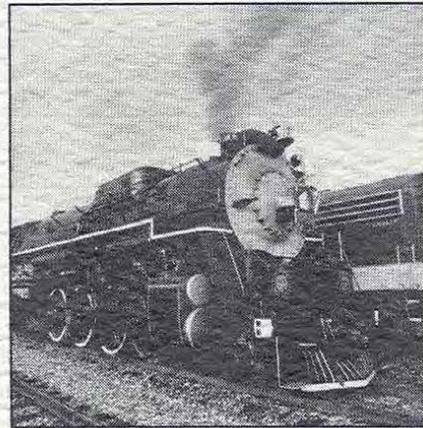
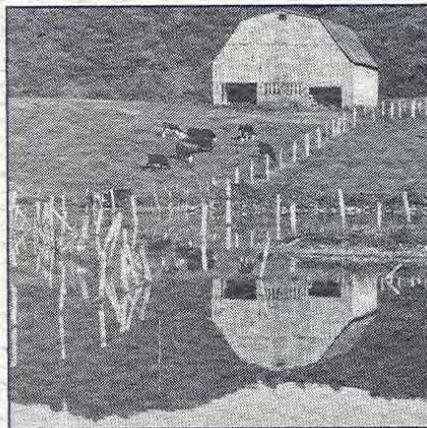
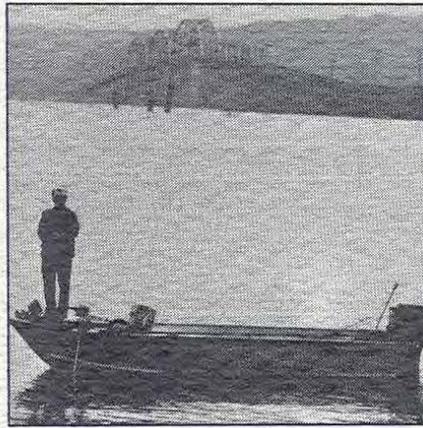
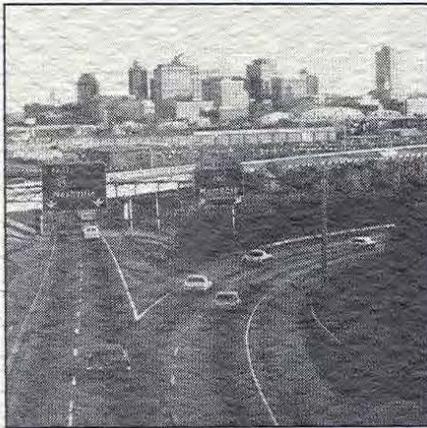
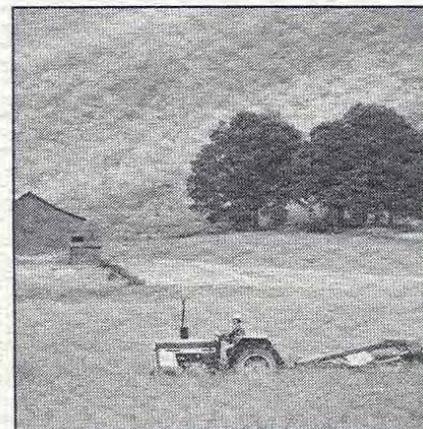
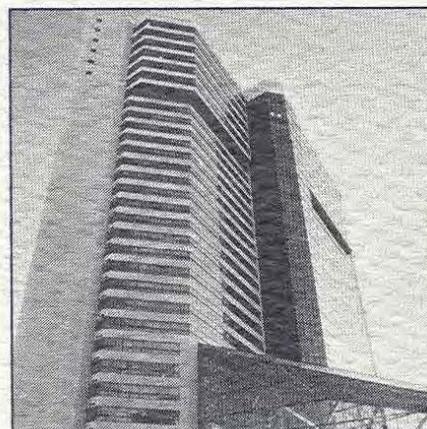




1994 TREASURER'S REPORT



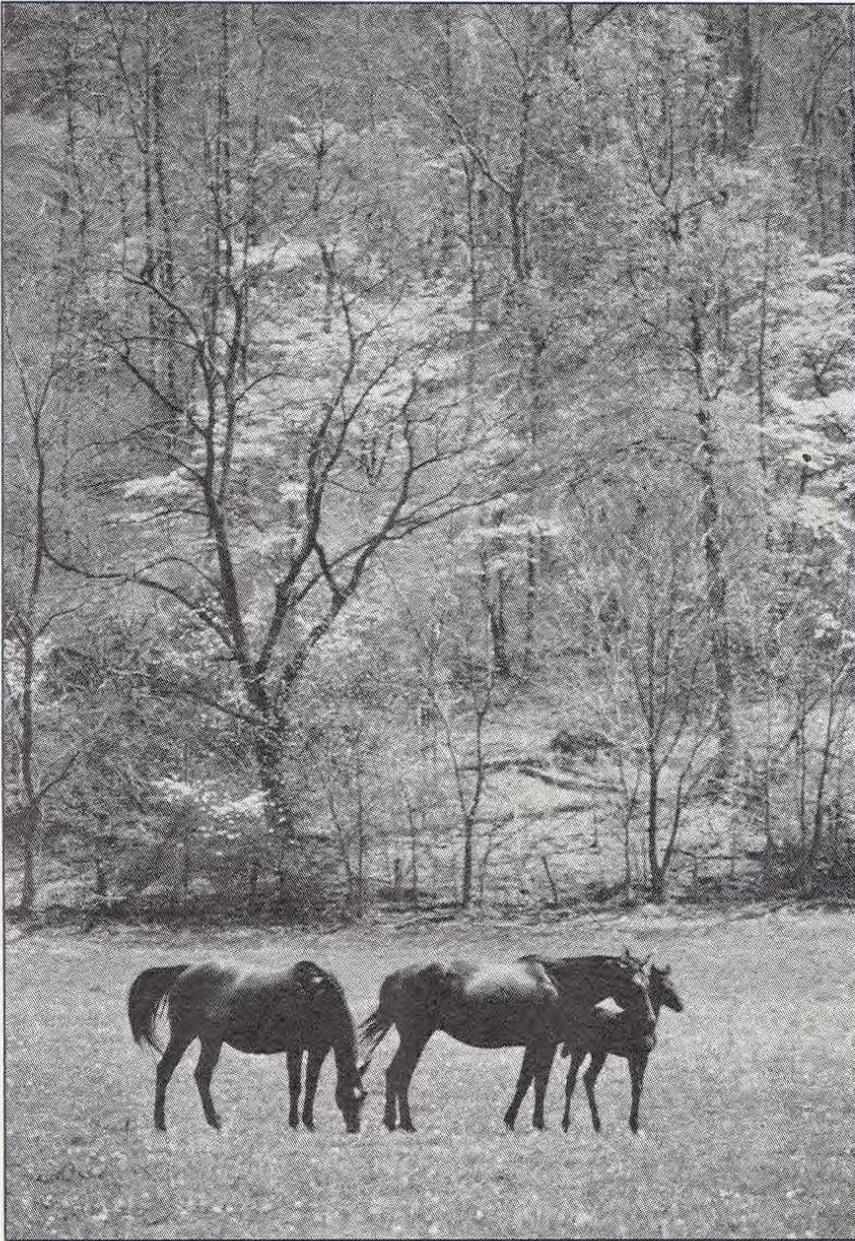
**STEVE ADAMS,
TREASURER**



**STATE OF
TENNESSEE**

**FISCAL YEAR ENDED
JUNE 30, 1994**

1994 TREASURER'S REPORT



STEVE ADAMS, TREASURER

STATE OF TENNESSEE

**FISCAL YEAR ENDED
JUNE 30, 1994**

State Motto

“Agriculture and Commerce”

Tennessee's motto is "Agriculture and Commerce," taken from the wording used on the state seal since 1801. The motto was officially adopted by the 95th General Assembly in Public Chapter 402 of the Acts of 1987.

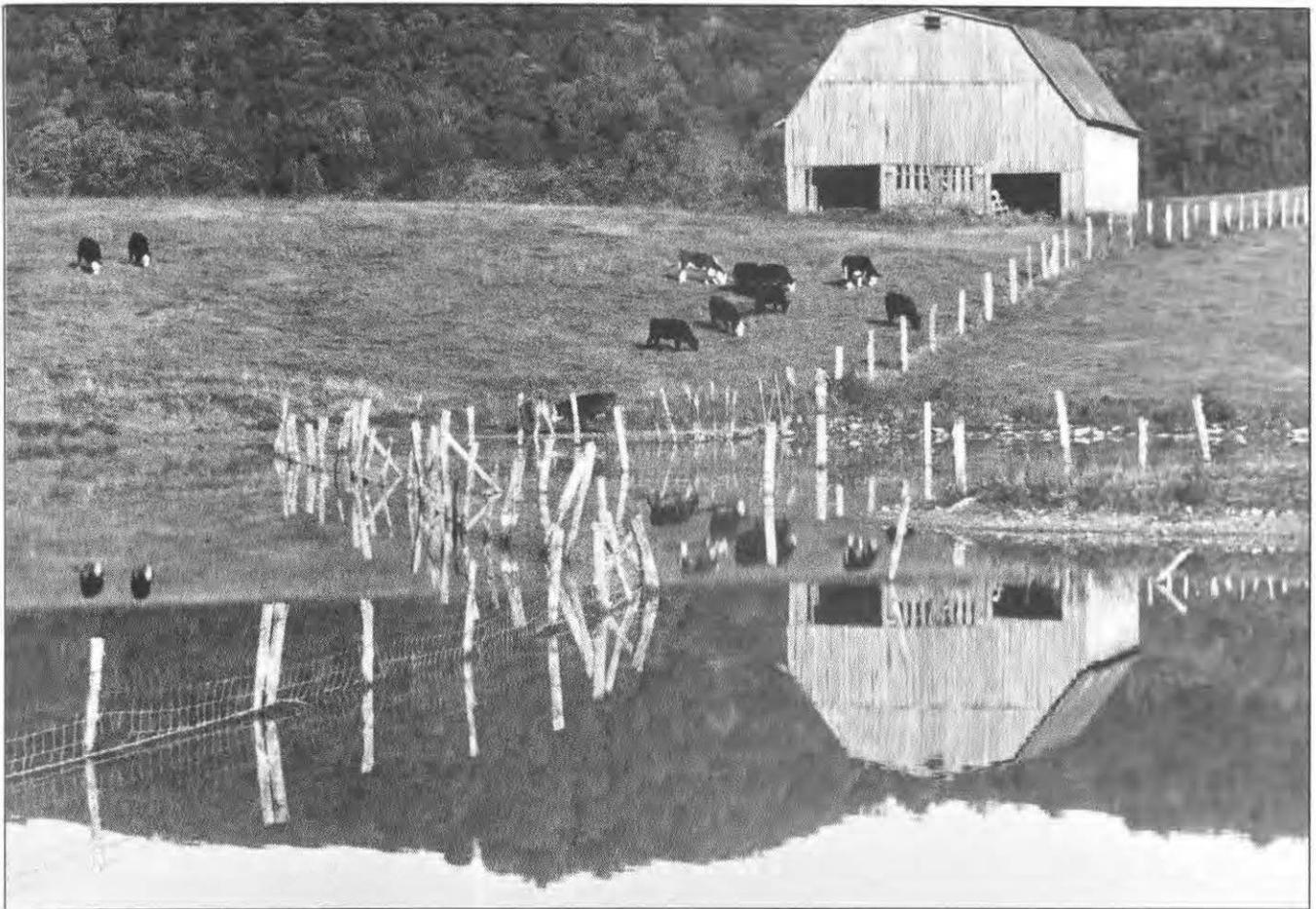
Tennessee ranks sixth in the nation in the number of farms, with 84,000. There are over 12 million acres of farmland in the state and over 13 million acres of forestry land. Tennessee's top agricultural products are cattle, dairy products, chickens, hogs, cotton, tobacco, soybeans, greenhouse and nursery products, corn, and wheat.

In addition to its geographic location and quality of life, some of the features which the Department of Economic and Community Development credits with helping Tennessee attract businesses are its growing transportation network, its pro-business tax structure, and its fiscally conservative state government.

The state maintains over 13,000 miles of highways. There are 76 publicly owned airports in Tennessee, six of which are served by scheduled airlines. Twenty-two railroads operate over 3,000 miles of line in Tennessee. There are approximately 1,060 miles of navigable waterways on the Tennessee, Cumberland, and Mississippi Rivers and their tributaries.

More than 2.3 million individuals are at work in manufacturing firms, professional, service, and non-manufacturing fields in Tennessee. The 1994 Development Report Card published by the Corporation for Enterprise Development said, "Tennessee's employment picture is the best in the South and one of the best in the nation," thanks to its strong jobs growth and relatively low unemployment rate. The report ranked Tennessee fifth in the nation in business vitality, citing its competitive and structurally diverse businesses and high capital investment in manufacturing.

In its last two annual State Reports published in 1992 and 1993, City and State Magazine ranked Tennessee #1 in the nation in fiscal strength. The magazine ranked the states based on how well they run their financial operations. City and State said, "With two triple-A bond ratings, fully funded pension funds, excellent estimates vs. actual numbers, and budgeting and reporting processes that have won it Government Finance Officers Association (GFOA) certificates in three different categories, Tennessee could pen the manual for states on how to budget and manage money."



Above: Tennessee has over 12 million acres of farmland. Cattle and dairy products are the state's largest agricultural products, producing over \$750 million in annual cash receipts.

Right: Nashville, the state's capital since 1826, is the state's second largest city, with a population of half a million people.



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Steve Adams

"The mission of the Treasury Department is to provide superior service to constituents in a cost effective manner through qualified personnel while maintaining the highest ethical standards."

— Treasury Department Staff

State of Tennessee
Treasury Department
State Capitol
Nashville, Tennessee 37243

December 31, 1994

To the Governor, Members of the General Assembly, and Citizens of the State of Tennessee:

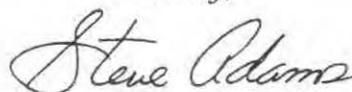
This year concludes my eighth year as State Treasurer. These past eight years have been challenging yet rewarding ones! In spite of changing economic conditions as well as increased demands by our customers, this department has met and exceeded the challenges. For the second consecutive year, realized investment income on the TCRS fund exceeded one billion dollars. Our investment performance for the last five years has been exceptional, placing TCRS in the top 25th percentile of public plans. We have done this while maintaining one of the most financially sound pension plans in the country! Other successes and activities of the Treasury Department are detailed on the following pages.

As I reflect on our accomplishments during the past eight years, most noteworthy is Tennessee's ranking as number one in financial management for the past two years by City and State Magazine. Much of the credit for this success goes to Governor McWherter, his Cabinet, and Members of the General Assembly. The financial condition of the retirement system and Treasury operations were an integral part of receiving this impressive designation.

I am fortunate to have an outstanding staff of committed public servants working in the Treasury Department. My thanks go to each of them for all they do to serve Tennesseans. To Governor McWherter and his Cabinet, my thanks and best wishes are extended to each of you. I wish to also thank the members of the General Assembly who have been so supportive of me and this department. The cooperative relationship and spirit we have shared are the reasons for our successes.

I am sure the days ahead will be filled with more challenges as we continue the task of improving services for the citizens of our state. We look forward to meeting that challenge.

Sincerely,



Steve Adams

Introduction

The 1994 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 1993-94 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 1993-94 averaged \$2.13 billion, producing \$86 million in income for an average rate of return of 4.04%. Local governments participating in the Local Government Investment Pool received \$37.6 million in interest at a net rate averaging 3.35%. 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, 1994 totaled \$12.1 billion at book value (an increase of \$1.3 billion for the year) and \$12.5 billion at market value. For the year, investments produced \$1.2 billion in income for a realized rate of return of 11.17% on book value. This section also manages investments for the Chairs of Excellence Trust which at June 30, 1994 totaled \$135.4 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, 1994, there were 170,047 active TCRS members: 42,932 state employees; 54,503 K-12 teachers; 52,600 political subdivision employees; and 20,012 higher education employees. Three types of benefits are provided by TCRS: disability, death, and retirement benefits. As of June 30, 1994, there were 59,714 retirees. TCRS paid out \$398.2 million in benefits during fiscal year 1993-94. 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 its employees. Retirement activities during 1993-94 included 2,945 retirements, 4,449 refunds, approximately 11,900 estimates provided to members, and approximately 4,000 requests to purchase prior service. TCRS received its sixth consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its June 30, 1993 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 \$122.5 million in salary. As of June 30, 1994, 8,894 state and university employees had accounts in the program. The market value of accumulated account balances totaled \$161.5 million, an increase of \$16.1 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, 1994, there were 36,559 state employees using the plan: 36,173 paid medical premiums, 8,791 paid dental premiums, 2,491 used the medical expense reimbursement account, and 370 used the dependent care reimbursement account. The plan generated over \$2.1 million in F.I.C.A. savings for the state during the 1993-94 fiscal year.

