to engage in forward contracts to exchange different currencies at a specified future date and at a specified rate. The allowable currencies for hedging purposes are limited by policy of the Board of Trustees to the Pound Sterling, Deutschemarks and Japanese Yen.

Forward exchange contracts in effect at June 30, 1993 are summarized as follows:

| Commitments to Deliver Foreign Currency | U.S. Currency to Be Received Upon Delivery of Foreign Currency | Market Value at 6/30/93 to Purchase Foreign Currency for Delivery |
|--|---|--|
| 60,000,000 | Sterling \$ 91,020,000 | \$ 89,071,500 |
| 5,000,000,000 | Japanese Yen 47,041,999 | 46,870,588 |
| 500,000,000 | Deutschemarks 303,554,051 | 290,207,554 |
| Total | <u>\$ 441,616,050</u> | <u>\$ 426,149,642</u> |

The Currency Gain (Loss) on Sale of Foreign Investments line item on the Statement of Revenues, Expenses and Changes in Fund Balance includes net loss on forward contracts in the amount of \$628,949.

D. Funding Status and Progress

The amount shown below as "pension benefit obligation" (P.B.O.) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the funding status of the TCRS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the system.

The pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1993. Significant actuarial assumptions used include: (a) a rate of return on investment of present and future assets of eight percent per year compounded annually, (b) projected salary increases of seven percent (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries) per year compounded annually, (c) a projected six percent annual increase in the Social Security wage base, and (d) projected post-retirement benefit increases of three percent of the retiree's initial benefit. No actuarial assumptions were changed during the year.

At June 30, 1993, the net assets exceeded the pension benefit obligation by \$1.24 billion as follows (in millions):

| | State | Political Subdivisions | Total |
|---|---------------------|------------------------|---------------------|
| Pension benefit obligation: | | | |
| Retirees and beneficiaries currently receiving benefits & terminated employees not yet receiving benefits | \$ 3,377.5 | \$ 424.0 | \$ 3,801.5 |
| Current employees: | | | |
| Accumulated employee contributions including allocated investment earnings | 1,605.3 | 300.0 | 1,905.3 |
| Employer-financed vested | 3,590.1 | 384.2 | 3,974.3 |
| Employer-financed nonvested | 57.1 | 24.9 | 82.0 |
| Total pension benefit obligation | <u>\$ 8,630.0</u> | <u>\$ 1,133.1</u> | <u>\$ 9,763.1</u> |
| Net assets available for benefits at cost or amortized cost (market value is \$12,524.4) | 9,693.9 | 1,307.0 | 11,000.9 |
| Assets in excess of pension benefit obligation | <u>\$ (1,063.9)</u> | <u>\$ (173.9)</u> | <u>\$ (1,237.8)</u> |

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1993 and June 30, 1992

E. Contributions Required and Contributions Made

It is the policy of the state to fund pension benefits by actuarially determined contributions which are intended to provide funding for both the normal liability cost and the unfunded actuarial accrued liability cost, so that sufficient assets will be available to pay benefits when due. The frozen initial liability method, a projected benefit cost method, is used to value the plan. Effective June 30, 1993, the unfunded accrued liability was reestablished. The effect of the reestablishment was to reduce the unfunded accrued liability from \$1,605.6 million to \$197.8 million. Effective July 1, 1993, the board reduced the amortization period of the accrued liability from 22 years to 10 years. A 30-year amortization period is used for political subdivisions joining the system after June 30, 1983. The employer contributions include funding for the cost-of-living provision and amortization of the accrued liability. The assets of the Employer and Member Reserves are subtracted from the present value of each member's expected benefit accrual to arrive at the unfunded accrued liability. The unfunded accrued liability based on the last two biennial actuarial valuations is as follows:

| | June 30, 1993 | June 30, 1991 |
|--|-----------------------|-------------------------|
| Present Value of Actuarial Liability for Active and Retired Accounts | \$ 12,002,984,552 | \$ 11,066,416,307 |
| Less Actuarial Valued Assets: | | |
| Employer Reserve | 9,763,269,376 | 7,697,151,090 |
| Member Reserve | 2,041,954,328 | 1,712,208,106 |
| Unfunded Liability | \$ 197,760,848 | \$ 1,657,057,111 |

For the year ended June 30, 1993, contributions totaling \$391.0 million were made in accordance with contribution requirements determined through an actuarial valuation performed at June 30, 1991. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in D above. The state contributed \$246.5 million (6.3 percent of current covered payroll) to the plan and state employees and teachers contributed \$83.8 million (2.1 percent of current covered payroll). Political subdivisions contributed \$36.4 million (.9 percent of current covered payroll) to the plan and employees of political subdivisions contributed \$24.3 million (.6 percent of current covered payroll). These contributions consisted of (a) \$245.3 million normal cost (6.3 percent of current covered payroll) and (b) \$145.7 million amortization of the unfunded actuarial accrued liability (3.7 percent of current covered payroll). The total current-year covered payroll was \$3.92 billion.

F. Subsequent Event

On October 25, 1993, the Board of Trustees of the Tennessee Consolidated Retirement System adopted the provisions of Public Chapter 345, Acts of 1993 to provide for a five percent benefit improvement effective January 1, 1994 for active and retired members in the state employee and teacher classifications. The total pension benefit obligation (PBO) of the pension fund at June 30, 1993, including the five percent benefit improvement, is \$10.2 billion (\$9.0 billion for the state and \$1.2 billion for political subdivisions). This is an increase of \$447.0 million (397.1 million for the state and \$49.9 million for political subdivisions) over the PBO calculated without the five percent benefit improvement. The employer contribution requirement to finance the five percent benefit improvement is approximately \$61 million annually.

G. Historical Trend Information

Required 10-year historical trend information designed to provide information about the TCRS' progress made in accumulating sufficient assets to pay benefits when due is presented as required supplementary information immediately following the Notes to the Financial Statements. Information regarding the pension benefit obligation is available for seven years.

Tennessee Consolidated Retirement System
Required Supplementary Information

Revenues by Source And Expenses By Type

Revenues By Source

| Fiscal Year | Member Contributions | Employer Contributions | Investment Income | Contributions For ORP | Total |
|--------------------|-----------------------------|-------------------------------|--------------------------|------------------------------|----------------|
| 1984 | \$ 59,776,800 | \$ 278,031,806 | \$ 342,868,167 | \$ 14,450,599 | \$ 695,127,372 |
| 1985 | 66,725,960 | 313,438,263 | 354,196,262 | 17,597,622 | 751,958,107 |
| 1986 | 71,692,211 | 342,879,458 | 564,296,889 | 20,117,735 | 998,986,293 |
| 1987 | 78,729,737 | 348,514,509 | 726,663,408 | 22,994,584 | 1,176,902,238 |
| 1988 | 83,021,879 | 373,778,518 | 573,406,134 | 19,323,704 [1] | 1,049,530,235 |
| 1989 | 89,906,776 | 336,292,918 | 549,550,134 | 0 | 975,749,828 |
| 1990 | 95,957,377 | 356,747,403 | 788,715,719 | 0 | 1,241,420,499 |
| 1991 | 100,587,021 | 285,361,612 | 752,983,019 | 0 | 1,138,931,652 |
| 1992 | 102,603,249 | 286,988,169 | 986,220,366 | 0 | 1,375,811,784 |
| 1993 | 108,059,208 | 282,906,665 | 1,137,466,939 | 0 | 1,528,432,812 |

Expenses by Type

| Fiscal Year | Benefits | Refunds | Contributions to ORP | Total |
|--------------------|-----------------|----------------|-----------------------------|----------------|
| 1984 | \$ 168,411,510 | \$ 23,259,015 | \$ 14,450,599 | \$ 206,121,124 |
| 1985 | 185,665,724 | 22,774,019 | 17,597,622 | 226,037,365 |
| 1986 | 204,645,238 | 21,301,916 | 20,117,736 | 246,064,890 |
| 1987 | 229,300,596 | 21,750,626 | 22,994,583 | 274,045,805 |
| 1988 | 243,993,945 | 17,801,882 | 19,323,704 [1] | 281,119,531 |
| 1989 | 258,320,437 | 20,664,894 | 0 | 278,985,331 |
| 1990 | 278,174,928 | 20,561,180 | 0 | 298,736,108 |
| 1991 | 309,660,795 | 19,384,713 | 0 | 329,045,508 |
| 1992 | 334,611,059 | 20,862,169 | 0 | 355,473,228 |
| 1993 | 361,225,243 | 17,141,499 | 0 | 378,366,742 |

Contributions were made in accordance with actuarially determined contribution requirements.

[1] The state's contributions to the Optional Retirement Plan (ORP) flowed through the TCRS until April 1988. Subsequently, these contributions are remitted directly to the ORP by the higher education institutions.

Tennessee Consolidated Retirement System
Required Supplementary Information

*Analysis Of Funding Progress
(In Millions of Dollars)*

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-------------|-----------------------------------|----------------------------|---------------------------|---|------------------------|--|
| Fiscal Year | Net Assets Available for Benefits | Pension Benefit Obligation | Percentage Funded (1)/(2) | Unfunded (Assets in excess of) P.B.O. (2) - (1) | Annual Covered Payroll | Unfunded (Assets in excess of) P.B.O. as Percentage of Covered Payroll (4)/(5) |
| 1987 | \$ 5,612.8 | \$ 5,820.1 | 96.4% | \$ 207.3 | \$ 2,826.9 | 7.3% |
| 1988 | 6,381.2 | 6,376.1 | 100.1 | (5.1) | 3,003.1 | (0.2) |
| 1989 | 7,078.0 | 7,107.2 | 99.6 | 29.2 | 3,242.2 | 0.9 |
| 1990 | 8,020.6 | 7,801.3 | 102.8 | (219.3) | 3,468.8 | (6.3) |
| 1991 | 8,830.5 | 8,453.7 | 104.5 | (376.8) | 3,648.6 | (10.3) |
| 1992 [1] | 9,850.9 | 9,331.7 | 105.6 | (519.2) | 3,706.0 | (14.0) |
| 1993 | 11,000.9 | 9,763.1 | 112.7 | (1,237.8) | 3,923.1 | (31.6) |

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the TCRS's funding status on a going-concern basis.

Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the TCRS' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system. These analyses are shown only for the years available. Additional years will be added as data becomes available.

[1] In fiscal year 1992, changes in the benefit provisions resulted in an increase of \$66.7 million in the pension benefit obligation when compared to the pension benefit obligation before the provision changes.

Tennessee Consolidated Retirement System
Actuarial Balance Sheet as of June 30, 1993

| <i>Total System</i> | As of June 30, 1993 | | | At June 30, 1993, as if 5% Benefit Improvement Had Been Effective | | |
|---|-------------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|
| | Political Subdivisions | State | Total | Political Subdivisions | State | Total |
| Assets | | | | | | |
| <i>Present Assets</i> | | | | | | |
| <i>Creditable To:</i> | | | | | | |
| Employer Accumulation Fund | \$ 1,079,359,988 | \$ 8,683,909,388 | \$ 9,763,269,376 | \$ 1,079,359,988 | \$ 8,683,909,388 | \$ 9,763,269,376 |
| Members' Fund | 321,561,559 | 1,720,392,769 | 2,041,954,328 | 321,561,559 | 1,720,392,769 | 2,041,954,328 |
| Total Present Assets | \$ 1,400,921,547 | \$ 10,404,302,157 | \$ 11,805,223,704 | \$ 1,400,921,547 | \$ 10,404,302,157 | \$ 11,805,223,704 |
| <i>Present Value of Prospective Contributions Payable to:</i> | | | | | | |
| Employer Accumulation Fund: | | | | | | |
| Normal | \$ 217,202,207 | \$ 1,421,765,809 | \$ 1,638,968,016 | \$ 259,878,022 | \$ 1,742,582,996 | \$ 2,002,461,018 |
| Accrued Liability | 0 | 197,760,848 | 197,760,848 | 42,897,901 | 500,933,773 | 543,831,674 |
| Employer Accumulation Fund Total | \$ 217,202,207 | \$ 1,619,526,657 | \$ 1,836,728,864 | \$ 302,775,923 | \$ 2,243,516,769 | \$ 2,546,292,692 |
| Members' Fund | \$ 214,253,225 | \$ 925,041,464 | \$ 1,139,294,689 | \$ 214,253,225 | 925,041,464 | 1,139,294,689 |
| Total Prospective Contributions | \$ 431,455,432 | \$ 2,544,568,121 | \$ 2,976,023,553 | \$ 517,029,148 | \$ 3,168,558,233 | \$ 3,685,587,381 |
| Total Assets | \$ 1,832,376,979 | \$ 12,948,870,278 | \$ 14,781,247,257 | \$ 1,917,950,695 | \$ 13,572,860,390 | \$ 15,490,811,085 |
| Liabilities | | | | | | |
| <i>Present Value of Prospective Benefits Payable on Account of:</i> | | | | | | |
| Present retired members & contingent annuitants | \$ 407,406,742 | \$ 3,243,617,405 | \$ 3,651,024,147 | \$ 426,116,402 | \$ 3,384,228,639 | \$ 3,810,345,041 |
| Present active members | 1,408,373,088 | 9,571,361,294 | 10,979,734,382 | 1,474,661,302 | 10,048,860,982 | 11,523,522,284 |
| Former members | 16,597,149 | 133,891,579 | 150,488,728 | 17,172,991 | 139,770,769 | 156,943,760 |
| Total Liabilities | \$ 1,832,376,979 | \$ 12,948,870,278 | \$ 14,781,247,257 | \$ 1,917,950,695 | \$ 13,572,860,390 | \$ 15,490,811,085 |

Note: The actuarial balance sheet is shown with and without the upcoming five percent benefit improvement. In October 1993, the Board of Trustees of TCRS granted a five percent benefit improvement for current and future retirees effective January 1, 1994. The purpose of this presentation is to reflect the situation at the June 30, 1993 balance sheet date, and to convey the effect of the upcoming benefit improvement as if it had occurred at June 30, 1993.

STATE OF TENNESSEE



COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0230
(615) 741-3697

December 16, 1993

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol Building
Nashville, Tennessee 37243-0260

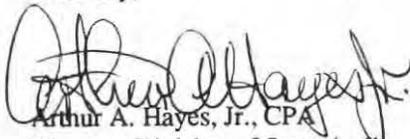
Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the IRC Section 457 Deferred Compensation Plan as of June 30, 1993, and June 30, 1992, and the related statement of changes in assets and liabilities for the year ended June 30, 1993. These financial statements are the responsibility of 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 government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IRC Section 457 Deferred Compensation Plan as of June 30, 1993, and June 30, 1992, and the changes in assets and liabilities for the year ended June 30, 1993, in conformity with generally accepted accounting principles.