**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 6,989 claims for tort, employee property damage, and workers' compensation. The Defense Counsel Commission heard 94 requests for representation, the Board of Claims took action on 32 cases, and 2,378 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 \$15.4 million. Payments made to victims of criminal injuries and drunk drivers totaled \$8.2 million during the year. Since the first payments were issued in 1982, over \$67 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, \$24.7 million of unclaimed property was turned over to the Treasurer and \$3 million was returned to owners or their heirs. Since the program began, over \$86.9 million in unclaimed property has been reported to the Treasurer and over \$21.4 million of that property has been returned to the owners or their heirs. Over \$21.1 million was deposited to the Health Access Incentive Fund in fiscal year 1993-94. This fund is used to offer financial assistance to doctors who agree to set up practice in areas 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 cost of retaining a nationally or regionally recognized scholar at a state college or university who teaches in a specified academic area. During the 1994 fiscal year, two chairs were created with matching contributions totaling \$1.6 million. Since 1984, a total of 86 chairs have been created. The Trust totaled \$132.1 million book value at June 30, 1994 and produced income of \$11.5 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 \$39.7 million at book value on June 30, 1994.

Treasury Numbers at a Glance
Fiscal Year 1993-94

Administrative	Number of Positions	170
	Payroll Expenditures	\$ 5,256,497
	Other Expenditures	\$ 3,266,495
	Total Administrative Expenditures	\$ 8,522,992
Retirement Program	Retirement Benefits	\$ 398,213,491
	Number of Retirees	59,714
	Retirement Contributions	\$ 438,153,138
	Retirement Investment Earnings	\$ 1,229,683,543
	Number of Active Members	170,047
	Retirement Refunds	\$ 17,636,340
	Number of Refunds	4,449
Claims Administration Program	Workers' Compensation Payments	\$ 11,446,268
	Workers' Compensation Claims Filed	4,581
	Employee Property Damage Payments	\$ 40,572
	Employee Property Damage Claims Filed	280
	Tort Claims Payments	\$ 3,930,514
	Tort Claims Filed	2,128
	Criminal Injury Payments	\$ 8,169,099
	Criminal Injury Claims Filed	2,875
	Defense Counsel Payments	\$ 698,283
	Defense Counsel Claims Filed	94
	Claims Award Fund Revenue	\$ 3,559,496
Other Programs	Deferred Compensation Contributions	\$ 16,480,326
	Deferred Compensation Participants	8,894
	Flexible Benefits Plan Payments	\$ 2,820,416
	Flexible Benefits Plan Participants	36,559
	FICA Savings Generated from Flex Plan	\$ 2,063,220
	Unclaimed Property Revenues	\$ 24,700,294
	Unclaimed Property Payments	\$ 2,992,415
Cash Management Program	General Fund Earnings	\$ 39,321,936
	LGIP Earnings	\$ 38,310,929
	Restricted Fund Earnings	\$ 8,342,842
	Total Cash Management Earnings	\$ 85,975,707
Chairs of Excellence Program	Chairs of Excellence Contributions	\$ 1,649,467
	Chairs Of Excellence Investment Earnings	\$ 11,484,501
	Total Number of Chairs of Excellence	86
	Chairs of Excellence Expenditures	\$ 6,094,296
Market Value of Assets Under Management at 6/30/94	Retirement Trust Fund	\$ 12,632,853,465
	Chairs of Excellence Trust Fund	\$ 136,951,686
	State Pooled Investment Fund	\$ 2,298,958,112
	Deferred Compensation (outside managers)	\$ 161,536,464
	Bond Refunding Trust	\$ 40,160,071
	Total Assets Under Management	\$ 15,270,459,798

Treasury Accomplishments Fiscal Year 1993-94

◆ State Trust of Tennessee

The State Trust of Tennessee became an associate member of the Nashville Clearinghouse, thus accepting direct presentation of warrant and return cash letters and settling for these items under the operating rules of the clearinghouse.

◆ TCRS Investment Earnings

For the second consecutive year, 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 25th percentile of public plans. The annualized return over the past six years for the TCRS domestic stock portfolio was 12.5% while the S&P 500 had an annualized return of 11.9%. The annualized return on the TCRS domestic bond portfolio was 10.0% while the Lehman Brothers Government/Corporate Bond Index had an annualized return of 9.1%.

◆ TCRS Administration

During the year, the department completed the conversion of member records and the programming necessary to produce a new statement for TCRS members. The new statement is designed to provide members with personalized information about their service credit in TCRS, their vesting status, their most recent salaries, and estimated retirement benefits, as well as information about the death and disability benefits that would be available if they were to die or become disabled before retiring. The division also printed new member-

ship handbooks for all Group I and Group II members of the retirement system.

◆ Workers' Compensation Program

In an effort to improve services, the department contracted with a third party administrator in September 1993 to investigate and process workers' compensation claims of injured state employees. A medical case management firm (CRA) was hired in January 1994 to ensure that appropriate medical care is rendered to state employees. The medical case management firm monitors medical tests and procedures to ensure that they are necessary and related to the workers' compensation injury. Efforts are also made to assist employees in returning to work and productivity as soon as they are medically able.

◆ Miscellaneous Initiatives

In addition to administering the programs described in this report, the Treasurer serves on over 20 boards and commissions. In this capacity, the Treasurer's office this year assisted in the creation of a direct loan program for the Tennessee Child Care Loan Guarantee Board and assisted in the design of the START (Special Targeted Rate for Tennesseans) program which targets low interest mortgage loans to low income families. Staff coordinated negotiation of an agreement with the Tennessee Workers' Credit Union which provides for placement of ATMs in selected state offices. The Treasurer was instrumental in gaining passage by Congress of revisions to federal law to better protect public deposits and to facilitate the operation of the collateral pool program.

◆ **Local Government
Investment Pool System**

The department, along with its vendor bank, is implementing a batch wire system for the Local Government Investment Pool program. This system will increase the accuracy and efficiency of processing withdrawal requests from the LGIP. Furthermore, the department is in the process of implementing a voice response system for use by pool participants.

◆ **Financial Control Systems**

The department plans to purchase or develop an automated account reconciliation and management system to automate the daily reporting of the Treasurer's depository account transaction activity and balances for purposes of monitoring collateral sufficiency, cash concentration, account reconciliation and management.

◆ **Deferred Compensation Program**

The Treasury Department will add three new funds to the Deferred Compensation Program effective January 1, 1995: Fidelity Investments' Contrafund, Asset Manager Fund, and International Growth and Income Fund. The program will hold investment seminars around the state this Spring to explain these new products as well as other investment options. During the upcoming fiscal year, the Deferred Compensation Program also plans to provide participants with a new statement projecting account balance and potential income at retirement.

◆ **TCRS Investments**

The division will continue to research various asset classes for investment opportunities and to make recommendations to the General Assembly and the

Board of Trustees whenever an asset class appears to be a viable option consistent with investment return and risk parameters of the fund. The division will implement a sector weighting allocation plan.

◆ **TCRS Administration**

The division produced the new membership statements and distributed them in October of 1994. The department plans to make improvements to the new membership statement, expand the new pre-retirement education program, and create a video explaining the benefits offered by the retirement system.

◆ **Workers' Compensation Program**

The department has selected a company to develop a managed disability provider network for medical treatment of workers' compensation injuries. The network is expected to be in place in most areas of the state by July 1995.

◆ **Risk Management Program**

Effective July 1, 1994, the Division of Risk Management moved to the Treasury Department from the Department of Finance and Administration. The division plans to begin automating its record keeping and working on a building inspection process. The division will also work with the workers' compensation program to develop safety and loss control programs to prevent accidents and reduce workers' compensation costs.

◆ **Miscellaneous**

A Title VI Implementation Plan has been developed as required by state and federal law. Current operations will be reviewed and civil rights training will be provided to staff to ensure effective and full compliance with Title VI requirements.

State Cash Management

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 221 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 1993-94 fiscal year, the average balance of short term investments in the Treasurer's Cash Management program was \$2,139,378,602 per month and interest income of \$85,909,064 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, 1994, investments had an average maturity of 162 days, and an average weighted yield of 4.44%. The total balance in the State Pooled Investment Fund at June 30, 1994 (\$2,306,749,000 par value) was allocated as follows: U.S. Treasury government and agency securities, 39.41%; repurchase agreements, 5.35%; collateralized certificates of deposit, 27.56%; and commercial paper, 27.68%.

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)
1993-94	4.04%	3.30%	3.41%	3.42%
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

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 available funds into the State Trust to meet liquidity and investment needs. 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. All of these state accounts are interest bearing.

Changes in branch banking laws and bank ownership due to mergers and acquisitions

State Cash Management

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.

Taxpayers and state agencies can deposit certain tax funds due to the state directly to a Treasury account at any authorized state depository.

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.

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 which have been pledged as collateral.

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 a collateral pool for banks.

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 state-wide 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 was on hold pending federal legislation concerning pledged collateral. The outcome of the legislation was favorable to the Collateral Pool, and plans are being made to implement the pool in fiscal year 1994-95.

Securities Acceptable as Collateral for State Deposits

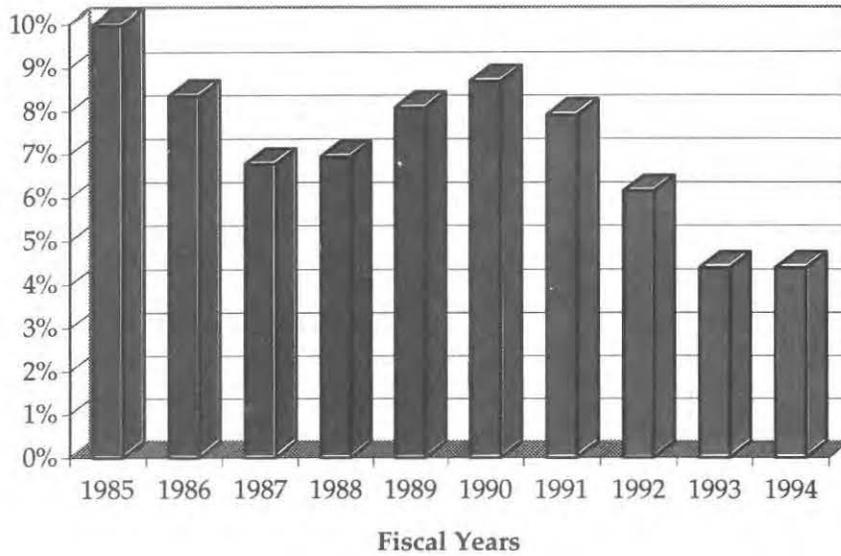
1. U.S. Treasury Bills
2. U.S. Treasury Notes & Bonds
3. Federal Housing Administration (FHA) debentures
4. Government National Mortgage Associations (GNMA)*
5. Farm Credit System (FCS)
 - a. Federal Land Bank Bond (FLBB)
 - b. Farm Credit Systemwide Bonds (FCSB)
 - c. Farm Credit Systemwide Discount 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 (FNMSM)
 - 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.*

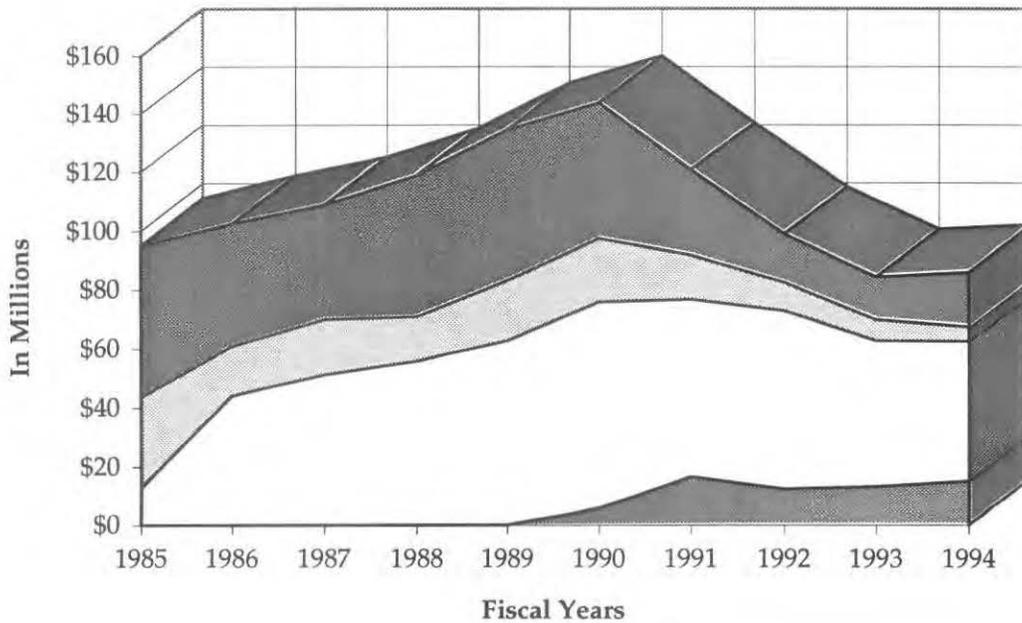
Historical Analysis of State Cash Investments

<i>Fiscal Year</i>	<i>Average Amount Invested</i>	<i>Amount Earned</i>	<i>Rate of Return</i>
Collateralized Time Deposits			
1993-94	\$ 524,944,000	\$ 18,544,812	3.54%
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%
Repurchase Agreements			
1993-94	\$ 154,941,333	\$ 5,181,537	3.31%
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%
Commercial Paper			
1993-94	\$ 371,247,833	\$ 13,478,983	3.64%
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			
1993-94	\$ 1,082,046,750	\$ 47,245,264	4.54%
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%
Securities Lending Income			
1993-94	N/A	\$ 1,525,111	N/A
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>Composite Weighted Average Rate of Return</i>
1993-94	\$ 2,133,179,916	\$ 85,975,707	4.04%
1992-93	1,964,109,670	84,483,590	4.39%
1991-92	1,623,047,670	98,819,069	6.15%
1990-91	1,520,550,970	120,670,979	7.91%
1989-90	1,649,238,650	143,758,788	8.69%

**Cash Management Investments
Composite Weighted Average Rate of Return 1985-1994**



Analysis of State Cash Earnings 1985-1994



■ Commercial Paper & Securities Lending	□ U.S. Government Securities
□ Repurchase Agreements	■ Collateralized Time Deposits

Cash Management Portfolio Analysis
Fiscal Year Ended June 30, 1994

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
07/93	3.13%	4.07%	219	21.44%	6.68%	47.33%	9.33%	15.22%
08/93	3.14%	3.98%	203	21.76%	9.72%	48.90%	4.73%	14.88%
09/93	3.17%	3.94%	195	21.51%	7.71%	45.90%	10.57%	14.31%
10/93	3.12%	3.96%	196	23.88%	5.30%	47.99%	6.57%	16.25%
11/93	3.17%	3.96%	220	25.73%	9.69%	39.74%	11.27%	13.57%
12/93	3.12%	3.96%	225	21.60%	11.25%	47.05%	5.12%	14.98%
01/94	3.10%	3.95%	221	22.34%	7.33%	50.30%	5.86%	14.17%
02/94	3.36%	3.96%	228	25.49%	4.76%	40.97%	17.88%	10.89%
03/94	3.49%	3.99%	202	25.86%	4.90%	34.51%	15.28%	19.44%
04/94	3.66%	4.09%	182	27.24%	7.22%	30.80%	12.47%	22.26%
05/94	4.15%	4.24%	172	28.51%	5.60%	24.86%	16.52%	24.51%
06/94	4.27%	4.41%	169	28.79%	7.61%	20.66%	16.93%	26.02%
Dollar Weighted Avg.	3.41%	4.04%	203	24.51%	7.32%	39.92%	11.05%	17.21%

Date	General Fund		LGIP		Other Restricted		Total Invested
	Average	Percent	Average	Percent	Average	Percent	
07/93	\$ 603,562,625	29.71%	\$ 926,592,533	45.61%	\$ 501,355,644	24.68%	\$ 2,031,510,802
08/93	665,832,616	32.27%	900,203,460	43.65%	496,370,801	24.07%	2,062,406,877
09/93	665,144,641	31.11%	993,190,322	46.45%	479,632,768	22.43%	2,137,967,731
10/93	603,718,864	29.12%	978,079,979	47.18%	491,102,179	23.69%	2,072,901,022
11/93	496,806,352	25.20%	978,009,224	49.61%	496,459,468	25.18%	1,971,275,044
12/93	530,903,335	26.30%	1,003,724,999	49.72%	484,056,657	23.98%	2,018,684,991
01/94	450,769,871	21.16%	1,182,341,656	55.47%	498,538,446	23.39%	2,131,649,973
02/94	399,866,756	18.95%	1,197,374,973	56.75%	512,554,193	24.29%	2,109,795,922
03/94	325,558,146	14.43%	1,439,861,343	63.77%	492,599,430	21.82%	2,258,018,919
04/94	497,074,350	21.40%	1,336,110,745	57.56%	487,975,752	21.02%	2,321,160,847
05/94	607,633,317	26.33%	1,215,713,000	52.68%	484,170,518	20.98%	2,307,516,835
06/94	539,458,182	23.98%	1,221,879,632	54.31%	488,316,461	21.71%	2,249,654,275
Avg.	\$ 532,194,088	25.00%	\$ 1,114,423,489	51.90%	\$ 492,761,026	23.10%	\$ 2,139,378,603

Note: The average General Fund balance would have been \$773,075,708 if General Fund Balances had not been required to cover an average annual deficit balance of \$240,881,620 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. Participation in the LGIP program currently stands at 589 active accounts, representing 226 local government units. An additional 237 accounts are active in the Department of Transportation program as well.