Sincerely,


Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

IRC Section 457 Deferred Compensation
Comparative Balance Sheets

| <i>Assets</i> | June 30, 1993 | June 30, 1992 |
|-------------------------------------|---------------|---------------|
| <i>Investments Held by Vendors:</i> | | |
| Aetna | \$ 26,333,455 | \$ 24,164,010 |
| American General | 972,733 | 976,401 |
| Calvert Group | 274,248 | 89,316 |
| Fidelity Investments | 25,970,773 | 19,603,019 |
| Great West | 6,684,649 | 6,642,312 |
| Union Planters | 13,047,361 | 12,531,619 |
| <i>Total</i> | \$ 73,283,219 | \$ 64,006,677 |

Receivables from State Funds for:

| | | |
|----------------------------|----------------------|----------------------|
| Aetna | \$ 19,937 | \$ 31,982 |
| American General | 6,959 | 8,435 |
| Calvert Group | 1,702 | 975 |
| Fidelity Investments | 92,236 | 84,708 |
| Great West | 11,637 | 16,855 |
| Union Planters | 28,447 | 30,325 |
| <i>Total</i> | \$ 160,918 | \$ 173,280 |
| <i>Total Assets</i> | \$ 73,444,137 | \$ 64,179,957 |

Liabilities

| | | |
|------------------------------------|---------------|---------------|
| Amounts Held in Custody for Others | \$ 73,444,137 | \$ 64,179,957 |
|------------------------------------|---------------|---------------|

See accompanying Notes to the Financial Statements.

IRC Section 457 Deferred Compensation
Statement of Changes in Assets and Liabilities

| | Balance July 1, 1992 | Additions | Deductions | Balance June 30, 1993 |
|---------------------------------------|-------------------------|----------------------|---------------------|--------------------------|
| <i>Assets</i> | | | | |
| Investments, at Market | \$ 64,006,677 | \$ 17,823,525 | \$ 8,546,983 | \$ 73,283,219 |
| Receivables from State Funds | 173,280 | 160,918 | 173,280 | 160,918 |
| Total Assets | \$ 64,179,957 | \$ 17,984,443 | \$ 8,720,263 | \$ 73,444,137 |
| <i>Liabilities</i> | | | | |
| Amounts Held in Custody for Others | \$ 64,179,957 | \$ 17,984,443 | \$ 8,720,263 | \$ 73,444,137 |

See accompanying Notes to the Financial Statements.

IRC Section 457 Deferred Compensation
Notes to the Financial Statements, June 30, 1993 and June 30, 1992

Pursuant to the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, the Deferred Compensation Plan is an integral part of state government and as such has been included as an agency fund in the Tennessee Comprehensive Annual Financial Report.

The state offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the state, (without being restricted to the provisions of benefits under the plan), subject only to the claims of the state's general creditors. Participants' rights under the plan are equal to those of general creditors of the state in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the state's legal counsel that the state has no legal liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The state believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The deferred compensation investments are not required to be classified into the risk categories specified by the Governmental Accounting Standards Board Statement No. 3 because the investments are in pools or mutual funds where the specific securities related to the plan can not be identified.

STATE OF TENNESSEE



**COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0230
(615) 741-3697**

December 16, 1993

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol Building
Nashville, Tennessee 37243-0260

Dear Mr. Snodgrass:

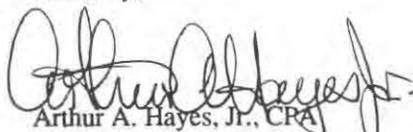
We have audited the accompanying balance sheets of the Flexible Benefits Plan as of June 30, 1993, and June 30, 1992, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Flexible Benefits Plan as of June 30, 1993, and June 30, 1992, and the changes in fund balance for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule of cash receipts and disbursements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,


Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

Flexible Benefits Plan
Comparative Balance Sheets

| | June 30, 1993 | June 30, 1992 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 3,750,317 | \$ 2,418,020 |
| Receivable from State Funds | 91,222 | 85,447 |
| Total Assets | \$ 3,841,539 | \$ 2,503,467 |
| Liabilities and Fund Balance | | |
| <i>Liabilities:</i> | | |
| Warrants Payable | \$ 6,815 | \$ 1,439 |
| Checks Payable | 0 | 4,414 |
| Accounts Payable | 72,089 | 59,402 |
| Dependent Care Deposits | 127,988 | 116,375 |
| Medical Reimbursement Deposits | 119,789 | 145,481 |
| Total Liabilities | \$ 326,681 | \$ 327,111 |
| Fund Balance | \$ 3,514,858 | \$ 2,176,356 |
| Total Liabilities and Fund Balance | \$ 3,841,539 | \$ 2,503,467 |

See accompanying Notes to the Financial Statements.

Flexible Benefits Plan
Statements of Revenues, Expenditures & Changes in Fund Balance

| | For the Year Ended June 30, 1993 | For the Year Ended June 30, 1992 |
|--|--|--|
| Revenues: | | |
| FICA Savings | \$ 1,916,524 | \$ 1,533,559 |
| Flexible Benefit Forfeiture | 13,980 | 35,388 |
| Total Revenues | \$ 1,930,504 | \$ 1,568,947 |
| Expenditures: | | |
| Administrative Fees | \$ 229,934 | \$ 694,036 |
| Excess of Revenues over Expenditures | \$ 1,700,570 | \$ 874,911 |
| Other Financing Uses: | | |
| Operating Transfer to State General Fund | (362,068) | (137,652) |
| Excess of Revenues Over Expenditures and Other Uses | \$ 1,338,502 | \$ 737,259 |
| Fund Balance, July 1 | \$ 2,176,356 | \$ 1,439,097 |
| Fund Balance, June 30 | \$ 3,514,858 | \$ 2,176,356 |

See accompanying Notes to the Financial Statements.

A. Significant Accounting Policies

1. *Reporting Entity* - Pursuant to the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, the Employee Flexible Benefit Plan is an integral part of state government and as such has been included as an expendable trust fund in the Tennessee Comprehensive Annual Financial Report.
2. *Basis of Accounting and Presentation* - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles using the modified accrual basis of accounting. Under this method, revenues are recorded when they become both measurable and available and expenditures are recognized at the time the fund liabilities are incurred.
3. *Cash and Cash Equivalents* - Cash deposited in the Employee Flexible Benefit Plan is pooled with the State Treasurer's Pooled Investment Fund. The Pooled Investment Fund, administered by the State Treasurer, is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and Agency obligations, limited money market mutual funds, and in obligations of the state of Tennessee pursuant to Tennessee Code Annotated, Section 9-4-602(b). The Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodian against simultaneous receipt of collateral securities. The Pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1993.

B. Other Accounting Disclosures

1. The state offers its employees a cafeteria plan created in accordance with Internal Revenue Code Section 125. The plan is available on an optional basis to all state employees. Through the plan, employees may elect to direct a portion of their salary to pay for certain benefits. Benefits which may be purchased through the plan include state group medical insurance, state group dental insurance, out-of-pocket medical expenses and/or dependent care expenses. Because elections must be filed before the salary or the benefits are received and because salary directed to the plan may not be withdrawn by participants for any other purpose, salary directed to the plan is exempt from federal income tax and social security tax. Elections made by employees may not be changed during the calendar plan year except in the event of a corresponding change in the participant's family status. Contributions to the plan not withdrawn by the end of the plan year are forfeited to the state and are used for funding other employee benefit programs as specified in the state appropriations' bill. The Fringe Benefits Management Company administered the program from January 1989 through December 1991. Beginning January 1992, the Treasury Department began administering the plan for the benefit of the state employees.

Flexible Benefits Plan
Schedules of Cash Receipts and Disbursements

| | July 1, 1992 through June 30, 1993 | July 1, 1991 through June 30, 1992 |
|-------------------------------------|---|---|
| <i>Cash Balance, July 1</i> | \$ 2,418,020 | \$ 1,804,424 |
| <i>Add Cash Receipts:</i> | | |
| Plan Deposits | \$ 2,552,641 | \$ 2,374,941 |
| FICA Savings | 1,916,113 | 1,533,258 |
| <i>Total Cash Receipts</i> | \$ 4,468,754 | \$ 3,908,199 |
| <i>Deduct Cash Disbursements:</i> | | |
| Plan Withdrawals | \$ 2,544,455 | \$ 2,417,558 |
| Transfer to State General Fund | 362,068 | 137,652 |
| Administrative Fees | 229,934 | 739,393 |
| <i>Total Cash Disbursements</i> | \$ 3,136,457 | \$ 3,294,603 |
| <i>Cash Balance, June 30</i> | \$ 3,750,317 | \$ 2,418,020 |

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE



COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0230
(615) 741-3697

December 16, 1993

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol Building
Nashville, Tennessee 37243-0260

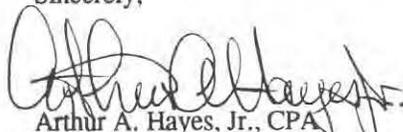
Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Claims Award Fund as of June 30, 1993, and June 30, 1992, and the related statements of revenues, expenses, and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of 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 government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Claims Award Fund as of June 30, 1993, and June 30, 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Sincerely,


Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

Claims Award Fund
Comparative Balance Sheets

| | June 30, 1993 | June 30, 1992 |
|--|---------------|---------------|
| <i>Assets</i> | | |
| Cash and Cash Equivalents | \$ 75,196,369 | \$ 70,309,687 |
| <i>Liabilities and Fund Equity</i> | | |
| <i>Liabilities:</i> | | |
| Warrants Payable | \$ 650,403 | \$ 243,073 |
| Checks Payable | 195,761 | 103,947 |
| Accounts Payable | 125,543 | 58,399 |
| Deferred Revenue | 1,297,755 | 5,497,455 |
| Claims Liability | 50,671,976 | 45,613,000 |
| <i>Total Liabilities</i> | \$ 52,941,438 | \$ 51,515,874 |
| <i>Fund Equity</i> | \$ 22,254,931 | \$ 18,793,813 |
| <i>Total Liabilities and Fund Equity</i> | \$ 75,196,369 | \$ 70,309,687 |

See accompanying Notes to the Financial Statements.

Claims Award Fund
Statements of Revenues, Expenses and Changes in Fund Equity

| | For the Year Ended June 30, 1993 | For the Year Ended June 30, 1992 |
|--|--|--|
| Operating Revenues: | | |
| Insurance Premiums | \$ 4,420,887 | \$ 23,508,998 |
| Interest Income | 2,502,007 | 4,078,427 |
| Taxes | 3,320 | 3,675 |
| Total Operating Revenues | \$ 6,926,214 | \$ 27,591,100 |
| Operating Expenses: | | |
| Torts: | | |
| Death | \$ 643,878 | \$ 2,043,870 |
| Bodily Injury | 2,683,845 | 1,456,861 |
| Property Damage | 599,775 | 720,359 |
| Total Torts | \$ 3,927,498 | \$ 4,221,090 |
| Workers' Compensation: | | |
| Death | \$ 557,818 | \$ 176,779 |
| Medical | 4,630,313 | 4,536,029 |
| Assault Injury | 670 | 12,312 |
| Temporary Disability | 903,548 | 801,254 |
| Permanent Disability | 2,655,156 | 2,609,920 |
| Total Workers' Compensation | \$ 8,747,505 | \$ 8,136,294 |
| Employee Property Damage | \$ 21,621 | \$ 49,856 |
| Professional/Administrative | 4,629,096 | 3,701,244 |
| Additional/(Reduced) Funding Liability | 5,058,976 | (70,328) |
| Total Operating Expenses | \$ 22,384,696 | \$ 16,038,156 |
| Operating Income | \$ (15,458,482) | \$ 11,552,944 |
| Operating Transfers from: | | |
| General Fund | \$ 14,261,900 | \$ 0 |
| Highway Fund | 4,185,000 | 0 |
| Special Revenue Fund | 472,700 | 0 |
| Total Operating Transfers | \$ 18,919,600 | \$ 0 |
| Net Income | \$ 3,461,118 | \$ 11,552,944 |
| Fund Equity, July 1 | \$ 18,793,813 | \$ 7,240,869 |
| Fund Equity, June 30 | \$ 22,254,931 | \$ 18,793,813 |

See accompanying Notes to the Financial Statements.

Claims Award Fund
Statements of Cash Flows

| | For the Year Ended June 30, 1993 | For the Year Ended June 30, 1992 |
|--|---|---|
| <i>Cash Flows from Operating Activities:</i> | | |
| Operating Income | \$ (15,458,482) | \$ 11,552,944 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | |
| Interest Income | (2,502,007) | (4,078,427) |
| Change in Liabilities: | | |
| Increase (Decrease) in Warrants Payable | 407,330 | 87,260 |
| Increase (Decrease) in Checks Payable | 91,814 | (19,528) |
| Increase (Decrease) in Accounts Payable | 67,144 | (103,769) |
| Increase (Decrease) in Deferred Revenue | (4,199,700) | 0 |
| Increase (Decrease) in Claims Liability | 5,058,976 | (70,328) |
| <i>Total Adjustments</i> | \$ (1,076,443) | \$ (4,184,792) |
| <i>Net Cash Flows Provided by (Used in) Operating Activities</i> | \$ (16,534,925) | \$ 7,368,152 |
| <i>Cash Flows from Noncapital Financing Activities:</i> | | |
| <i>Transfers from:</i> | | |
| General Fund | \$ 14,261,900 | \$ 0 |
| Highway Fund | 4,185,000 | 0 |
| Special Revenue Fund | 472,700 | 0 |
| <i>Net Cash Flows Provided by Noncapital Financing Activities</i> | \$ 18,919,600 | \$ 0 |
| <i>Cash Flows from Investing Activities:</i> | | |
| Interest on Investments | \$ 2,502,007 | \$ 4,078,427 |
| <i>Net Cash Flows Provided by Investing Activities</i> | \$ 2,502,007 | \$ 4,078,427 |
| <i>Net Increase in Cash and Cash Equivalents</i> | \$ 4,886,682 | \$ 11,446,579 |
| <i>Cash and Cash Equivalents at July 1</i> | \$ 70,309,687 | \$ 58,863,108 |
| <i>Cash and Cash Equivalents at June 30</i> | \$ 75,196,369 | \$ 70,309,687 |

See accompanying Notes to the Financial Statements.

A. Significant Accounting Policies

1. *Reporting Entity* - Pursuant to the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, the Claims Award Fund is an integral part of state government and as such has been included as an internal service fund in the Tennessee Comprehensive Annual Financial Report.
2. *Basis of Accounting and Presentation* - The accompanying financial statements have been prepared in conformity with all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable private sector pronouncements issued on or before November 30, 1989. The Claims Award Fund uses the accrual basis of accounting whereby revenues are recorded when earned and expenses at the time liabilities are incurred.
3. *Cash and Cash Equivalents* - Cash deposited in the Claims Award Fund is pooled with the State Treasurer's Pooled Investment Fund. The Pooled Investment Fund, administered by the State Treasurer, is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and Agency obligations, limited money market mutual funds, and in obligations of the state of Tennessee pursuant to Tennessee Code Annotated, Section 9-4-602(b). The Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodian against simultaneous receipt of collateral securities. The Pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1993.