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.

During the 1993-94 fiscal year, the Treasurer's Local Government Investment Pool earned \$37.6 million for local governments in Tennessee.

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. The department is currently developing a voice response system for use by the participants, where account information will be available, as well as the ability to initiate transactions. Implementation is planned for the Spring of 1995.

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.

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 six one hundredths of one percent (.06%) as an administrative fee for participating in the LGIP program. During the 1993-94 fiscal year, the average rate participants earned on their deposits after the fee reduction was 3.35%.

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

**Local Government Investment Pool
Schedule of Activity by Entity Type**

Fiscal Year Ended June 30, 1994

	Account Balance 7/1/93	Net Activity FY 1993-94	Net Interest Credited FY 1993-94	Account Balance 6/30/94
Cities	\$ 314,288,452	\$ (11,614,893)	\$ 10,773,324	\$ 313,446,883
Counties	224,504,483	168,022,709	10,709,940	403,237,132
Commitments to D.O.T.	23,328,488	(286,343)	834,619	23,876,764
Educational Institutions	261,597,853	5,411,257	11,198,601	278,207,711
Community Health Access	2,724,623	(72,213)	110,384	2,762,794
Restricted Accounts	970,156	(38,947)	32,231	963,440
Other	100,281,067	10,397,127	3,983,638	114,661,832
TOTAL	\$ 927,695,122	\$ 171,818,697	\$ 37,642,737	\$ 1,137,156,556

State Cash Management

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 expeditiously 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 in the number of daily outgoing wire transfers and can no longer settle ACH transactions through its account at the Federal Reserve.

The State Trust of Tennessee became an associate member of the Nashville Clearinghouse this year, which eliminated the cost per item previously charged by 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 served as the Trust's agent during the 1993-94 fiscal year. Third National Bank in Nashville began serving as the Trust's agent on July 1, 1994.

State Trust Of Tennessee Federal Reserve Bank Transactions Fiscal Year 1993-94

Transaction Type	Number	Amount
(1) Wire Disbursements	861	\$ 744,530,218
(2) Wire Receipts	7,107	11,653,918,988
(3) Security Disbursements	4,914	42,200,663,483
(4) Security Receipts	4,763	40,707,697,800
(5) Check Redemptions	6,445,641	5,999,667,374
TOTAL	6,463,286	\$101,306,477,863

Explanation of Transaction Types:

- (1) Disbursements of cash for the purpose of non-Fed eligible securities, settlement wires to agent bank, and other non-recurring 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.

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, the program to upgrade investment staff, equipment, and systems was completed. Additional professional staff have been employed, a local area network has been installed, supporting hardware has been placed on desktops, software has been installed, and additional databases and research services have been obtained.

Legislation enacted during the 1993-94 fiscal year removed restrictions on investments in South Africa, specified that all investments will be valued at market value in determining compliance with statutory restrictions on the percentage of TCRS assets which can be invested in various categories of investments, allowed cash received as collateral in the securities lending program to be invested in short-term investment funds, and allowed the Board of Trustees to enter into contracts to serve as standby note purchaser for the Tennessee School Bond Authority and the Tennessee Local Development Authority under certain conditions.

During this fiscal year, the system began using domestic stock index futures for the first time. The domestic stock index futures are not used for speculation or hedging purposes, rather they are used to maintain domestic stock allocation targets. Domestic stock index futures are limited to five percent of the total portfolio and there must also be an equivalent short-term cash position.

In coordination with the change to a new custodian on July 1, 1994, the investment portfolio accounting system was replaced. Beginning July 1, 1994, the custodian generates the investment accounting entries while the new internal investment portfolio accounting system serves as a securities inventory control system. The securities recorded on the securities inventory control system are reconciled monthly to the securities held by the custodial bank.

Securities Custodian

Chase Manhattan Bank, N.A. served as the custodian bank for domestic and international securities through June 30, 1994. Effective July 1, 1994, custodial services are provided by Boston Safe Deposit and Trust Company.

TCRS Investments

Summary of Retirement Fund Investments

	June 30, 1994		June 30, 1993	
	Book Value	Market Value	Book Value	Market Value
<i>Domestic Securities:</i>				
Government Bonds	\$ 3,147,297,369	\$ 3,188,693,196	\$ 2,735,085,252	\$ 3,147,689,080
Corporate Bonds	3,043,382,314	2,977,248,969	2,902,757,561	3,107,477,376
Corporate Stocks	2,801,050,246	3,106,385,423	2,781,632,397	3,632,729,439
Total Domestic Securities	\$ 8,991,729,929	\$ 9,272,327,588	\$ 8,419,475,210	\$ 9,887,895,895
<i>International Securities:</i>				
Government Bonds	\$ 615,971,021	\$ 621,233,866	\$ 587,696,633	\$ 586,214,694
Corporate Bonds	192,778,906	201,034,372	273,619,481	310,757,177
Corporate Stocks	655,057,348	733,538,681	734,961,655	747,453,526
American Depository Receipts	9,152,098	20,092,439	10,432,098	17,105,100
Total International Securities	\$ 1,472,959,373	\$ 1,575,899,358	\$ 1,606,709,867	\$ 1,661,530,497
<i>Short-Term Securities</i>	\$ 1,622,722,260	\$ 1,619,110,937	\$ 826,160,603	\$ 826,413,255
Total Investments	\$ 12,087,411,562	\$ 12,467,337,883	\$ 10,852,345,680	\$ 12,375,839,647

Distribution of International Investments June 30, 1994

Country	Stocks		Fixed Income		Total	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Australia	\$ 26,185,767	\$ 29,132,352	\$ 41,529,638	\$ 47,383,740	\$ 67,715,405	\$ 76,516,092
Canada	25,004,778	25,655,738	299,447,885	289,792,950	324,452,663	315,448,688
France	69,022,137	68,472,656	119,032,963	119,753,413	188,055,100	188,226,069
Japan	291,938,451	351,658,317	83,497,392	101,157,538	375,435,843	452,815,855
Netherlands	28,133,851	39,055,043	66,939,610	70,124,612	95,073,461	109,179,655
Switzerland	22,157,851	29,009,786	0	0	22,157,851	29,009,786
United Kingdom	151,166,488	148,746,531	78,493,265	73,890,576	229,659,753	222,637,107
Germany	50,600,123	61,900,697	119,809,174	120,165,409	170,409,297	182,066,106
Total	\$ 664,209,446	\$ 753,631,120	\$ 808,749,927	\$ 822,268,238	\$ 1,472,959,373	\$ 1,575,899,358

**TCRS Performance Summary
Fiscal Years 1984-85 Through 1993-94**

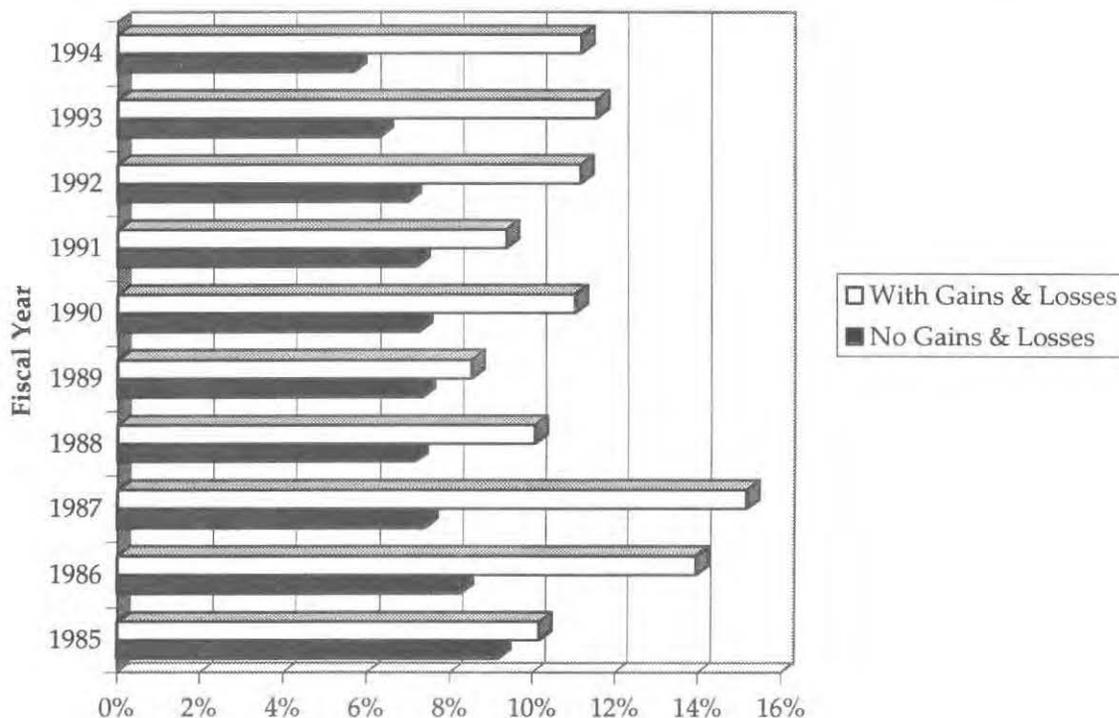
Fiscal Year	Excluding Gains and Losses			Including Gains and Losses		
	Average Amount Invested	Amount Earned	Percentage Earned on Book Value	Average Amount Invested	Amount Earned	Percentage Earned on Book Value
1993-94	\$ 11,307,342,174	\$ 639,183,089	5.65%	\$ 11,012,091,947	\$ 1,229,683,543	11.17%
1992-93	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

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

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
1993-94	1.6%	0.5%	4.81%	5.91%
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	5.53	8.50
1985-86	25.2	27.7	5.21	9.67
1984-85	26.8	28.6	7.26	11.76

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 1989-90 Through 1993-94

Fiscal Year	Cash Management Earnings	TCRS Portfolio Earnings	Total Earnings
1993-94	\$ 85,975,707	\$ 1,229,683,543	\$ 1,315,659,250
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

Tennessee Consolidated Retirement System

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

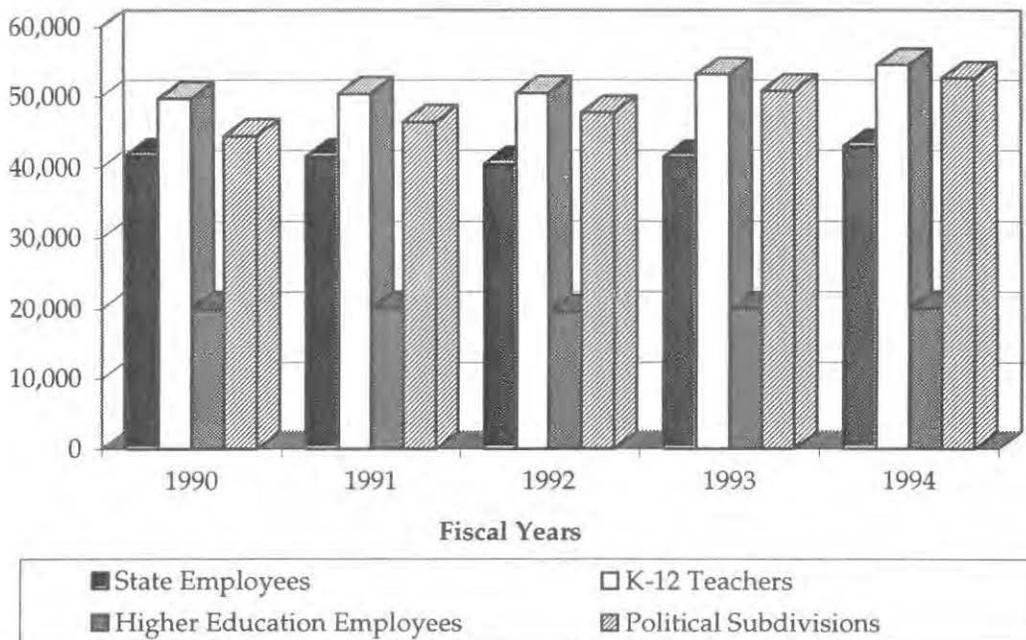
Membership in the retirement system is a condition of employment for full-time state employees, teachers, general employees in higher education, and the employees of local governments that participate in TCRS. Membership is optional for certain part-time employees. Faculty employees in higher education 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, 1994, there were 170,047 active members of TCRS and 9,655 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 1990-1994



Tennessee Consolidated Retirement System

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

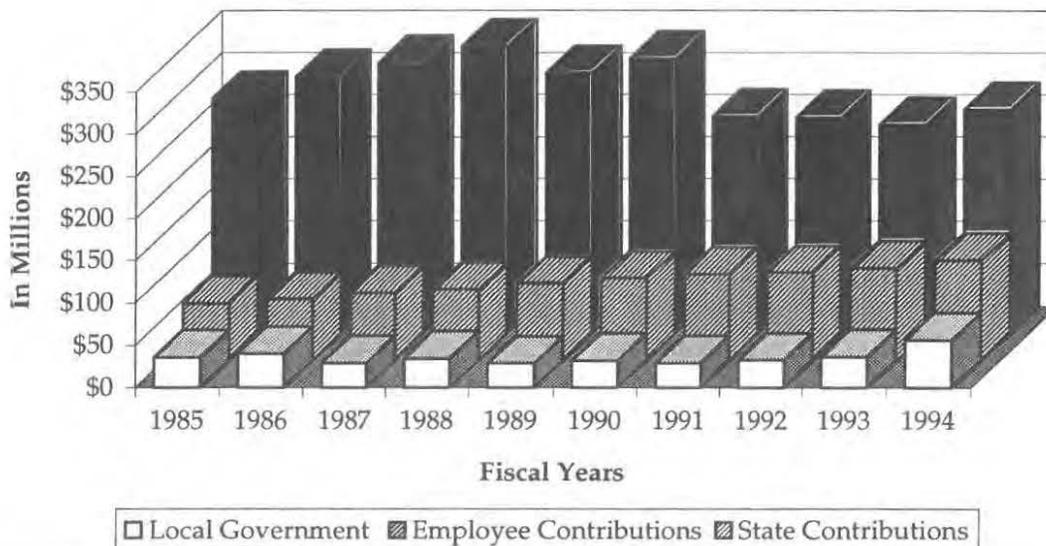
system in a lump sum. By obtaining a lump sum refund, a member waives all rights and benefits in the retirement system. A vested member may leave his account balance in TCRS and apply for benefits upon meeting the age requirements. A non-vested member who terminates employment may only leave his account balance in TCRS for up to seven years; after seven years, he automatically loses membership. During the 1993-94 fiscal year, 4,449 refunds totaling \$17.6 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, 1994 were as follows:

Noncontributory State and Higher Education Employees	6.69%
K-12 Teachers	8.70%
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 1985-1994



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, 1994, 59,714 retirees were receiving monthly benefit payments. This represents an increase of 1,548 retirees since June 30, 1993.

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.