B. Other Accounting Disclosures

1. *Risk Management* - It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice, and workers' compensation. The state management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Claims Award Fund (CAF).

CAF services claims for risk of loss to which the state is exposed including general liability, automobile liability, professional malpractice, and workers' compensation. All agencies and authorities of the state participate in CAF. CAF allocates the cost of providing claims servicing and claims payment by charging a premium to each agency based on a percentage of each organization's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year end to determine the fund liability and premium allocation.

CAF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. At June 30, the amount of these liabilities was \$50,671,976. Changes in the balances of claims liabilities during fiscal 1992 and 1993 were as follows:

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year End |
|-----------|--|---|-------------------|----------------------------------|
| 1991-1992 | \$ 45,683,328 | \$ 12,336,912 | \$ (12,407,240) | \$ 45,613,000 |
| 1992-1993 | \$ 45,613,000 | \$ 17,755,600 | \$ (12,696,624) | \$ 50,671,976 |

(Continued)

Claims Award Fund

Notes to the Financial Statements, June 30, 1993 and June 30, 1992

At June 30, 1993, CAF held \$75.2 million in cash and cash equivalents designated for payment of these claims.

2. The total premium recommended by the actuary for fiscal year 1993 totaled \$24,431,900. Of this amount, \$18,919,600 was received through state appropriation, \$4,199,700 from deferred revenue, and fund equity absorbed the remaining \$1,312,600. New agency billings totaled \$221,187.
3. During fiscal years 1990 and 1991 a total of \$23.6 million was transferred from the Claims Award Fund. In an effort to return the funds to the Claims Award Fund, the state appropriated \$18,919,600 during fiscal year 1993. The remaining payback, plus interest, will be collected in fiscal years 1994 and 1995. The funds were originally recognized as revenue at the time the premiums were collected. The transfers during fiscal years 1990 and 1991 were recorded as Operating Transfers to the General Fund. The return transfer in fiscal year in 1993 is recorded as an Operating Transfer from the General Fund, Highway Fund, and Special Revenue Fund.

In addition to the state payback of transferred funds, a reserve was established in 1992 to offset the liability of the fund to non-appropriation funding sources, which includes the federal government. Of the \$5,497,455 established as deferred revenue in fiscal year 1992, \$4,199,700 was recognized as revenue in fiscal year 1993. The remaining \$1,297,755 will be recognized in fiscal years 1994 and 1995.

STATE OF TENNESSEE



COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0230
(615) 741-3697

December 16, 1993

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol Building
Nashville, Tennessee 37243-0260

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Criminal Injuries Compensation Fund as of June 30, 1993, and June 30, 1992, and the Victims of Drunk Drivers Compensation Fund as of June 30, 1992, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of 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 government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Criminal Injuries Compensation Fund as of June 30, 1993, and June 30, 1992, and the Victims of Drunk Drivers Compensation Fund as of June 30, 1992, and the changes in fund balance for the years then ended in conformity with generally accepted accounting principles.

Sincerely,


Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

Criminal Injuries Compensation Fund
Comparative Balance Sheets

| | June 30, 1993 | Combined June 30, 1992 | Criminal Injuries Compensation Fund June 30, 1992 | Victims of Drunk Drivers Compensation Fund June 30, 1992 |
|---|----------------------|---------------------------|---|---|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 23,039,159 | \$ 19,541,062 | \$ 6,342,068 | \$ 13,198,994 |
| Accounts Receivable | 592,928 | 609,892 | 402,034 | 207,858 |
| Total Assets | \$ 23,632,087 | \$ 20,150,954 | \$ 6,744,102 | \$ 13,406,852 |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| Warrants Payable | \$ 485,616 | \$ 522,038 | \$ 499,417 | \$ 22,621 |
| Accounts Payable | 346,605 | 212,247 | 212,247 | 0 |
| Claims Liability | 5,719,915 | 5,723,986 | 5,506,051 | 217,935 |
| Total Liabilities | \$ 6,552,136 | \$ 6,458,271 | \$ 6,217,715 | \$ 240,556 |
| Fund Balance: | | | | |
| Reserved for Future Benefits | \$ 15,191,253 | \$ 13,692,683 | \$ 526,387 | \$ 13,166,296 |
| Reserved for Victims of Drunk Drivers | 1,888,698 | 0 | 0 | 0 |
| Total Fund Balance | \$ 17,079,951 | \$ 13,692,683 | \$ 526,387 | \$ 13,166,296 |
| Total Liabilities and Fund Balance | \$ 23,632,087 | \$ 20,150,954 | \$ 6,744,102 | \$ 13,406,852 |

See accompanying Notes to the Financial Statements.

Criminal Injuries Compensation Fund
Statements of Revenues, Expenditures & Changes in Fund Balance

| | For the Year Ended June 30, 1993 | Combined For the Year Ended June 30, 1992 | Criminal Injuries Compensation Fund June 30, 1992 | Victims of Drunk Drivers Compensation Fund June 30, 1992 |
|--|--|--|---|---|
| Revenues: | | | | |
| State: | | | | |
| Taxes | \$ 6,973,508 | \$ 7,427,169 | \$ 4,806,478 | \$ 2,620,691 |
| Fines | 1,496,475 | 1,546,494 | 1,546,494 | 0 |
| Federal | 2,904,000 | 1,347,000 | 1,347,000 | 0 |
| Interest Income | 658,639 | 810,077 | 302,817 | 507,260 |
| Total Revenues | \$ 12,032,622 | \$ 11,130,740 | \$ 8,002,789 | \$ 3,127,951 |
| Expenditures: | | | | |
| Claim Payments | \$ 8,645,354 | \$ 11,869,716 | \$ 11,481,015 | \$ 388,701 |
| Excess of Revenues Over Expenditures | \$ 3,387,268 | \$ (738,976) | \$ (3,478,226) | \$ 2,739,250 |
| Fund Balance, July 1 | \$ 526,387 | \$ 14,431,659 | \$ 4,004,613 | \$ 10,427,046 |
| Equity Transfer from Victims of Drunk Drivers Compensation Fund | \$ 13,166,296 | \$ 0 | \$ 0 | \$ 0 |
| Fund Balance, June 30 | \$ 17,079,951 | \$ 13,692,683 | \$ 526,387 | \$ 13,166,296 |

See accompanying Notes to the Financial Statements.

A. Significant Accounting Policies

1. *Reporting Entity* - Pursuant to the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, the Criminal Injuries Compensation Fund is an integral part of state government and as such has been included as a special revenue fund in the Tennessee Comprehensive Annual Financial Report.
2. *Basis of Accounting and Presentation* - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles using the modified accrual basis of accounting. Under this method, revenues are recorded when they become both measurable and available and expenditures are recognized at the time the fund liabilities are incurred.
3. *Cash and Cash Equivalents* - Cash deposited in the Criminal Injuries Compensation Fund is pooled with the State Treasurer's Pooled Investment Fund. The Pooled Investment Fund, administered by the State Treasurer, is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and Agency obligations, limited money market mutual funds, and in obligations of the state of Tennessee pursuant to Tennessee Code Annotated, Section 9-4-602(b). The Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodian against simultaneous receipt of collateral securities. The Pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1993.

B. Other Accounting Disclosures

1. *Criminal Injuries Compensation Program* - The Criminal Injuries Compensation Program (CIC) is funded through privilege taxes assessed in courts against certain criminal defendants upon conviction, fees levied against parolees, probationers and employed releasees, the proceeds from sales of illegal contraband and bond forfeitures in felony cases, and a federal grant. Payments made under the CIC program are intended to defray the costs of medical services, loss of earnings, burial costs, and other pecuniary losses to either the victim of a crime or to the dependents of deceased victims.
2. According to state statute, the CIC program can only compensate victims to the extent funds are available within the program. State funds cannot be utilized for claim payments.
3. Beginning July 1, 1992, the Victims of Drunk Drivers Compensation Fund (VDDC) became a part of the Criminal Injuries Compensation Fund. As a requirement of the CIC and VDDC combination, a reserve is established annually for an amount equal to three times the awards paid for VDDC during the fiscal year. Chapter 761 of the Public Acts of 1992 discusses the fund combination as well as the VDDC reserve requirement.

STATE OF TENNESSEE



COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0230
(615) 741-3697

December 16, 1993

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol Building
Nashville, Tennessee 37243-0260

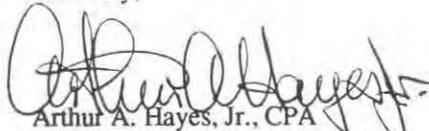
Dear Mr. Snodgrass:

We have audited the accompanying statement of revenues, expenditures, and changes in fund balance of the Victims of Drunk Drivers Compensation Fund for the year ended June 30, 1993. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the changes in fund balance of the Victims of Drunk Drivers Compensation Fund for the year ended June 30, 1993, in conformity with generally accepted accounting principles.

Sincerely,


Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

Victims of Drunk Drivers Compensation Fund
Statement of Revenues, Expenditures & Changes in Fund Balance

| | For the Year Ended June 30, 1993 |
|---|---|
| Revenues | \$ 0 |
| Expenditures | 0 |
| Excess of Revenues Over Expenditures | \$ 0 |
| <i>Fund Balance, July 1</i> | \$ 13,166,296 |
| Equity Transfer to Criminal Injuries Compensation Fund | \$ (13,166,296) |
| <i>Fund Balance, June 30</i> | \$ 0 |

See accompanying Notes to the Financial Statements.

A. Significant Accounting Policies

1. *Reporting Entity* - Pursuant to the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, the Victims of Drunk Drivers Compensation Fund is an integral part of state government and as such has been included as a special revenue fund in the Tennessee Comprehensive Annual Financial Report.
2. *Basis of Accounting and Presentation* - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles using the modified accrual basis of accounting. Under this method, revenues are recorded when they become both measurable and available and expenditures are recognized at the time the fund liabilities are incurred.
3. *Cash and Cash Equivalents* - Cash deposited in the Victims of Drunk Drivers Compensation Fund is pooled with the State Treasurer's Pooled Investment Fund. The Pooled Investment Fund, administered by the State Treasurer, is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and Agency obligations, limited money market mutual funds, and in obligations of the state of Tennessee pursuant to Tennessee Code Annotated, Section 9-4-602(b). The Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodian against simultaneous receipt of collateral securities. The Pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1993.

B. Other Accounting Disclosures

1. *The Victims of Drunk Drivers Program* - The Victims of Drunk Drivers Compensation Program (VDDC) is funded through privilege taxes assessed in courts. Payments made under the VDDC program are intended to defray the costs of medical services, loss of earnings, burial costs, and other pecuniary losses to either the victim of a crime or to the dependents of deceased victims.
2. According to state statute, the VDDC program can only compensate victims to the extent funds are available within the program. State funds cannot be utilized for claim payments.
3. Beginning July 1, 1992, the Victims of Drunk Drivers Fund became a part of the Criminal Injuries Compensation Fund (CIC) and an equity transfer of \$13,166,296 was completed. As a requirement of the CIC and VDDC combination, a reserve is established annually for an amount equal to three times the awards paid for VDDC during the fiscal year. Chapter 761 of the Public Acts of 1992 discusses the fund combination as well as the VDDC reserve requirement.

STATE OF TENNESSEE



COMPTROLLER OF THE TREASURY
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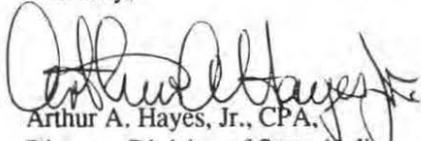
Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Chairs of Excellence as of June 30, 1993, and June 30, 1992, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility of 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 government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chairs of Excellence as of June 30, 1993, and June 30, 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Sincerely,


Arthur A. Hayes, Jr., CPA,
Director, Division of State Audit

Chairs of Excellence
Comparative Balance Sheets

| <i>Assets</i> | June 30, 1993 | June 30, 1992 |
|--|-----------------------|-----------------------|
| <i>Investments:</i> | | |
| Short-term Securities (Amortized Cost) | \$ 2,822,171 | \$ 5,041,202 |
| <i>Domestic Securities:</i> | | |
| Government Bonds (Amortized Cost) | 20,309,658 | 42,880,605 |
| Corporate Bonds (Amortized Cost) | 58,836,492 | 45,004,613 |
| Corporate Stocks (Cost) | 27,486,094 | 22,887,688 |
| <i>Securities on Loan</i> | | |
| Government Bonds (Amortized Cost) | 9,900,703 | 0 |
| Corporate Bonds (Amortized Cost) | 1,863,853 | 0 |
| <i>International Securities:</i> | | |
| Government Bonds (Amortized Cost) | 781,077 | 3,187,945 |
| Corporate Bonds (Amortized Cost) | 2,176,527 | 2,204,291 |
| Corporate Stocks (Cost) | 336,385 | 0 |
| <i>Securities on Loan:</i> | | |
| Government Bonds (Amortized Cost) | 3,167,676 | 0 |
| <i>Total Investments</i> | \$ 127,680,636 | \$ 121,206,344 |
| <i>Receivables:</i> | | |
| Due From Colleges and Universities | \$ 346,000 | \$ 0 |
| Investment Income Receivable | 1,992,842 | 1,854,409 |
| Investments Sold | 1,109,781 | 0 |
| <i>Total Receivables</i> | \$ 3,448,623 | \$ 1,854,409 |
| <i>Total Assets</i> | \$ 131,129,259 | \$ 123,060,753 |
| <i>Liabilities and Fund Balance</i> | | |
| <i>Liabilities:</i> | | |
| Payable to Colleges and Universities | \$ 1,955,140 | \$ 0 |
| Payable to Academic Scholars Fund | 3,522,676 | 3,440,413 |
| Payable to State General Fund | 48,288 | 45,650 |
| Investments Purchased | 451,805 | 52,160 |
| <i>Total Liabilities</i> | \$ 5,977,909 | \$ 3,538,223 |
| <i>Fund Balance:</i> | | |
| Endowment Reserve | \$ 89,455,002 | \$ 88,445,002 |
| Special Reserve | 7,553,943 | 8,090,050 |
| Restricted Reserve | 28,142,405 | 22,987,478 |
| <i>Total Fund Balance</i> | \$ 125,151,350 | \$ 119,522,530 |
| <i>Total Liabilities and Fund Balance</i> | \$ 131,129,259 | \$ 123,060,753 |

See accompanying Notes to the Financial Statements.