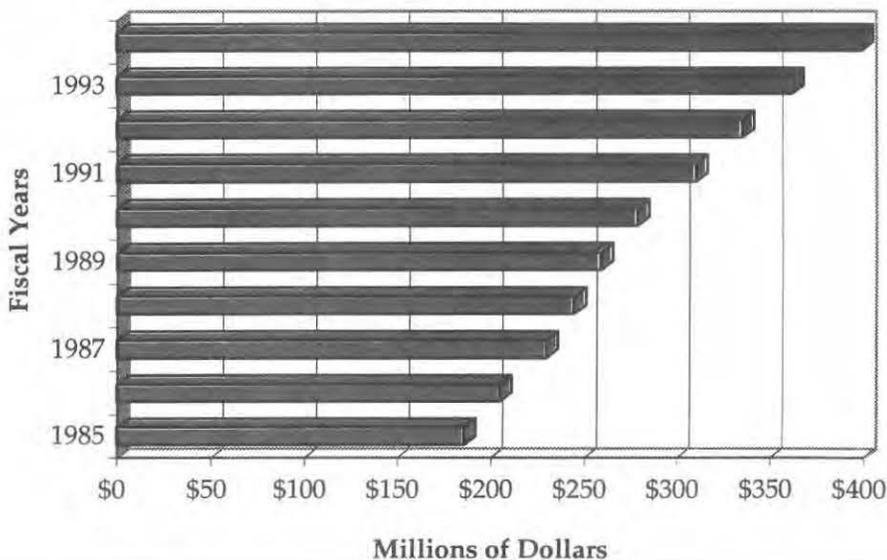
Disability benefits are available to active members with five years of service who become disabled and can not engage in gainful employment. There is no service requirement for disability benefits paid to active members whose disability is a result of an accident or injury occurring while the member 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 1993-94 totaled \$398.2 million, an increase of \$37 million over 1992-93 benefit payments.

Annual Benefit Payments Fiscal Years 1985-1994



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

Sample Calculations for Calendar Year 1994

<u>Five Year AFC</u>		<u>20 Years</u>	<u>25 Years</u>	<u>30 Years</u>	
\$15,000	TCRS	\$ 4,725	\$ 5,909	\$ 7,081	
	Social Security	<u>7,704</u>	<u>7,704</u>	<u>7,704</u>	
	Total	\$ 12,429 (82.9%)	\$ 13,613 (90.8%)	\$ 14,785 (98.6%)	
\$20,000	TCRS	\$ 6,300	\$ 7,875	\$ 9,450	
	Social Security	<u>9,324</u>	<u>9,324</u>	<u>9,324</u>	
	Total	\$ 15,624 (78.1%)	\$ 17,199 (86.0%)	\$ 18,774 (93.9%)	
\$25,000	TCRS	\$ 7,992	\$ 9,984	\$ 11,998	
	Social Security	<u>11,268</u>	<u>11,268</u>	<u>11,268</u>	
	Total	\$ 19,260 (77.0%)	\$ 21,252 (85.0%)	\$ 23,226 (93.1%)	
\$30,000	TCRS	\$ 9,828	\$ 12,288	\$ 14,748	
	Social Security	<u>12,228</u>	<u>12,228</u>	<u>12,228</u>	
	Total	\$ 22,056 (73.5%)	\$ 24,516 (81.7%)	\$ 26,976 (90.0%)	
\$35,000	TCRS	\$ 11,664	\$ 14,580	\$ 17,496	
	Social Security	<u>12,684</u>	<u>12,684</u>	<u>12,684</u>	
	Total	\$ 24,348 (69.6%)	\$ 27,264 (77.9%)	\$ 30,180 (86.2%)	
\$40,000	TCRS	\$ 13,500	\$ 16,884	\$ 20,256	
	Social Security	<u>13,044</u>	<u>13,044</u>	<u>13,044</u>	
	Total	\$ 26,544 (66.4%)	\$ 29,928 (74.8%)	\$ 33,300 (83.3%)	
\$45,000	TCRS	\$ 15,336	\$ 19,179	\$ 23,016	
	Social Security	<u>13,368</u>	<u>13,368</u>	<u>13,368</u>	
	Total	\$ 28,704 (63.8%)	\$ 32,547 (72.3%)	\$ 36,384 (80.9%)	

This chart is based on a date of retirement in 1994. 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 1994; (2) the retiree worked a full career (TCRS plus other employers, if necessary) of 35 years or more, and; (3) salary increases throughout the retiree's career 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. The system's accrued liability 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 retirement systems in the country.

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 \$10.61 billion at the June 30, 1993 actuarial valuation date. Net assets of \$12.25 billion, equaling 115.5% of the pension benefit obligation (PBO), were available for benefits. With the 5% benefit improvement which became 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, 1994**

Cities	118
Counties	83
Utility Districts	27
Special School Districts	20
Joint Ventures	22
Miscellaneous Organizations	16
Regional Libraries	12
911 Emergency Communication Districts	18
Housing Authorities	10
Development Agencies	<u>12</u>
Total	338

Tennessee Consolidated Retirement System

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. Salaries of employees in active service on the date these provisions were adopted were indexed by 3.6%. Subsequent legislation has continued this indexing each year since.
- 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** The Board of Trustees was authorized to designate additional vendors for the optional retirement plan for higher education employees.
- 1992** 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** Salary portability for service in different classifications is authorized effective Jan. 1, 1994.
A 5% benefit improvement was authorized effective Jan. 1, 1994.
- 1994** 3.6% indexing of salaries for noncontributory employees was extended for an additional year.

Tennessee Consolidated Retirement System

Social Security

The Old Age & Survivors Insurance Agency (OASI) administers Section 218 of the federal Social Security Act for Tennessee public employees. This section relates to coverage agreements and modifications as well as to coverage determinations.

Prior to 1951, social security coverage was not available to public employees. Amendments to the Social Security Act made in 1950 allowed certain groups of state and local government employees who were not covered by an employer-sponsored retirement plan to voluntarily participate in social security. Amendments made in 1954 allowed coverage for public employees who were covered by an employer-sponsored retirement plan if federal referendum requirements are met.

The Tennessee Master Agreement was executed on August 16, 1951. It 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 modifica-

tion 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. After the Tennessee Consolidated Retirement System was established July 1, 1972, a state-wide social security coverage referendum was held among eligible employees.

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. Since 1991, the social security tax rate has been 6.20% each for employers and employees and the Medicare (hospital insurance) rate has been 1.45% 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>
1995	7.65%	7.65%	\$ 61,200	No Limit
1994	7.65	7.65	60,600	No Limit
1993	7.65	7.65	57,600	\$ 135,000
1992	7.65	7.65	55,500	130,200
1991	7.65	7.65	53,400	125,000
1990	7.65	7.65	51,300	51,300
1989	7.51	7.51	48,000	48,000
1988	7.51	7.51	45,000	45,000
1987	7.15	7.15	43,800	43,800
1986	7.15	7.15	42,000	42,000

Deferred Compensation

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, 1994, 8,894 employees had accounts in the program: approximately 27% had accounts in the 457 plan only, 57% had accounts in the 401(k) plan only, and 16% had accounts in both plans. At June 30, 1,782 state employees and 92 University of Tennessee employees were actively contributing to the 457 plan and 4,488 state employees and 525 University of Tennessee employees were actively contributing to the 401(k) plan. The program is used by state employees of all ages and salary

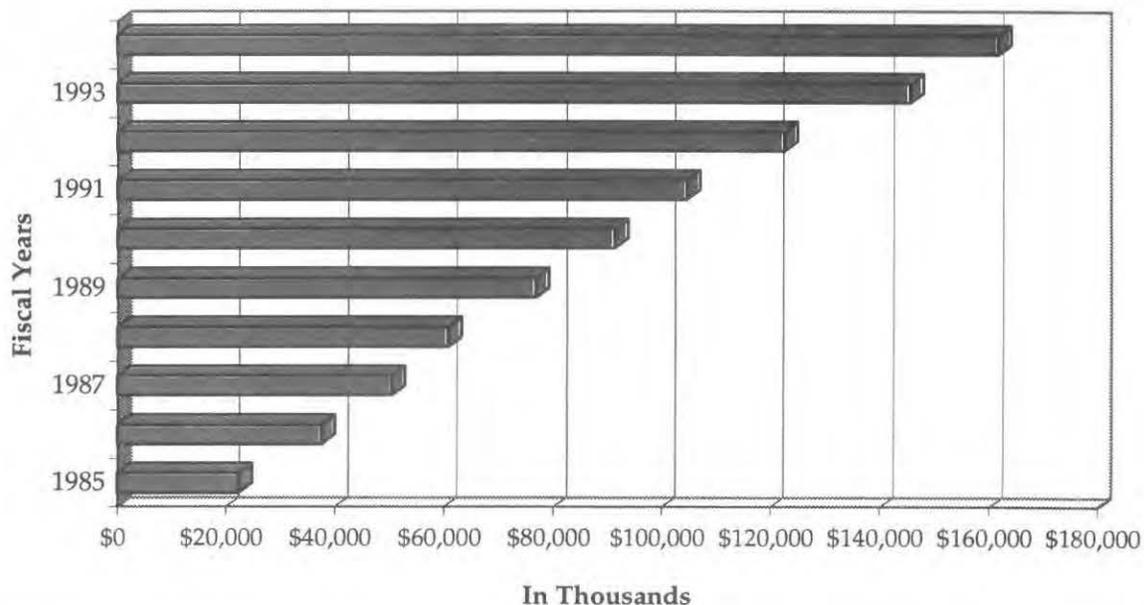
levels. The majority are under age 50 and earn below \$30,000 per year.

IRS regulations for 1994 allow a maximum deferral in the 457 plan of 25% of salary up to the maximum annual contribution of \$7,500. The maximum deferral in the 401(k) plan is 20% of salary for most members, up to the maximum annual contribution of \$9,240. 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, 1994 was \$184.

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.

The program provides a variety of communication materials, including a video, a voice response telephone system, a handbook for participants, and an introductory booklet for new employees.

Program Assets 1985 - 1994



Deferred Compensation

Participants in the program may direct the investment of their deferred salary to 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. Contributions are wired through the State Trust of Tennessee for immediate crediting.

For the year ending June 30, 1994, participants deferred a total of \$16,480,326 through the program. At June 30, 1994, accumulated account balances totaled \$161,536,464. Distribution of these funds among the investment providers is shown on the following schedule.

At June 30, 1994, participants had invested 51% of their accumulated deferrals in stock funds, 43% in fixed principal funds, 4% in money market funds, and 2% in bond funds.

Under the loan program offered in the 401(k) plan, active employees who have accumulated \$4000 or more in their 401(k) account may borrow up to half of their account value. Participants repay principal and interest to their 401(k) account through salary deduction. Taxes continue to be deferred while funds accumulated in the plan are in loan status. At June 30, 1994, 243 participants had outstanding loans from the 401(k) plan totaling \$984,900.

	<i>Deferrals</i>		<i>Market Value of Account Balances</i>	
	FY 1993-94	FY 1992-93	June 30, 1994	June 30, 1993
Plan I: 457				
AEtna - Closed Contract	\$ 0	\$ 0	\$ 18,666,077	\$ 21,111,008
AEtna - New Contract	635,811	520,361	7,595,295	5,222,447
American General	78,036	92,160	993,998	972,733
Calvert Group	50,256	36,981	330,012	274,248
Fidelity Investments	2,501,336	2,103,187	30,673,490	25,970,773
Great West	277,361	374,676	5,882,390	6,684,649
Union Planters	717,485	716,460	13,833,317	13,047,361
TOTAL 457	\$ 4,260,285	\$ 3,843,825	\$ 77,974,579	\$ 73,283,219
Plan II: 401(k)				
AEtna - Closed Contract	\$ 0	\$ 0	\$ 10,741,604	\$ 12,921,473
AEtna - New Contract	1,600,497	1,248,454	8,811,081	5,581,431
Calvert Group	259,542	135,803	557,108	338,606
Fidelity Investments	8,866,677	5,879,257	49,145,551	39,275,502
Great West	358,115	517,770	5,498,060	6,144,052
Union Planters	1,135,210	1,064,695	8,808,481	7,869,905
TOTAL 401(k)	\$12,220,041	\$ 8,845,979	\$ 83,561,885	\$ 72,130,969
GRAND TOTAL	\$16,480,326	\$12,689,804	\$161,536,464	\$145,414,188

Flexible Benefits Plan

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.

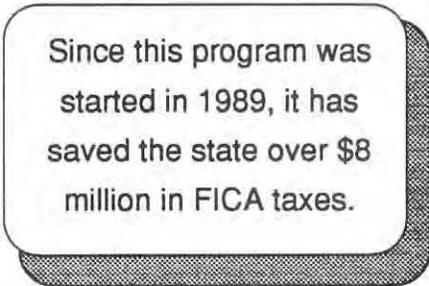
In exchange for its favorable tax treatment, the plan must comply with specific rules set forth by the Internal Revenue Code and Regulations. Employees must decide what they will purchase through the plan and how much they will spend before the year begins. Enrollment in the plan is for a full calendar 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, 1994, 36,559 state employees were enrolled in one or more of the plan's four options: 36,173 employees used the plan to pay medical insurance premiums, 8,791 paid dental insurance premiums, 2,491 used the medical expense reimbursement account, and 370 used the dependent care reimbursement account.



Since this program was started in 1989, it has saved the state over \$8 million in FICA taxes.

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 1993-94, the state's F.I.C.A. savings totaled \$2,063,220. Since the program began operation in January 1989, the state's F.I.C.A. savings have totaled \$8,269,763. These savings have been designated for paying the administrative expenses of the plan, offsetting costs in the state's wellness program, providing assistance for day care programs, and funding other employee benefit programs. As of June 30, 1994, \$1,202,927 has been transferred to offset costs of these programs.

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 contracts with a third party administrator for the processing of workers' compensation claims. The division's staff monitors the work done by the third party administrator and acts as a liaison between state employees and the third party administrator. The division also contracts with a medical case management firm whose responsibility is to ensure that injured state employees receive appropriate medical care. The Division of Claims Administration also handles all employee property damage claims and tort claims up to a certain monetary limit. During fiscal year 1993-94, the Division of Claims Administration received 6,989 claims falling within these categories (including workers' compensation claims filed with the third party administrator).

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.

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 1993-94, the Board took action on a total of 32 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 1993-94

	Claims Filed	Payments Made
Workers' Compensation Claims	4,581	
Death Payments		\$ 290,470
Medical Payments		6,622,766
Assault Injury Payments		2,829
Temporary Disability (Lost Time)		1,151,561
Permanent Disability		3,378,642
Subtotal		\$ 11,446,268
Employee Property Damage	280	40,572
Tort Claims	2,128	
Death Payments		\$ 157,500
Bodily Injury Payments		2,907,924
Property Damage Payments		865,090
Subtotal		3,930,514
TOTAL	6,989	\$ 15,417,354

Victims Compensation Program

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.

This program issues payments to innocent victims of crime to help them pay the costs of medical services and other losses. It is funded through fees paid to the courts and bond forfeitures.

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 1993-94 fiscal year, the Division of Claims Administration made payments on 2,503 criminal injury claims for a total of \$8,169,099. 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. 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.

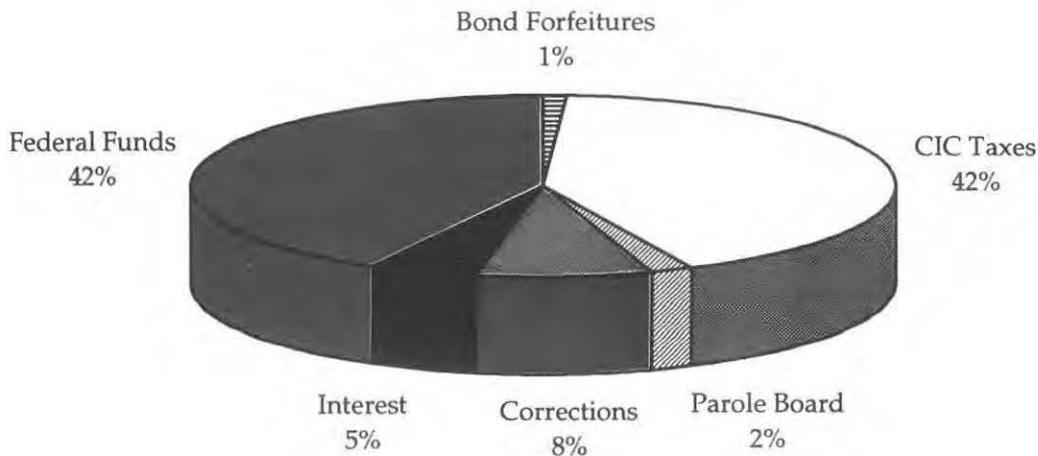
Since the first claims were paid in 1982, the program has awarded a total of over \$67 million to crime victims. The Division of Claims Administration has made an effort to educate members of the public of the existence and benefits of the Criminal Injury Compensation Program by printing and distributing 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 Victims Compensation Awards
Paid During Fiscal Year 1993-94**

Classification of Crime	Number of Awards	Percent of Total	Dollar Value of Awards	Percent of Total	Average Award
<i>Criminal Injuries:</i>					
Homicide	405	17.6%	\$ 1,724,066	21.8%	\$ 4,257
Adult Sexual Assault	288	12.6	790,856	10.0	2,746
Robbery by Force	134	5.8	442,879	5.6	3,305
Assault	1,027	44.7	3,535,126	44.7	3,442
Vehicular (Non-DUI)	12	0.5	39,543	0.5	3,295
Domestic Violence	10	0.5	31,634	0.4	3,163
Child Sexual Assault	419	18.2	1,336,546	16.9	3,190
Child Physical Assault	3	0.1	7,909	0.1	2,636
Total	2,298	100.0%	\$ 7,908,559	100.0%	\$ 3,441
<i>Driving Under Influence (DUI)</i>	80		\$ 260,540		\$ 3,257
Grand Total	2,378		\$ 8,169,099		\$ 3,435

Sources of Funds

Victims of Criminal Injury



Defense Counsel Commission

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 1993-94, the Defense Counsel Commission/Subcommittee authorized payments of attorney's fees and litigation expenses which totaled \$698,283. The Defense Counsel Commission/Subcommittee considered 94 requests for representation, of which 90

were approved and four were denied. At the end of the fiscal year, there were 89 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

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.