Chairs of Excellence
Statements of Revenues, Expenses & Changes in Fund Balance

| | For the Year Ended June 30, 1993 | For the Year Ended June 30, 1992 |
|--|---|---|
| <i>Operating Revenues:</i> | | |
| Investment Income | \$ 11,135,886 | \$ 11,112,018 |
| <i>Operating Expenses:</i> | | |
| Payments to the University of Tennessee | \$ 3,462,716 | \$ 3,768,739 |
| Payments to the Tennessee Board of Regents | 2,864,492 | 2,091,802 |
| Administrative Cost | 189,858 | 179,892 |
| <i>Total Operating Expenses</i> | \$ 6,517,066 | \$ 6,040,433 |
| <i>Operating Income</i> | \$ 4,618,820 | \$ 5,071,585 |
| <i>Operating Transfer:</i> | | |
| From State College & University Funds | \$ 0 | \$ 500,000 |
| <i>Net Income</i> | \$ 4,618,820 | \$ 5,571,585 |
| <i>Other Changes in Fund Balance:</i> | | |
| Contributions from Private Sources | \$ 1,010,000 | \$ 225,354 |
| <i>Net Change in Fund Balance</i> | \$ 5,628,820 | \$ 5,796,939 |
| <i>Fund Balance, July 1</i> | \$ 119,522,530 | \$ 113,725,591 |
| <i>Fund Balance, June 30</i> | \$ 125,151,350 | \$ 119,522,530 |

See accompanying Notes to the Financial Statements.

Chairs of Excellence
Statements of Cash Flows

| | For the Year Ended June 30, 1993 | For the Year Ended June 30, 1992 |
|--|--|--|
| <i>Cash Flows from Operating Activities:</i> | | |
| Operating Income | \$ 4,618,820 | \$ 5,071,585 |
| Adjustments to Reconcile Operating Income to Net Cash Flows Used in Operating Activities: | | |
| Investment Income | (11,647,566) | (11,358,578) |
| Net (Discount) Premium Amortization | 201,343 | (53,938) |
| Interest Paid to Academic Scholars Fund | 310,337 | 300,497 |
| Change in Assets and Liabilities: | | |
| Increase in Interfund Receivables | (346,000) | 0 |
| Increase in Interfund Payables | 2,040,041 | 159,281 |
| <i>Net Cash Flows Used in Operating Activities</i> | \$ (4,823,025) | \$ (5,881,153) |
| <i>Cash Flows from Noncapital Financing Activities:</i> | | |
| Contributions from Private Sources | \$ 1,010,000 | \$ 225,354 |
| Transfers from State College and University Funds | 0 | 500,000 |
| <i>Net Cash Flows Provided by Noncapital Financing Activities</i> | \$ 1,010,000 | \$ 725,354 |
| <i>Cash Flows from Investing Activities:</i> | | |
| Investment Income Received | \$ 8,414,719 | \$ 8,375,196 |
| Proceeds from Sales and Maturities of Investments | 131,048,742 | \$ 157,125,106 |
| Purchase of Investments | (135,340,099) | (160,056,972) |
| Interest Paid to the Academic Scholars Fund | (310,337) | (300,497) |
| <i>Net Cash Flows Provided by Investing Activities</i> | \$ 3,813,025 | \$ 5,142,833 |
| <i>Net Decrease in Cash and Cash Equivalents</i> | \$ 0 | \$ (12,966) |
| <i>Cash and Cash Equivalents at July 1</i> | \$ 0 | \$ 12,966 |
| <i>Cash and Cash Equivalents at June 30</i> | \$ 0 | \$ 0 |

Non-cash Investing, Capital and Financing Activities:

At June 30, 1993, the COE trust had unsettled investment purchases of \$451,805 and unsettled investment sales of \$1,109,781. As of June 30, 1992, unsettled purchases amounted to \$52,160, and there were no unsettled sales transactions.

See accompanying Notes to the Financial Statements.

A. Significant Accounting Policies

1. *Reporting Entity* - Pursuant to the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, the Chairs of Excellence (COE) Trust forms an integral part of state government and as such has been included as a non-expendable trust fund in the Tennessee Comprehensive Annual Financial Report.
2. *Basis of Accounting and Presentation* - The accompanying financial statements have been prepared in conformity with all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable private sector pronouncements issued on or before November 30, 1989. The COE Trust uses the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
3. *Cash and Cash Equivalents* - The classification of Cash and Cash Equivalents, by definition, includes cash and short-term investments with a maturity date within three months of the acquisition date. The state's policy regarding the definition of Cash and Cash Equivalents includes cash management pools as cash. In addition, securities in portfolios where the primary purpose is to facilitate the placement of funds in long-term investments are classified as investments.

Cash received by the Chairs of Excellence Trust Fund that cannot be immediately invested in securities is invested in the Pooled Investment Fund administered by the State Treasurer. The Pooled Investment Fund is authorized by state statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and Agency obligations, limited money market mutual funds, and in obligations of the state of Tennessee pursuant to Tennessee Code Annotated, Section 9-4-602(b). The Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government securities may be loaned to brokers for a fee. The loaned securities are transferred to the borrower by the custodian agent against simultaneous receipt of collateral securities. The pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1993.

4. *Method Used to Value Investments* - Equity securities are reported at cost subject to adjustment for market declines judged to be other than temporary. Fixed-income securities are reported at amortized cost with discounts or premiums amortized using the effective interest rate method, subject to adjustment for market declines judged to be other than temporary. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income and equity securities are recognized on the transaction date.
5. *Fund Balance* - The Endowment Reserve consists of funds provided by contributions from the state, colleges and universities and private sources. Income earned on the COE Trust is distributed between two reserve accounts: Special Reserve and Restricted Reserve. The Special Reserve consists of income earned on the fixed investments which was not expended by the schools during the year it was earned. At the discretion of the COE Trust Board, this reserve may be used for future payments when current earnings do not meet current needs. The Restricted Reserve is non-expendable and consists of income earned on equity investments and profit and loss from both fixed and equity investments. This income becomes part of the Trust corpus.

B. Investments

The investment policy of the Chairs of Excellence Trust requires that not less than 80 percent of the total trust corpus (based on book value) be invested in debt securities. The remaining funds may be invested in equity securities including domestic and foreign common stocks, preferred stocks and convertible bonds. Income from equity investments, including realized capital gains, may be reinvested in additional equity investments, however, the total equity investments may not exceed 25 percent of the total trust's book value.

(Continued)

The classification of Short-term Securities includes funds invested in a portfolio of short-term investments maintained by the Tennessee Consolidated Retirement System. These short-term investments may include U.S. Treasuries, commercial paper, medium-term corporate notes, promissory notes and repurchase agreements.

The Net Investment in Short-term Securities of \$1,029,056 presented in the Statement of Cash Flows for the year ended June 30, 1992 has been restated at gross amounts and included in the Proceeds from Sales and Maturities of Investments line item and in the Purchase of Investments line item at \$69,574,810 and \$68,545,754 respectively.