Attorney General cannot represent the state employee, the employee must 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.

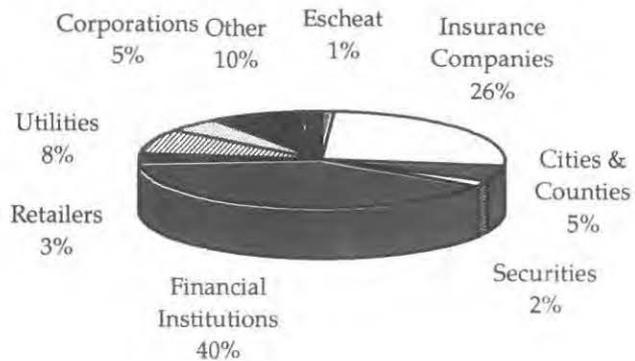
The Treasury Department has administered the Uniform Disposition of Unclaimed Property Act since it was enacted in 1978. Administration of this act is carried out by the Unclaimed Property Division which operates the program in a manner designed to return unclaimed property to the rightful owner.

The Unclaimed Property Act provides that cash property which an organization or individual is holding for another person will be delivered to the Treasurer for custody if the holder of the property has had no contact with the owner for a period of five years and if the holder cannot locate the owner. Once property is delivered, the Treasurer advertises the owner's name and last known address in order to locate the owners. Since the program began in 1979, \$86.9 million in unclaimed property has been reported to the Treasurer and \$21.4 million (25%) has been returned to owners or heirs.

During the period July 1, 1993 through June 30, 1994, \$24,700,294 of cash property was turned over to the Treasurer. This includes \$1,484,703 in cash and stock remitted by third party audit organizations from out-of-state non-reporting holders for Tennessee residents, as well as \$366,306 remitted by other states with which Tennessee has reciprocal agreements. The 300% increase over the previous year's revenue is attributable to legislative changes enacted last year which shortened the holding or dormancy periods for property to be considered abandoned.

The following chart illustrates the sources of cash collections for fiscal year 1993-94.

Sources of Unclaimed Property



In addition to advertising the property, the Treasurer makes several other efforts to locate the rightful owner. Another 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, drivers' license records, 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.

During the period July 1, 1993 through June 30, 1994, \$2,992,415 of cash property was returned by the Unclaimed Property Division to the owners or their heirs. An analysis of the methods used to return this property is shown on the next page.

Unclaimed Property

Methods Used To Return Property July 1, 1993 - June 30, 1994

Location Method	Number of Accounts	Value of Claims	Percentage of Claim Value
Advertisement	1,056	\$ 586,370	35%
Postcards	899	331,982	20
Independent Locator	231	230,274	14
Holder Referral	289	178,564	11
Other	244	164,539	9
Dept. of Safety Match	56	101,890	6
Television Station	20	54,350	3
Legislator Listing	39	19,299	1
Dept. of Emp. Security Match	16	10,906	1
Total Claim Payments	2,850	\$ 1,678,174	100%
Refunds to Local Governments	20	\$ 813,798	
Interstate Exchanges	18	500,443	
Total Payments	2,888	\$ 2,992,415	

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, \$813,798 was refunded to 20 local governments.

During this past year, Tennessee entered into reciprocal agreements with five other states' unclaimed property programs to exchange property held by one state for owners with a last known address in the other state. The Unclaimed Property Division returned \$500,443 to other states during the year.

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 \$35.4 million has been deposited to provide financial assistance to

doctors who agree to set up practice in areas of the state where health care is not currently available. At June 30, 1994, 122 practitioners had been placed in health resource shortage areas of the state.

Property which can not be returned to a rightful owner is used to provide access to health care for all Tennesseans.



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 86 chairs created, with state appropriations totaling \$44,000,000 and matching contributions totaling \$47,104,469. For the year ending June 30, 1994, investment income totaled \$11,484,501 with expenditures of \$6,094,296.

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 of 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

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
*Reuther Chair in Nursing

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
Bornblum 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
* Hardin COE in Combinatorics

Tennessee Technological University

Owen Chair of Business Administration
Mayberry Chair of Business Administration

* Chair established during fiscal year 1993-94.

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, CPA	(615) 532-8552

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
Publications Officer	Janice Reilly	(615) 741-7063
Staff Attorney	Mary Roberts-Krause, JD	(615) 741-7063
Director of Old Age and Survivors Insurance	Mary E. Smith	(615) 741-7902
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) 532-8045
Director of Computer Operations	Sam Baker, CDP, CCP	(615) 532-8026
Director of Financial Control	Rick DuBray, CPA	(615) 741-5220
Director of Information Systems	Newton Molloy, III, CDP	(615) 532-8035
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
Director of Risk Management	Harry Sanders	(615) 741-9076

*The Treasurer is housed on the 1st floor of the State Capitol Building.
Divisions are housed on the 9th, 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 Section</i>	<i>Tennessee Code Annotated</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 Bicentennial Commission	4-44-101 - 4-44-109	Receipt and Disbursement of Public Funds	8-5-106 - 8-5-111; 9-4-301, et seq.
Tennessee Child Care Loan Guarantee Board	4-37-101, et seq.	State Cash Management	9-4-106 - 9-4-108; 9-4-401 - 9-4-409
Tennessee Competitive Export Corp.	13-27-104	Tennessee Consolidated Retirement System and Miscellaneous Systems	Title 8, Chpts. 34, 35, 36, 37 & 39
Tennessee Higher Education Commission	49-7-201, et seq.	Unclaimed Property	66-29-101, et seq.
Tennessee Housing Development Agency	13-23-106	Victims of Drunk Drivers Compensation Fund	40-24-107
Tennessee Local Development Authority	4-31-103		
Tennessee Sports Hall of Fame	4-3-5402		
Tennessee Student Assistance Corp.	49-4-202		
Tuition Guaranty Fund Board	49-7-2018		
Volunteer Public Education Trust	49-3-401, et seq.		
Workers Compensation Fund Board	50-6-604		

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



State Cash Portfolio

	Rating	Maturity	Coupon	Par Value	Market Value
U.S. Treasury Notes & Bills:					
Federal Farm Credit Discount Note	AAA	9/9/94	N/A ¹	\$ 23,000,000	\$ 22,774,830
Federal Home Loan Bank Discount Note	AAA	9/15/94	N/A	30,000,000	29,686,200
Federal Home Loan Bank	AAA	8/25/94	8.600%	5,000,000	5,028,100
FHLMC Discount Note	AAA	7/1/94	N/A	10,000,000	9,947,700
FHLMC Discount Note	AAA	7/1/94	N/A	50,000,000	49,738,500
FHLMC Discount Note	AAA	7/1/94	N/A	50,000,000	49,918,000
Federal Home Loan Mortgage Corp.	AAA	3/24/97	5.170%	10,800,000	10,384,848
Federal National Mortgage Association	AAA	1/10/97	6.200%	20,000,000	19,825,000
FNMA Discount Note	AAA	9/2/94	N/A	25,000,000	24,782,500
FNMA Discount Note	AAA	9/12/94	N/A	40,000,000	39,596,800
Federal National Mortgage Association	AAA	9/30/98	4.950%	20,000,000	18,475,000
Student Loan Discount Note	AAA	9/8/94	N/A	15,000,000	14,846,250
Student Loan Discount Note	AAA	9/9/94	N/A	30,600,000	30,282,678
TVA Discount Note	AAA	8/2/94	N/A	50,000,000	49,555,000
TVA Discount Note	AAA	8/2/94	N/A	50,000,000	49,555,000
TVA Power Bonds	AAA	10/1/94	8.250%	5,000,000	5,040,600
United States Treasury Notes	AAA	2/15/95	5.500%	40,000,000	40,068,800
United States Treasury Notes	AAA	5/15/95	5.875%	30,000,000	30,093,600
United States Treasury Notes	AAA	7/31/94	4.250%	30,000,000	30,000,000
United States Treasury Notes	AAA	2/28/98	5.125%	30,000,000	28,467,300
United States Treasury Notes	AAA	3/31/98	5.125%	30,000,000	28,410,900
United States Treasury Notes	AAA	4/30/98	5.125%	30,000,000	28,359,300
United States Treasury Notes	AAA	7/31/95	4.250%	30,000,000	29,582,700
United States Treasury Notes	AAA	1/15/95	8.625%	30,000,000	30,543,600
United States Treasury Notes	AAA	1/15/95	8.625%	40,000,000	40,724,800
United States Treasury Notes	AAA	1/15/95	8.625%	30,000,000	30,543,600
United States Treasury Notes	AAA	1/15/96	9.250%	30,000,000	31,462,500
United States Treasury Notes	AAA	8/15/94	8.625%	20,000,000	20,106,200
United States Treasury Notes	AAA	8/15/94	8.625%	40,000,000	40,212,400
United States Treasury Notes	AAA	11/15/94	8.250%	30,000,000	30,370,200
United States Treasury Notes	AAA	8/15/95	8.500%	30,000,000	30,937,500
Total Notes and Bills				\$ 904,400,000	\$ 899,320,406

Certificates of Deposit:

The Bank of Alamo		12/20/94	3.700%	\$ 1,000,000	\$ 1,000,000
The Bank of Alamo		1/17/95	3.700%	1,000,000	1,000,000
The Bank of Alamo		9/19/94	4.250%	1,000,000	1,000,000
Citizens National Bank, Athens		7/12/94	3.700%	250,000	250,000
Citizens National Bank, Athens		7/15/94	4.050%	500,000	500,000
Shelby Bank, Bartlett		8/19/94	3.500%	200,000	200,000
Shelby Bank, Bartlett		9/20/94	4.000%	700,000	700,000
Shelby Bank, Bartlett		7/1/94	3.700%	500,000	500,000
Shelby Bank, Bartlett		10/24/94	4.300%	500,000	500,000
Bank of Crockett, Bells		7/15/94	3.500%	200,000	200,000
Peoples Bank of Polk County, Benton		7/12/94	3.250%	200,000	200,000
Peoples Bank of Polk County, Benton		8/26/94	4.350%	100,000	100,000
Peoples Bank of Polk County, Benton		9/12/94	4.350%	200,000	200,000
Bank of Bradford		10/3/94	3.400%	100,000	100,000
Twin City Federal Savings Bank, Bristol		11/14/94	3.700%	500,000	500,000
Twin City Federal Savings Bank, Bristol		8/8/94	4.500%	500,000	500,000
Brownsville Bank		7/7/94	3.200%	500,000	500,000
Brownsville Bank		11/9/94	3.700%	1,000,000	1,000,000

¹ Securities designated as "N/A" are discount securities, and therefore, they have no coupon.

Note: Please see explanation of ratings on page 58.

(Continued)

State Cash Portfolio

	Maturity	Coupon	Par Value	Market Value
Brownsville Bank	12/9/94	3.700%	\$ 2,000,000	\$ 2,000,000
Brownsville Bank	8/30/94	3.400%	500,000	500,000
Brownsville Bank	12/14/94	3.700%	1,000,000	1,000,000
Brownsville Bank	11/4/94	3.700%	1,000,000	1,000,000
Brownsville Bank	7/15/94	4.050%	2,000,000	2,000,000
First State Bank, Brownsville	10/14/94	4.650%	1,500,000	1,500,000
First State Bank, Brownsville	9/15/94	3.300%	500,000	500,000
First State Bank, Brownsville	8/15/94	3.300%	500,000	500,000
First State Bank, Brownsville	7/26/94	3.400%	500,000	500,000
First State Bank, Brownsville	9/23/94	3.400%	500,000	500,000
Peoples Bank & Trust, Byrdstown	9/23/94	3.300%	100,000	100,000
Peoples Bank & Trust, Byrdstown	8/29/94	3.400%	100,000	100,000
Peoples Bank & Trust, Byrdstown	7/19/94	3.250%	100,000	100,000
Peoples Bank & Trust, Byrdstown	8/8/94	3.400%	100,000	100,000
Peoples Bank & Trust, Byrdstown	10/3/94	3.400%	400,000	400,000
Peoples Bank & Trust, Byrdstown	7/22/94	3.200%	100,000	100,000
First Union Bank, Bulls Gap	10/17/94	3.400%	100,000	100,000
First Union Bank, Bulls Gap	10/31/94	3.300%	400,000	400,000
Citizens Union Bank, Bulls Gap	9/20/94	4.000%	100,000	100,000
First Union Bank, Bulls Gap	3/10/95	4.950%	100,000	100,000
Cumberland Bank, Carthage	12/20/94	3.700%	90,000	90,000
Cumberland Bank, Carthage	12/23/94	4.650%	500,000	500,000
First National Bank, Centerville	8/9/94	3.500%	200,000	200,000
First State Bank, Chapel Hill	8/31/94	3.500%	200,000	200,000
American National Bank, Chattanooga	10/7/94	3.300%	20,000,000	20,000,000
American National Bank, Chattanooga	10/28/94	3.300%	20,000,000	20,000,000
American National Bank, Chattanooga	8/17/94	4.350%	20,000,000	20,000,000
American National Bank, Chattanooga	9/27/94	4.250%	20,000,000	20,000,000
American National Bank, Chattanooga	9/27/94	4.250%	20,000,000	20,000,000
AmSouth Bank of Tennessee, Chattanooga	9/27/94	4.250%	15,000,000	15,000,000
Volunteer Bank & Trust, Chattanooga	10/20/94	3.300%	80,000	80,000
Volunteer Bank & Trust, Chattanooga	10/21/94	3.300%	500,000	500,000
First Union Bank, Church Hill	1/27/95	3.500%	300,000	300,000
Farmers and Merchants Bank, Clarksville	1/4/95	3.700%	100,000	100,000
First Federal Savings & Loan, Clarksville	8/26/94	3.500%	100,000	100,000
Peoples Bank, Clifton	7/11/94	3.400%	100,000	100,000
First National Bank, Copperhill	7/20/94	4.050%	4,300,000	4,300,000
First Federal Savings & Loan, Crossville	12/12/94	3.700%	300,000	300,000
Peoples Bank, Dickson	11/10/94	3.700%	500,000	500,000
Peoples Bank, Dickson	11/10/94	3.700%	500,000	500,000
Home Bank of Tennessee, Ducktown	8/5/94	3.500%	95,000	95,000
Home Bank of Tennessee, Ducktown	9/13/94	3.300%	95,000	95,000
Home Bank of Tennessee, Ducktown	11/29/94	4.750%	95,000	95,000
Home Bank of Tennessee, Ducktown	11/10/94	5.000%	95,000	95,000
First Citizens Bank, Dyersburg	12/23/94	4.650%	2,000,000	2,000,000
First Citizens Bank, Dyersburg	3/23/95	4.950%	1,000,000	1,000,000
Security Bank, Dyersburg	7/15/94	3.500%	300,000	300,000
Citizens Bank, Elizabethton	9/16/94	4.250%	1,000,000	1,000,000
First Tennessee Bank, Erwin	8/29/94	3.400%	100,000	100,000
Jackson County Bank, Gainsboro	7/22/94	3.200%	250,000	250,000
Jackson County Bank, Gainsboro	9/16/94	4.250%	1,000,000	1,000,000
Jackson County Bank, Gainsboro	9/7/94	4.350%	500,000	500,000
Gates Bank & Trust Company	8/11/94	3.400%	400,000	400,000
First National Bank, Gatlinburg	9/12/94	4.350%	3,000,000	3,000,000