The Chairs of Excellence Trust investment securities in the following chart are categorized according to the level of credit risk associated with the custodial arrangements at that time. Category 1 includes investments that are insured or registered, or for which securities are held by the Chairs of Excellence Trust or its agent in the name of the COE Trust. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of the Chairs of Excellence Trust. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the name of the Chairs of Excellence Trust.

| | June 30, 1993 | | June 30, 1992 | |
|---|----------------|----------------|----------------|----------------|
| | Book Value | Market Value | Book Value | Market Value |
| Investments - Category 1: | | | | |
| Short-term Securities: | | | | |
| Commercial Paper | \$ 2,822,171 | \$ 2,822,171 | \$ 5,041,202 | \$ 5,041,202 |
| Long-term Investments: | | | | |
| Domestic Securities: | | | | |
| Government Bonds | 20,309,658 | 22,385,381 | 42,880,605 | 44,968,541 |
| Corporate Bonds | 58,836,492 | 61,096,754 | 45,004,613 | 46,771,844 |
| Corporate Stocks | 27,034,289 | 31,490,116 | 22,835,528 | 23,625,890 |
| International Securities: | | | | |
| Government Bonds | 781,077 | 778,348 | 3,187,945 | 3,239,400 |
| Corporate Bonds | 2,176,527 | 2,338,960 | 2,204,291 | 2,235,820 |
| Corporate Stocks | 336,385 | 399,750 | 0 | 0 |
| | \$ 112,296,599 | \$ 121,311,480 | \$ 121,154,184 | \$ 125,882,697 |
| Investments - Categories 2 & 3: | | | | |
| | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Investments - Not Categorized: | | | | |
| Investments held by broker-dealers under securities on loan contracts: | | | | |
| Domestic Securities: | | | | |
| Government Bonds | \$ 9,900,703 | \$ 11,318,388 | \$ 0 | \$ 0 |
| Corporate Bonds | 1,863,853 | 2,072,368 | 0 | 0 |
| International Securities: | | | | |
| Government Bonds | 3,167,676 | 3,456,720 | 0 | 0 |
| Unsettled Investment Acquisitions: | | | | |
| Domestic Securities: | | | | |
| Corporate Stocks | 451,805 | 458,000 | 52,160 | 51,750 |
| Total Investments | \$ 127,680,636 | \$ 138,616,956 | \$ 121,206,344 | \$ 125,934,447 |

Since the COE Trust uses the accrual basis of accounting, securities that relate to unsettled sales are not categorized in the chart above. As of June 30, 1993, the COE trust is subject to custodial credit risk since the securities are held by its agent until the settlement date. These securities, totaling \$1,109,781 would be considered Category 1.

The COE Trust is authorized to enter into collateralized securities lending agreements whereby the Trust loans its debt and equity securities for a fee to a select few of the highest quality securities firms and banks. Loans must be limited so the total amount on loan does not exceed 30 percent of the book value of the Trust assets. The loaned securities are collateralized at 102 percent

(Continued)

of their market value. The Trust's custodian bank manages the lending program and maintains the collateral on behalf of the COE Trust. At June 30, 1993, the market value of COE securities on loan to brokers was \$16,847,476, and the market value of collateral pledged for the securities on loan was \$17,562,810.

C. *Other Accounting Disclosures*

1. *Chairs of Excellence Endowment Trust* - The Chairs of Excellence Trust is a non-expendable trust fund authorized by the 94th General Assembly to further the cause of education in Tennessee. The Trust is set up into two general accounts which equally divide any state appropriations: one for the University of Tennessee and one for the Board of Regents. As each Chair is designated, a portion of the appropriation is transferred to a sub-account for that Chair. The awarding school must provide matching contributions, of which at least 50 percent of the funds are from private contributions.

As of June 30, 1993, 84 Chairs have been established with matching contributions received totaling \$45,455,002. This is an increase of 3 Chairs and \$1,010,000 since June 30, 1992. Total contributions to the COE Trust totaled \$89,455,002 as of June 30, 1993. This includes \$44,000,000 from the State, \$10,821,300 from Colleges and Universities, and \$34,633,702 from private contributions.

2. Funds from the Academic Scholars Fund are combined with the Chairs of Excellence Trust for investment purposes only. The Academic Scholars Fund general account receives only the income earned on its principal and does not receive any COE state contributions or appropriations. These funds are invested in fixed income securities. The Academic Scholars Fund monies were formerly accounted for in the Tennessee Student Assistance Corporation (TSAC) Fund and were transferred to the Academic Scholars Fund during Fiscal Year 1993.

STATE OF TENNESSEE



COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0230
(615) 741-3697

December 16, 1993

The Honorable W. R. Snodgrass
Comptroller of the Treasury
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Nashville, Tennessee 37243-0260

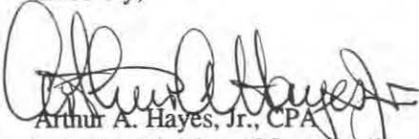
Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Bond Refunding Trust as of June 30, 1993, and June 30, 1992, and the related statement of changes in assets and liabilities for the year ended June 30, 1993. These financial statements are the responsibility of 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 government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Refunding Trust as of June 30, 1993 and June 30, 1992, and the changes in assets and liabilities for the year ended June 30, 1993, in conformity with generally accepted accounting principles.

Sincerely,


Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

Bond Refunding
Comparative Balance Sheets

| | June 30, 1993 | June 30, 1992 |
|------------------------------------|----------------------|----------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 198,405 | \$ 74,890 |
| Investments (amortized cost) | 39,138,598 | 40,207,893 |
| Accrued Interest Receivable | 1,378,056 | 1,380,562 |
| Total Assets | \$ 40,715,059 | \$ 41,663,345 |
| Liabilities | | |
| Amounts Held in Custody for Others | \$ 40,715,059 | \$ 41,663,345 |

See accompanying Notes to the Financial Statements.

Bond Refunding
Statement of Changes in Assets and Liabilities

| | Balance July 1, 1992 | Additions | Deductions | Balance June 30, 1993 |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 74,890 | \$ 3,903,063 | \$ 3,779,548 | \$ 198,405 |
| Investments | 40,207,893 | 14,653 | 1,083,948 | 39,138,598 |
| Accrued Interest Receivable | 1,380,562 | 1,378,056 | 1,380,562 | 1,378,056 |
| Total Assets | \$ 41,663,345 | \$ 5,295,772 | \$ 6,244,058 | \$ 40,715,059 |
| Liabilities | | | | |
| Amounts Held in Custody for Others | \$ 41,663,345 | \$ 0 | \$ 948,286 | \$ 40,715,059 |

See accompanying Notes to the Financial Statements.

The State Treasurer is a trustee for the Tennessee Local Development Authority (the Authority). In January 1987, the Authority issued refunding bonds of \$39,206,000 to refund \$36,666,000 of the 1985 Series A bonds maturing on and after March, 1, 1998. The refunding bonds were issued to take advantage of lower interest rates. The proceeds resulting from the advance refunding are held by the trustee in an irrevocable trust to provide for the debt service payments for bonds maturing on and after March 1, 1998.

Cash held by the trustee is pooled with the Pooled Investment Fund administered by the State Treasurer. The Pooled Investment Fund is authorized by state statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of the Funding Board gives the Treasurer authority to invest in collateralized certificates of deposit in state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and Agency obligations, limited money market mutual funds, and in obligations of the state of Tennessee pursuant to Tennessee Code Annotated, Section 9-4-602(b). The Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government Securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodian agent against simultaneous receipt of collateral securities. The pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1993.

The investments held by the trustee at year-end are shown below. The trust is restricted by the Authority's Bond Resolution to investing in direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America, which are non-callable at the option of the issuer. All securities are held in the state's account in the Federal Reserve Bank.

U.S. Government Securities

| <u>Carrying Amount</u> | <u>Market Value</u> |
|------------------------|---------------------|
| \$ 39,138,598 | \$ 41,081,984 |

Pursuant to the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, the Bond Refunding Fund forms an integral part of state government and as such has been included as an agency fund in the Tennessee Comprehensive Annual Financial Report.



Treasury Department, January 1994, Authorization #309084, 600 copies. This public document was promulgated at a cost of \$4.15 per copy.

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