(Continued)

State Cash Portfolio

	Maturity	Coupon	Par Value	Market Value
First National Bank, Gatlinburg	9/23/94	4.250%	\$ 4,000,000	\$ 4,000,000
Tennessee State Bank, Gatlinburg	9/16/94	4.000%	5,000,000	5,000,000
Tennessee State Bank, Gatlinburg	9/21/94	4.250%	5,000,000	5,000,000
Bank of Gleason	8/5/94	3.400%	300,000	300,000
Bank of Gleason	9/6/94	4.000%	350,000	350,000
Bank of Gleason	8/24/94	4.350%	200,000	200,000
Andrew Johnson Bank, Greeneville	8/29/94	4.350%	500,000	500,000
Bank of Halls	12/29/94	3.700%	200,000	200,000
Bank of Halls	11/10/94	3.700%	200,000	200,000
Bank of Halls	11/23/94	4.750%	700,000	700,000
Bank of Halls	8/26/94	3.750%	300,000	300,000
Bank of Halls	11/15/94	4.750%	400,000	400,000
Citizens Bank, Hartsville	11/29/94	4.750%	250,000	250,000
Citizens Bank, Hartsville	7/5/94	4.350%	1,000,000	1,000,000
Chester County Bank, Henderson	7/22/94	3.500%	100,000	100,000
Chester County Bank, Henderson	8/5/94	3.500%	100,000	100,000
Volunteer Bank, Jackson	8/17/94	4.350%	4,000,000	4,000,000
Volunteer Bank, Jackson	8/5/94	4.350%	2,000,000	2,000,000
Fentress County Bank, Jamestown	7/5/94	3.250%	500,000	500,000
Fentress County Bank, Jamestown	10/20/94	3.300%	200,000	200,000
Fentress County Bank, Jamestown	7/29/94	3.200%	500,000	500,000
Fentress County Bank, Jamestown	10/28/94	3.300%	450,000	450,000
Fentress County Bank, Jamestown	8/12/94	3.500%	300,000	300,000
Progressive Savings Bank, Jamestown	9/16/94	3.300%	300,000	300,000
Citizens State Bank, Jasper	11/3/94	3.700%	200,000	200,000
Citizens State Bank, Jasper	11/14/94	3.700%	200,000	200,000
Citizens State Bank, Jasper	9/23/94	4.250%	100,000	100,000
First Union Bank, Kingsport	2/23/95	3.900%	1,050,000	1,050,000
Charter Federal Savings Bank, Knoxville	8/11/94	3.500%	5,000,000	5,000,000
Charter Federal Savings Bank, Knoxville	8/11/94	3.500%	100,000	100,000
Charter Federal Savings Bank, Knoxville	12/28/94	3.700%	5,000,000	5,000,000
Charter Federal Savings Bank, Knoxville	1/19/95	3.700%	85,000	85,000
Charter Federal Savings Bank, Knoxville	7/22/94	4.050%	10,000,000	10,000,000
National Bank of Commerce, Knoxville	7/15/94	3.500%	1,000,000	1,000,000
National Bank of Commerce, Knoxville	7/15/94	3.500%	1,000,000	1,000,000
National Bank of Commerce, Knoxville	8/5/94	3.500%	2,000,000	2,000,000
National Bank of Commerce, Knoxville	9/8/94	3.300%	2,000,000	2,000,000
National Bank of Commerce, Knoxville	9/8/94	3.300%	1,000,000	1,000,000
National Bank of Commerce, Knoxville	10/27/94	3.400%	5,000,000	5,000,000
National Bank of Commerce, Knoxville	12/22/94	3.700%	3,000,000	3,000,000
National Bank of Commerce, Knoxville	1/6/95	3.700%	1,000,000	1,000,000
National Bank of Commerce, Knoxville	1/26/95	3.500%	2,000,000	2,000,000
National Bank of Commerce, Knoxville	1/26/95	3.500%	5,000,000	5,000,000
National Bank of Commerce, Knoxville	2/3/95	3.500%	2,000,000	2,000,000
National Bank of Commerce, Knoxville	7/25/94	4.050%	3,000,000	3,000,000
National Bank of Commerce, Knoxville	12/23/94	4.650%	1,000,000	1,000,000
Citizens Bank, Lafayette	7/18/94	3.200%	250,000	250,000
Citizens Bank, Lafayette	7/5/94	3.250%	100,000	100,000
Citizens Bank, Lafayette	11/22/94	4.750%	500,000	500,000
Citizens Bank, Lafayette	8/23/94	3.750%	100,000	100,000
First Federal Savings & Loan, Lafollette	7/26/94	3.500%	100,000	100,000
NationsBank, Lawrenceburg	5/26/95	5.400%	200,000	200,000
First National Bank, Lenoir City	11/29/94	4.750%	100,000	100,000
First National Bank, Lenoir City	8/22/94	3.400%	300,000	300,000

(Continued)

State Cash Portfolio

	Maturity	Coupon	Par Value	Market Value
First National Bank, Lenoir City	10/21/94	4.300%	\$ 200,000	\$ 200,000
First Central Bank, Lenoir City	8/19/94	3.400%	500,000	500,000
First Central Bank, Lenoir City	8/17/94	4.350%	500,000	500,000
The Farmers Bank, Lynchburg	9/12/94	4.350%	270,000	270,000
Volunteer Federal Savings & Loan, Madisonville	1/25/95	3.500%	100,000	100,000
Coffee County Bank, Manchester	8/12/94	3.500%	350,000	350,000
Coffee County Bank, Manchester	12/29/94	3.700%	280,000	280,000
Planter Bank, Maury City	10/28/94	3.400%	100,000	100,000
Planter Bank, Maury City	1/24/95	3.500%	200,000	200,000
Boatmens Bank of Tennessee, Memphis	8/8/94	3.400%	5,000,000	5,000,000
Boatmens Bank of Tennessee, Memphis	8/2/94	3.200%	10,000,000	10,000,000
Boatmens Bank of Tennessee, Memphis	10/31/94	3.300%	10,000,000	10,000,000
Enterprise National Bank, Memphis	1/25/95	3.500%	500,000	500,000
Enterprise National Bank, Memphis	3/21/95	4.400%	500,000	500,000
First Commercial Bank, Memphis	9/19/94	4.000%	1,000,000	1,000,000
First Commercial Bank, Memphis	8/17/94	4.350%	1,000,000	1,000,000
National Bank of Commerce, Memphis	7/21/94	3.500%	5,000,000	5,000,000
National Bank of Commerce, Memphis	7/6/94	3.500%	5,000,000	5,000,000
National Bank of Commerce, Memphis	8/5/94	3.500%	5,000,000	5,000,000
National Bank of Commerce, Memphis	8/12/94	3.500%	5,000,000	5,000,000
National Bank of Commerce, Memphis	9/8/94	3.300%	5,000,000	5,000,000
National Bank of Commerce, Memphis	9/8/94	3.300%	10,000,000	10,000,000
National Bank of Commerce, Memphis	9/30/94	3.300%	10,000,000	10,000,000
National Bank of Commerce, Memphis	10/20/94	3.300%	5,000,000	5,000,000
National Bank of Commerce, Memphis	10/27/94	3.400%	20,000,000	20,000,000
National Bank of Commerce, Memphis	1/6/95	3.700%	25,000,000	25,000,000
National Bank of Commerce, Memphis	2/2/95	3.500%	20,000,000	20,000,000
National Bank of Commerce, Memphis	2/3/95	3.500%	10,000,000	10,000,000
National Bank of Commerce, Memphis	7/6/94	3.700%	20,000,000	20,000,000
National Bank of Commerce, Memphis	7/13/94	3.700%	10,000,000	10,000,000
National Bank of Commerce, Memphis	8/9/94	4.500%	25,000,000	25,000,000
National Bank of Commerce, Memphis	11/21/94	4.750%	5,000,000	5,000,000
National Bank of Commerce, Memphis	11/22/94	4.750%	25,000,000	25,000,000
National Bank of Commerce, Memphis	12/9/94	4.750%	5,000,000	5,000,000
National Bank of Commerce, Memphis	12/23/94	4.650%	10,000,000	10,000,000
National Bank of Commerce, Memphis	7/29/94	4.250%	20,000,000	20,000,000
National Bank of Commerce, Memphis	11/9/94	5.000%	10,000,000	10,000,000
United American Bank, Memphis	8/5/94	3.500%	1,000,000	1,000,000
Tennessee Bank & Trust, Millington	10/4/94	4.050%	1,200,000	1,200,000
Tennessee Bank & Trust, Millington	7/7/94	3.500%	500,000	500,000
Tennessee Bank & Trust, Millington	7/15/94	3.500%	200,000	200,000
Tennessee Bank & Trust, Millington	11/2/94	3.400%	500,000	500,000
Tennessee Bank & Trust, Millington	8/8/94	3.500%	500,000	500,000
Tennessee Bank & Trust, Millington	8/9/94	3.500%	500,000	500,000
Tennessee Bank & Trust, Millington	9/23/94	4.000%	1,000,000	1,000,000
Tennessee Bank & Trust, Millington	9/27/94	4.000%	750,000	750,000
Tennessee Bank & Trust, Millington	7/27/94	4.050%	1,000,000	1,000,000
Tennessee Bank & Trust, Millington	11/15/94	4.750%	1,000,000	1,000,000
First City Bank, Murfreesboro	9/2/94	4.350%	2,000,000	2,000,000
First City Bank, Murfreesboro	9/2/94	4.350%	5,000,000	5,000,000
First City Bank, Murfreesboro	9/6/94	4.350%	10,000,000	10,000,000
First City Bank, Murfreesboro	8/17/94	4.350%	5,000,000	5,000,000
First Federal FSB, Nashville	10/11/94	4.050%	85,000	85,000
National Bank of Commerce, Nashville	7/15/94	3.500%	1,000,000	1,000,000

(Continued)

State Cash Portfolio

	Maturity	Coupon	Par Value	Market Value
National Bank of Commerce, Nashville	7/21/94	3.500%	\$ 5,000,000	\$ 5,000,000
National Bank of Commerce, Nashville	7/15/94	3.500%	1,000,000	1,000,000
National Bank of Commerce, Nashville	8/5/94	3.500%	2,000,000	2,000,000
National Bank of Commerce, Nashville	8/24/94	3.500%	2,000,000	2,000,000
National Bank of Commerce, Nashville	9/8/94	3.300%	1,000,000	1,000,000
National Bank of Commerce, Nashville	9/8/94	3.300%	1,000,000	1,000,000
National Bank of Commerce, Nashville	10/27/94	3.400%	5,000,000	5,000,000
National Bank of Commerce, Nashville	1/6/95	3.700%	1,000,000	1,000,000
National Bank of Commerce, Nashville	2/3/95	3.500%	5,000,000	5,000,000
Southtrust Bank, Nashville	7/15/94	4.050%	1,500,000	1,500,000
Southtrust Bank, Nashville	9/6/94	4.350%	4,000,000	4,000,000
Southtrust Bank, Nashville	9/13/94	4.250%	2,400,000	2,400,000
Southtrust Bank, Nashville	9/13/94	4.250%	400,000	400,000
The Bank of Nashville	8/26/94	3.400%	500,000	500,000
The Bank of Nashville	8/5/94	4.150%	2,000,000	2,000,000
The Bank of Nashville	9/21/94	4.250%	2,000,000	2,000,000
The Bank of Nashville	7/14/94	4.250%	1,000,000	1,000,000
First American National Bank, Nashville	10/3/94	4.050%	15,000,000	15,000,000
First American National Bank, Nashville	10/3/94	4.050%	15,000,000	15,000,000
Newport Federal Savings & Loan	1/6/95	3.700%	500,000	500,000
Newport Federal Savings & Loan	3/31/95	4.400%	300,000	300,000
Oakland Deposit Bank	4/13/95	4.600%	100,000	100,000
Commercial Bank, Obion	9/30/94	3.300%	200,000	200,000
First National Bank, Oneida	7/22/94	3.500%	500,000	500,000
First National Bank, Oneida	9/16/94	3.300%	500,000	500,000
First National Bank, Pikeville	9/23/94	3.300%	300,000	300,000
First National Bank, Pulaski	2/10/95	3.900%	700,000	700,000
First National Bank, Pulaski	2/17/95	3.900%	300,000	300,000
Bank of Ripley	10/28/94	3.400%	100,000	100,000
Bank of Ripley	12/2/94	3.700%	150,000	150,000
Bank of Ripley	9/12/94	3.400%	100,000	100,000
Bank of Ripley	7/19/94	3.250%	200,000	200,000
Bank of Ripley	8/12/94	3.500%	100,000	100,000
First Union Bank, Rogersville	7/5/94	3.250%	1,100,000	1,100,000
First Union Bank, Rogersville	7/8/94	3.700%	550,000	550,000
First Union Bank, Rogersville	7/20/94	4.050%	1,600,000	1,600,000
Hardin County Bank, Savannah	10/14/94	3.300%	100,000	100,000
Hardin County Bank, Savannah	10/21/94	3.300%	200,000	200,000
First Federal Savings & Loan, Selmer	8/16/94	3.500%	300,000	300,000
Charter Federal Savings Bank, Sevierville	12/15/94	3.700%	100,000	100,000
Citizens National Bank, Sevierville	8/24/94	4.350%	2,500,000	2,500,000
Bank of Sharon	7/22/94	3.500%	100,000	100,000
First National Bank, Shelbyville	8/5/94	3.500%	200,000	200,000
Somerville Bank & Trust	9/1/94	3.400%	200,000	200,000
Merchants & Planters Bank, Toone	8/26/94	3.500%	200,000	200,000
Merchants & Planters Bank, Toone	2/17/95	3.900%	200,000	200,000
Bank of Commerce, Trenton	10/21/94	4.300%	1,000,000	1,000,000
Bank of Commerce, Trenton	7/15/94	3.700%	1,000,000	1,000,000
Bank of Commerce, Trenton	12/5/94	4.750%	1,000,000	1,000,000
Reelfoot Bank, Union City	8/24/94	4.350%	1,000,000	1,000,000
Reelfoot Bank, Union City	11/22/94	4.750%	1,000,000	1,000,000
Wayne County Bank, Waynesboro	7/19/94	3.250%	200,000	200,000
Wayne County Bank, Waynesboro	9/23/94	4.250%	900,000	900,000
Wayne County Bank, Waynesboro	8/16/94	3.500%	200,000	200,000

(Continued)

State Cash Portfolio

	Rating	Maturity	Coupon	Par Value	Market Value
Whiteville Bank		11/18/94	3.700%	\$ 350,000	\$ 350,000
Whiteville Bank		8/19/94	3.500%	300,000	300,000
Whiteville Bank		8/25/94	3.500%	500,000	500,000
Whiteville Bank		9/30/94	3.300%	400,000	400,000
Whiteville Bank		10/19/94	3.300%	150,000	150,000
Whiteville Bank		5/18/95	5.600%	500,000	500,000
Whiteville Bank		6/23/95	5.250%	600,000	600,000
<i>Total Certificates of Deposit</i>				\$ 636,520,000	\$ 636,520,000
Repurchase Agreements:					
BA Securities		7/1/94	4.550%	\$ 6,380,000	\$ 6,380,000
BA Securities		7/1/94	4.550%	9,570,000	9,570,000
BA Securities		7/1/94	4.550%	14,510,000	14,510,000
Eastbridge		7/1/94	4.500%	18,000,000	18,000,000
Eastbridge		7/1/94	4.350%	33,150,000	33,150,000
Eastbridge		7/1/94	4.220%	8,000,000	8,000,000
First American National Bank		7/1/94	4.500%	19,000,000	19,000,000
First American National Bank		7/1/94	4.150%	14,500,000	14,500,000
First American National Bank		7/1/94	4.150%	500,000	500,000
<i>Total Repurchase Agreements</i>				\$ 123,610,000	\$ 123,610,000
Commercial Paper:					
AIG Funding, Inc.	A1+	8/31/94	N/A ¹	\$ 17,000,000	\$ 16,872,056
Allianz of America Finance Corp.	A1+	9/20/94	N/A	10,000,000	9,898,183
Asset Security Co-op Corp.	A1+	9/12/94	N/A	15,100,000	14,961,256
A T & T Company	A1	9/13/94	N/A	25,000,000	24,769,792
BMW U.S. Capital Corp.	A1+	8/3/94	N/A	24,697,000	24,594,370
Bowater PLC	A1	7/5/94	N/A	21,500,000	21,487,309
Bowater PLC	A1	7/18/94	N/A	11,000,000	10,975,800
BT Securities Corp.	A1	9/6/94	N/A	15,000,000	14,873,633
ESC Securitization, Inc.	A1+	7/15/94	N/A	25,000,000	24,954,479
ESC Securitization, Inc.	A1+	7/18/94	N/A	25,000,000	24,945,375
Goldman Sachs & Co. Promissory	A1+	8/3/94	4.438%	50,000,000	50,000,000
Hanson Finance PLC	A1	8/17/94	N/A	44,000,000	43,737,760
ITT Hartford Group, Inc.	A1+	7/29/94	N/A	22,800,000	22,720,105
JAL Capital Corp.	A1	8/17/94	N/A	11,200,000	11,133,547
JAL Capital Corp.	A1	9/9/94	N/A	6,800,000	6,740,052
Lincoln National Corp.	A1	7/19/94	N/A	30,000,000	29,932,233
Merrill Lynch & Co. Inc.	A1+	7/6/94	N/A	40,000,000	39,971,533
Mitsui & Co. (USA) Inc.	A1	8/9/94	N/A	10,000,000	9,951,667
Mitsubishi International Corp.	A1+	8/10/94	N/A	15,000,000	14,925,688
Mitsubishi International Corp.	A1+	8/15/94	N/A	22,300,000	22,170,920
Mitsubishi International Corp.	A1+	7/7/94	N/A	10,000,000	9,991,114
Mobil Australia Finance Co, Inc.	A1+	8/31/94	N/A	14,822,000	14,710,448
National Rural Utility Co-op Finance Corp.	A1+	8/18/94	N/A	25,000,000	24,851,979
New South Wales Treasury Corp.	A1+	8/18/94	N/A	30,000,000	29,818,292
New South Wales Treasury Corp.	A1+	8/19/94	N/A	20,000,000	19,876,389
Nomura	A1+	9/13/94	N/A	25,000,000	24,767,187
PREFCO	A1	7/15/94	N/A	20,000,000	19,964,417
Sony Capital Corp.	A1+	7/8/94	N/A	20,000,000	19,980,578
Toshiba America, Inc.	A1	7/13/94	N/A	14,000,000	13,978,514
Weyerhaeuser Mortgage Corp.	A1	7/18/94	N/A	22,000,000	21,953,030
<i>Total Commercial Paper</i>				\$ 642,219,000	\$ 639,507,706
<i>Total Portfolio</i>				\$2,306,749,000	\$ 2,298,958,112

TCRS Portfolio

Domestic Fixed Income Portfolio

	Rating	Coupon	Maturity	Par Value	Market Value
Governments:					
Bonds and Notes:					
Cert. of Accrual Treasury - Ser. T	AAA	N/A	5 15 1996	\$ 34,280,000	\$ 30,667,230.80
Cert. of Accrual Treasury - Ser. T	AAA	N/A	11 15 1996	9,404,000	8,121,200.36
Coupon Treasury Receipts	AAA	N/A	8 15 1997	30,000,000	24,496,200.00
Coupon Treasury Receipts	AAA	N/A	2 15 1998	39,720,000	31,222,303.20
Coupon Treasury Receipts	AAA	N/A	8 15 1998	49,140,000	37,188,660.60
Coupon Treasury Receipts	AAA	N/A	8 15 2004	23,075,400	10,822,131.85
Coupon Treasury Receipts	AAA	N/A	11 15 2003	74,236,964	37,050,183.87
Coupon Treasury Receipts	AAA	N/A	8 15 2003	100,000,000	50,949,000.00
Coupon Treasury Receipts	AAA	N/A	8 15 2004	10,134,000	4,752,744.66
Treasury Invest. Growth Receipts	AAA	N/A	5 15 2005	78,939,000	34,711,846.47
Treasury Invest. Growth Receipts	AAA	N/A	5 15 2000	13,678,000	9,066,462.30
Treasury Invest. Growth Receipts	AAA	N/A	5 15 2000	4,723,875	3,131,220.54
Treasury Invest. Growth Receipts	AAA	N/A	5 15 2000	15,513,500	10,283,123.48
United States Treasury Bonds	AAA	9.125	5 15 2009	25,000,000	27,777,250.00
United States Treasury Bonds	AAA	10.375	11 15 2012	169,000,000	206,840,790.00
United States Treasury Bonds	AAA	12.000	8 15 2013	80,000,000	109,575,200.00
United States Treasury Bonds	AAA	10.750	8 15 2005	172,600,000	215,130,366.00
United States Treasury Bonds	AAA	9.250	2 15 2016	110,000,000	127,015,900.00
United States Treasury Bonds	AAA	8.750	5 15 2017	60,000,000	66,271,800.00
United States Treasury Bonds	AAA	8.125	8 15 2019	122,200,000	127,011,014.00
United States Treasury Bonds	AAA	7.125	2 15 2023	55,000,000	51,484,950.00
United States Treasury Bonds	AAA	6.250	8 15 2023	150,000,000	126,046,500.00
United States Treasury Corpus	AAA	N/A	11 15 2001	76,000,000	42,299,320.00
United States Treasury Notes	AAA	7.875	8 15 2001	117,500,000	121,906,250.00
United States Treasury Notes	AAA	7.250	8 31 1996	49,200,000	50,168,748.00
United States Treasury Notes	AAA	6.375	8 15 2002	10,000,000	9,450,000.00
United States Treasury Notes	AAA	5.625	1 31 1998	31,000,000	29,963,360.00
United States Treasury Notes	AAA	6.250	2 15 2003	54,500,000	50,853,950.00
United States Treasury Notes	AAA	5.125	3 31 1998	46,100,000	43,658,083.00
United States Treasury Notes	AAA	4.750	10 31 1998	7,000,000	6,456,380.00
United States Treasury Notes	AAA	4.750	2 15 1997	59,400,000	57,051,918.00
United States Treasury Notes	AAA	6.000	6 30 1996	100,000,000	99,828,000.00
United States Treasury Strip	AAA	N/A	11 15 1997	35,000,000	27,997,900.00
United States Treasury Strip	AAA	N/A	2 15 1998	33,500,000	26,294,485.00
United States Treasury Strip	AAA	N/A	8 15 1998	43,300,000	32,719,645.00
United States Treasury Strip	AAA	N/A	2 15 1999	54,500,000	39,730,500.00
United States Treasury Strip	AAA	N/A	2 15 2005	38,000,000	17,106,840.00
United States Treasury Strip	AAA	N/A	8 15 2005	43,000,000	18,564,390.00
United States Treasury Strip	AAA	N/A	5 15 2001	21,000,000	12,851,160.00
United States Treasury Strip	AAA	N/A	5 15 2003	39,900,000	20,797,476.00
United States Treasury Strip	AAA	N/A	5 15 2005	21,061,000	9,286,637.34
United States Treasury Strip	AAA	N/A	5 15 2006	28,100,000	11,386,963.00
<i>Total Bonds and Notes</i>					\$ 2,077,988,083.47

Agencies:

Agency Int'l Development	AAA	9.300	7 1 2020	\$ 25,000,000	\$ 27,465,000.00
Amer. SW Financial CMO 37-C	AAA	9.200	12 1 2006	4,913,414	5,002,493.78
Farmers Home Administration	AAA	8.750	11 26 1994	50,636	50,636.26
Farmers Home Administration	AAA	5.750	6 30 1999	21,889	19,932.33
Farmers Home Administration	AAA	5.750	6 29 2001	158,629	160,684.56
Farmers Home Administration	AAA	8.500	8 28 1994	99,511	99,510.53
Federal Farm Credit MT Notes	AAA	8.875	10 1 1999	10,000,000	10,125,000.00

(Continued)

TCRS Portfolio

Domestic Fixed Income Portfolio

	Rating	Coupon	Maturity	Par Value	Market Value
F H A AND V A Mortgages	AAA	5.250	11 1 1995	\$ 9,232	\$ 8,096.93
F H A AND V A Mortgages	AAA	6.000	10 1 1997	34,579	30,348.56
FHLMC 125 A	AAA	8.750	3 15 2000	62,939,074	64,316,180.53
FHLM REMIC 1141 F PAC	AAA	8.500	10 15 2020	40,000,000	41,150,000.00
FHLMC REMIC Series 1166-PG	AAA	8.000	2 15 2020	14,500,000	14,767,235.00
FHLMC 1415 M	AAA	6.750	2 15 2006	20,000,000	19,143,600.00
FHLM REMIC 1398-F	AAA	6.000	12 15 2005	15,890,000	14,514,402.70
FHLM REMIC 1414 G	AAA	6.250	7 15 2006	10,000,000	9,290,600.00
FHLM REMIC 1417G	AAA	6.500	7 15 2006	5,000,000	4,714,050.00
FHLM REMIC 1409 Y3	AAA	6.750	2 15 2006	10,000,000	9,571,800.00
FHLMC G-93 Series 13	AAA	6.000	3 25 2018	20,000,000	18,131,200.00
FHLMC REMIC 1546 Y7	AAA	7.000	12 15 2022	10,000,000	9,162,500.00
FHLMC 1560 PE	AAA	6.000	11 15 2016	30,000,000	27,937,500.00
FHLMC Cap Deb.	AAA	7.950	4 3 1995	20,000,000	20,343,000.00
FHLMC 1564-E	AAA	6.000	4 15 2005	27,662,500	26,002,750.00
FHLMC B PC#220007	AAA	8.750	8 1 2001	3,518,167	3,523,655.34
FHLMC PC #220010	AAA	8.750	8 1 2001	6,664,645	6,675,041.96
FNMA Deb.	AAA	N/A	7 5 2014	148,500,000	29,560,410.00
FNMA Deb.	AAA	9.150	9 10 1997	20,000,000	20,162,400.00
FNMA REMIC Trust 90-69-Z2	AAA	N/A	6 25 2020	23,307,486	24,283,370.29
FNMA REMIC 1991-82 PL	AAA	7.000	12 25 2020	30,000,000	29,090,400.00
FNMA REMIC 1991 86 Z	AAA	N/A	7 25 2021	14,206,846	11,458,673.98
FNMA 1991 141 PX Z	AAA	N/A	7 25 2018	14,875,000	14,665,708.75
FNMA REMIC 1991-113 Z	AAA	N/A	12 25 2004	5,592,000	5,448,677.04
FNMA REMIC GNMA 27 H PAC	AAA	8.500	9 25 2020	30,377,500	30,586,193.43
FNMA REMIC #91116 Z	AAA	N/A	9 25 2021	11,670,127	11,783,094.23
FNMA REMIC SER 91-160-ZB	AAA	N/A	11 25 2020	22,274,080	21,557,077.36
FNMA REMIC 92-10-ZA	AAA	N/A	9 25 2018	21,760,000	21,222,745.60
FNMA REMIC 1992 171ZA	AAA	N/A	2 25 2019	15,917,209	14,638,738.74
FNMA REMIC 1992-186 G	AAA	6.000	1 25 2006	8,605,000	7,878,910.10
FNMA REMIC 1992-193 GA	AAA	6.500	11 25 2007	10,000,000	9,400,000.00
FNMA REMIC 93-17 Z3	AAA	N/A	1 25 2016	14,238,000	12,983,205.06
FNMA	AAA	6.400	1 13 2004	15,000,000	13,542,150.00
FNMA 1994-M1 A2	AAA	6.500	10 25 2003	22,477,000	20,594,551.25
FNMA REMIC 1988-8-Z	AAA	N/A	4 25 2018	15,130,911	15,934,664.99
FNMA REMIC 89-81 E	AAA	9.000	3 25 2019	21,000,000	21,623,280.00
FNMA #50945	AAA	6.000	12 1 2023	30,391,470	26,459,421.27
FNMA #109011	AAA	6.350	1 1 2004	17,929,982	16,293,870.96
FNMA MT Notes	AAA	6.270	4 1 1999	10,000,000	10,028,500.00
FNMA #268927	AAA	6.500	1 1 2024	30,074,517	27,085,711.14
GMAC 92-F	AAA	4.500	9 15 1997	31,832,924	31,405,089.73
GMAC 1994-A Grantor Trust	AAA	6.300	6 15 1999	50,000,000	49,843,500.00
GNMA #376400	AAA	6.500	2 15 2024	38,974,653	34,541,285.80
Government Trust Certificates	AAA	9.250	11 15 2001	50,000,000	54,089,500.00
Government Trust Certificates	AAA	9.400	5 15 2002	20,000,000	21,716,200.00
International Bk. for Rec. & Dev. MT Notes	Aaa	10.030	9 15 1997	5,000,000	5,429,300.00
International Bk. for Rec. & Dev. MT Notes	Aaa	9.320	10 29 2003	10,000,000	11,063,800.00
International Bk. for Rec. & Dev. MT Notes	Aaa	9.570	11 1 2018	10,000,000	11,552,200.00
International Bk. for Rec. & Dev. Bonds	Aaa	8.875	3 1 2026	12,000,000	13,159,920.00
International Bk. for Rec. & Dev. Bonds	Aaa	8.625	10 15 2016	49,000,000	51,584,750.00
National Archive	Aaa	8.500	9 1 2019	18,678,451	19,331,262.51
Rural Electric Co-Op Certificate	Aaa	9.200	9 30 2001	20,000,000	20,412,800.00
Ryan Mtg. CMO IV 8-C	Aaa	9.000	9 1 2007	3,409,087	3,444,234.89

(Continued)

TCRS Portfolio

Domestic Fixed Income Portfolio

	Rating	Coupon	Maturity	Par Value	Market Value
Salomon Capital CMO Ser. 85-32	Aaa	8.625	10 1 2004	\$ 4,440,001	\$ 4,462,200.88
US SBA PC Series SBIC 1986A	Aaa	8.750	9 1 1996	7,462,420	7,672,562.02
US SBA PC Series 1987 A	Aaa	7.950	2 1 1997	2,988,016	3,033,254.26
US SBA PC SBIC 1990-10 D	Aaa	8.700	12 1 2000	11,000,000	11,408,760.00
Navy Dept. - US Government Cert.	Aaa	8.625	12 15 2013	8,000,000	8,067,520.00
<i>Total Agencies</i>					\$ 1,110,705,112.76
<i>Total Governments</i>					\$ 3,188,693,196.23
Corporates:					
AT & T Capital MT Notes	Aa3	8.800	7 15 1994	\$ 6,000,000	\$ 6,004,860.00
AT & T Capital MT Notes	Aa3	7.240	7 29 2002	8,500,000	8,313,765.00
Air Products and Chemicals MT Notes	A1	6.210	3 17 1999	25,000,000	23,869,250.00
Allstate Notes	A2	5.875	6 15 1998	22,000,000	20,797,260.00
Alltel Corp	A2	9.500	3 1 2021	7,000,000	7,704,970.00
American General Finance	A1	6.875	1 15 2000	25,000,000	24,122,500.00
American Home Products	A2	6.500	10 15 2002	35,000,000	32,677,400.00
Ameritech Capital Funding	Aa2	4.862	8 12 1994	61,250,000	61,250,000.00
Anheuser Busch Co.	A1	8.750	12 1 1999	11,500,000	12,105,705.00
Anheuser Busch Co.	A1	6.900	10 1 2002	10,000,000	9,434,500.00
Arkla, Inc.	Ba2	8.900	12 15 2006	14,000,000	13,370,000.00
Associates Corp.	A1	6.625	11 15 1997	16,755,000	16,461,955.05
Associates Corp.	A1	6.000	6 15 2000	25,000,000	23,084,500.00
Arco	A2	9.125	3 1 2011	10,000,000	10,648,200.00
BP America Corp.	A1	10.000	7 1 2018	13,000,000	14,327,040.00
Bear Stearns Co.	A2	6.500	6 15 2000	20,250,000	18,900,540.00
Bear Stearns Co.	A2	4.734	8 22 1994	50,000,000	50,000,000.00
Bell Tel Co. Pennsylvania	AA2	7.700	1 15 2023	15,000,000	13,480,500.00
Bell South Telecommunications	Aaa	7.875	8 1 2032	37,500,000	35,265,750.00
Bell South Telecommunications	Aaa	6.750	10 15 2033	35,000,000	28,798,700.00
Boeing Co.	A1	8.100	11 15 2006	62,000,000	62,781,200.00
Branch Bank & Trust MT Notes	A2	4.750	5 15 1996	17,575,000	17,020,157.25
Branch Bank & Trust MT Notes	A2	4.840	8 23 1996	20,000,000	19,321,800.00
British Gas Finance	Aa2	8.750	3 15 1998	10,000,000	10,476,100.00
CSX Corp. SEC Notes	A3	8.400	8 1 1996	11,000,000	11,342,650.00
Cajun Electric Co-Op, Inc.	Aaa	9.520	3 15 2019	3,000,000	3,327,480.00
Cajun Electric Power	Aa2	8.920	3 15 2019	7,500,000	7,902,600.00
Case Equipment Loan TR 1994-A	Aaa	4.650	8 15 1999	30,000,000	29,329,500.00
Central Illinois Light Co.	Aa2	7.500	1 15 2007	10,000,000	9,703,000.00
Citizens Utilities Corp.	Aa1	8.450	9 1 2001	5,000,000	5,123,650.00
Consolidated Edison	Aa3	9.375	6 1 2026	5,000,000	5,507,900.00
Consolidated Natural Gas	A1	8.625	12 1 2011	9,555,000	9,989,848.05
Dayton Power and Light	A1	7.875	2 15 2024	10,300,000	9,823,110.00
Dean Witter Discover	A2	6.000	3 1 1998	12,000,000	11,496,720.00
Duke Power Co.	Aa2	8.750	3 1 2021	28,000,000	27,648,320.00
Farmers Insurance Group	A2	8.250	7 15 1996	21,000,000	21,548,100.00
Financial Assistance Credit	Aaa	8.800	6 10 2005	10,000,000	10,906,200.00
Florida Power and Light	A2	7.625	6 1 2024	19,600,000	17,771,516.00
Ford Motor Holdings Notes	A2	9.250	3 1 2000	40,000,000	42,717,200.00
Ford Credit Grantor Trust	A2	4.850	1 15 1998	10,191,824	10,067,585.74
Ford Motor Co. 1993-A6	A2	5.930	1 1 2000	30,016,000	27,602,713.60
Ford Motor Credit	A2	8.000	6 15 2002	48,500,000	48,474,295.00
Ford Motor Credit	A2	7.500	1 15 2003	10,000,000	9,678,400.00
Ford Motor Credit	A2	6.375	12 15 2005	12,000,000	10,465,680.00

(Continued)

TCRS Portfolio**Domestic Fixed Income Portfolio**

	Rating	Coupon	Maturity	Par Value	Market Value
Ford Motor Credit	A2	5.625	3 3 1997	\$ 25,000,000	\$ 24,196,000.00
Ford Motor Credit MT Notes	A2	9.700	10 6 1998	14,400,000	15,552,720.00
Ford Motor Credit MT Notes	A2	4.918	9 26 1994	50,000,000	50,000,000.00
GTE Finance MT Notes	Baa1	9.680	2 18 1999	10,000,000	10,655,400.00
GTE Corp.	Baa1	10.250	11 1 2020	20,000,000	22,706,800.00
GTE Corp.	Baa1	9.100	6 1 2003	12,000,000	12,805,920.00
GTE Florida, Inc.	A2	6.310	12 15 2002	30,000,000	27,254,100.00
GE Capital Corp. MT Notes	Aaa	6.440	12 16 1997	20,000,000	19,675,000.00
GE Capital Re-set	Aaa	8.650	5 1 2018	10,000,000	10,358,200.00
GE Capital Corp.	Aaa	7.875	11 22 2004	15,000,000	15,045,900.00
GE Capital Corp.	Aaa	5.625	1 15 1995	20,000,000	20,015,400.00
GE Credit Corp.	Aaa	8.125	5 15 2012	36,400,000	36,395,632.00
GE Capital Corp. MT Notes	Aaa	8.875	5 15 2009	21,500,000	23,430,700.00
GE Capital Corp. MT Notes	Aaa	6.290	11 5 1997	24,300,000	23,822,262.00
GE Capital Corp. MT Notes	Aaa	6.875	4 15 2000	25,000,000	24,500,000.00
General Mill MT Notes	A1	9.050	12 15 2000	14,125,000	15,244,547.50
GMAC Notes	Baa1	8.750	2 1 1996	25,000,000	25,773,250.00
GMAC MT Notes	Baa1	7.500	10 15 1995	20,725,000	20,982,197.25
GMAC	Baa1	7.000	8 15 1997	29,800,000	29,548,488.00
GMAC MT Notes	Baa1	7.850	11 17 1997	57,000,000	57,766,080.00
GMAC	Baa1	4.200	7 16 1994	25,000,000	25,000,000.00
General Motors	Baa1	7.625	2 15 1997	10,000,000	10,078,300.00
General Tel Northwest	A2	8.750	4 15 2016	2,957,000	2,897,860.00
Georgia Power	A3	6.000	3 1 2000	19,000,000	17,736,690.00
Gulf Power Co.	A2	8.750	12 1 2021	5,000,000	5,185,000.00
Gulf Power Co.	A2	5.550	4 1 1998	11,400,000	10,790,100.00
Halliburton Co.	A2	8.750	2 15 2021	18,000,000	18,471,240.00
IBM Credit	Aaa	4.550	11 15 2000	33,482,706	32,802,671.98
Illinois Bell Tel	Aa1	7.625	4 1 2006	17,500,000	16,837,450.00
Illinois Bell Tel	Aa1	8.500	4 22 2026	5,000,000	4,860,650.00
Illinois Bell Tel	Aa1	7.250	3 15 2024	37,500,000	33,504,750.00
Intl Lease Finance Corp.	A2	5.625	3 1 1998	25,000,000	23,832,750.00
KFW International Finance	Aaa	7.200	3 15 2014	30,000,000	27,184,200.00
BP Exploration Alaska	A1	7.875	5 1 2001	54,294,000	54,334,720.50
Kentucky Utilities	Aa2	5.950	6 15 2000	10,000,000	9,310,300.00
MCA Funding	Aa2	4.480	8 13 1996	28,000,000	26,930,400.00
MCA MT Notes	Aa2	5.150	10 5 1998	20,000,000	18,420,000.00
Merrill Lynch Notes	A1	6.375	9 8 2006	10,000,000	8,580,300.00
Merrill Lynch & Co.	A1	4.685	8 22 1994	50,000,000	50,000,000.00
Michigan Bell Tel	Aa1	7.500	2 15 2023	17,300,000	15,938,490.00
McCormick & Co., Inc MT Notes	A2	6.100	11 17 2005	10,000,000	8,644,900.00
NationsBank Corp.	A2	4.750	8 15 1996	20,000,000	19,281,800.00
Northern Illinois Gas	Aa1	9.000	7 1 2019	9,000,000	9,524,790.00
Northern States Power	A1	9.125	7 1 2019	9,900,000	10,557,360.00
Norwest Financial Inc.	Aa3	6.000	2 1 2004	20,000,000	17,588,200.00
Ohio Bell Tel	Aaa	7.850	12 15 2022	35,000,000	34,132,000.00
Pacific Bell	Aa3	8.500	8 15 2031	36,000,000	34,932,240.00
Pacific Bell Tel	Aa3	7.750	9 15 2032	15,000,000	13,881,750.00
Pacific Bell Tel	Aa3	7.375	6 15 2025	10,000,000	8,898,500.00
Pacific Gas & Electric	Aa3	5.375	8 1 1998	20,000,000	18,823,200.00
Pacific Tel & Tel	Aa3	7.800	3 1 2007	20,000,000	19,412,800.00
Pacific Tel Capital MT Notes	A1	9.320	5 22 1995	10,000,000	10,299,200.00
Pacific Tel Capital	A1	8.950	6 20 1995	15,000,000	15,427,200.00

(Continued)

TCRS Portfolio

Domestic Fixed Income Portfolio

	Rating	Coupon	Maturity	Par Value	Market Value
Pennsylvania Power & Light	A2	9.250	10 1 2019	\$ 21,800,000	\$ 22,620,116.00
Phillip Morris	A1	8.750	11 15 1994	20,000,000	20,227,200.00
Potomac Electric Capital MT Notes	A3	9.870	7 30 1998	10,000,000	10,693,800.00
Potomac Electric Capital MT Notes	A3	9.500	1 10 1995	10,000,000	10,200,600.00
Potomac Electric Capital MT Notes	A3	9.800	1 20 1998	10,000,000	10,835,300.00
Potomac Electric Capital MT Notes	A3	9.690	8 11 1997	10,000,000	10,590,600.00
Premier Auto Trust 1993-2 A3	AAA	4.900	10 15 1998	9,038,104	8,755,663.09
Premier Auto Trust 1993-3	AAA	4.900	12 15 1998	29,999,804	28,987,310.94
Premier Auto Trust 1993-5	AAA	4.220	3 2 1999	19,315,313	18,675,396.70
Premier Auto Trust 1993-6 A2	AAA	4.650	11 2 1999	9,999,935	9,693,636.99
Proctor & Gamble Gtd. Notes	Aa2	9.360	1 1 2021	37,000,000	41,257,960.00
Provident Life Capital Corp.	A2	10.000	11 1 1997	25,000,000	25,342,500.00
PSEG Capital Corp. MT Notes	Baa1	9.300	11 13 1995	20,000,000	20,914,000.00
Savannah Electric & Power	A1	9.250	10 1 2019	4,825,000	5,154,837.00
Sears Credit Acct. Trust	Aaa	8.600	5 15 1998	20,000,000	20,668,600.00
Shell Oil Co.	Aa2	6.000	1 15 1997	15,000,000	14,730,600.00
Sony USA Capital Corp. MT Notes	A1	7.400	7 9 1999	26,000,000	25,754,560.00
Sony USA Capital Corp. MT Notes	A1	5.970	4 14 1998	28,000,000	26,717,320.00
South Central Bell	Aaa	8.250	3 1 2017	10,000,000	9,739,800.00
Southern Bell Tel	Aaa	7.375	7 15 2010	35,000,000	32,517,100.00
Southern Bell Tel	Aaa	8.625	9 1 2026	46,500,000	45,579,765.00
Southern Bell Tel	Aaa	8.750	11 1 2024	8,000,000	8,096,960.00
Southern California Edison	Aa3	8.375	12 1 2017	10,000,000	9,426,700.00
Southern California Edison	Aa3	8.875	5 1 2023	19,000,000	19,152,000.00
Southern California Edison	Aa3	8.875	6 1 2024	10,000,000	10,614,900.00
Southern California Gas	A2	6.875	11 1 2025	10,000,000	8,342,200.00
Southwestern Bell Tel	A1	7.625	3 1 2023	22,000,000	20,473,420.00
Southwestern Bell Tel	A1	7.000	7 1 2015	21,500,000	19,268,730.00
Standard Credit Corp. Master TR 91-4A	AAA	8.000	10 7 1997	10,000,000	10,259,300.00
Standard Credit Corp. Master TR 93-2	AAA	5.950	10 7 2004	20,000,000	17,506,200.00
Standard Credit Corp. Master TR 94-1	AAA	4.650	3 7 1999	20,000,000	18,937,400.00
Standard Credit Card Master	AAA	7.250	4 7 2006	20,000,000	18,743,600.00
Standard Oil Ohio (BP)	A1	6.300	7 1 2001	10,000,000	9,259,200.00
Standard Oil Ohio (BP)	A1	9.000	6 1 2019	15,000,000	15,499,200.00
TECO Finance, Inc. MT Notes	Aa3	6.450	11 5 1997	20,000,000	19,563,200.00
TVA	AAA	8.625	11 15 2029	58,000,000	58,862,460.00
TVA Notes	AAA	4.600	12 15 1996	30,000,000	28,716,000.00
Toyota Motor Credit	Aaa	7.100	8 15 1994	15,000,000	15,040,500.00
The Travelers, Inc.	A2	7.625	1 15 1997	18,270,000	18,430,227.90
U S West	Aa3	6.875	9 15 2033	33,500,000	27,635,155.00
Washington Gas Light	Aa3	8.750	7 1 2019	15,000,000	15,646,050.00
Weyerhaeuser Co.	A2	7.500	3 1 2013	30,000,000	27,852,300.00
Wisconsin Electric Power	AA2	7.700	12 15 2027	10,000,000	9,187,700.00
Wisconsin Electric Power	AA2	7.750	1 15 2023	5,000,000	4,837,600.00
Zions Auto Trust 1993-1 A2	AAA	4.650	6 15 1999	7,281,382	7,183,520.09
<i>Subtotal Corporates</i>					\$ 2,828,662,718.63
Convertible Corporates:					
AST Research Conv.	B2	N/A		\$ 12,000,000	\$ 3,510,000.00
Arch Communications Conv.	NR	6.750		1,000,000	1,050,000.00
Bank of New York Conv.	Baa1	7.500		5,500,000	8,360,000.00
Browning Ferris, Inc. Conv.	A3	6.750		5,000,000	4,800,000.00
Century Tel Enterprises Conv.	Baa1	6.000		3,500,000	3,832,500.00

(Continued)

TCRS Portfolio

Domestic Fixed Income Portfolio

	Rating	Coupon	Par Value	Market Value
Chiron Corp. Conv.	Ba3	1.900	\$ 4,000,000	\$ 2,700,000.00
Chubb Corp. Conv.	Aa3	6.000	5,000,000	5,200,000.00
Comcast Corp. Conv.	B1	3.375	5,000,000	4,437,500.00
Consolidated Natural Gas Conv.	A2	7.250	3,000,000	3,060,000.00
Fed. Department Stores Conv.	Ba3	N/A	2,500,000	2,387,500.00
General Instruments Conv.	B1	5.000	3,500,000	4,611,250.00
Haagen, Alexander Properties	NR	7.500	4,000,000	3,980,000.00
Hasbro Conv.	A3	6.000	4,500,000	4,995,000.00
Integrated Health Services, Inc.	B2	6.000	4,000,000	4,340,000.00
Laidlaw, Inc. Conv.	NR	6.000	4,000,000	4,160,000.00
Magnetek, Inc. Conv.	B2	8.000	5,000,000	5,237,500.00
Mark IV Industries Conv.	B1	6.250	4,250,000	5,992,500.00
McKesson Corp. Conv.	A3	4.500	3,000,000	2,947,500.00
Mead Corp. Conv.	BBB	6.750	3,000,000	3,052,500.00
Omincom Group, Inc. Conv.	Baa3	4.500	5,000,000	5,100,000.00
Pennzoil Co. Conv.	BBB	4.750	5,500,000	4,785,000.00
Proffitt's Inc. Conv.	B2	4.750	3,500,000	2,520,000.00
Seagate Technology Corp. Conv.	NR	5.000	5,000,000	4,587,500.00
Service Corp. Intl Conv.	Baa1	6.500	5,000,000	6,650,000.00
Silicon Graphics, Inc. Conv.	B1	N/A	8,500,000	3,697,500.00
Synder Oil Corp. Conv.	B1	7.000	3,000,000	3,090,000.00
Sports & Recreation, Inc. Conv.	B2	4.250	3,500,000	3,762,500.00
Sterling Software Inc. Conv.	B1	5.750	3,500,000	4,200,000.00
Time Warner, Inc. Conv.	Ba3	8.750	18,000,000	18,090,000.00
Toll Corp. Conv.	Ba3	4.750	3,000,000	2,400,000.00
Trenwick Group, Inc. Conv.	Baa3	6.000	4,000,000	4,080,000.00
Turner Broadcast System Conv.	B1	N/A	8,000,000	3,150,000.00
Western Co. N America Conv.	B3	7.250	4,000,000	3,820,000.00
<i>Subtotal Convertible Corporates</i>				\$ 148,586,250.00
<i>Total Corporates</i>				\$ 2,977,248,968.63
<i>Total Domestic Fixed Income Portfolio</i>				\$ 6,165,942,164.86

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

International Fixed Income Portfolio

	Rating	Coupon	Maturity	Par Value	Market Value
Governments:					
African Development Bank	Aaa	11.250	7 23 2001	\$ 5,000,000	\$ 8,503,758.90
Baden Wurttemberg L-Bank	Aaa	6.000	5 10 1999	30,000,000	18,368,177.91
Baden Wurttemberg	Aaa	6.500	1 18 2024	40,000,000	21,263,654.23
BTAN (Bons Du Tresor)	Aaa	8.500	11 12 1996	200,000,000	38,264,630.84
Bundesrepublik	Aaa	8.875	12 20 2000	15,000,000	10,347,180.68
Bundesrepublik	Aaa	9.000	10 20 2000	80,000,000	55,446,360.79
Bundesrepublik	Aaa	8.000	7 22 2002	50,000,000	33,108,213.40
Dutch State Loan	Aaa	8.250	9 15 2007	20,000,000	12,061,834.12
European Investment Bank	Aaa	6.750	5 10 2001	800,000,000	9,184,742.30
European Investment Bank	Aaa	9.875	2 9 2000	50,000,000	10,230,036.59
European Investment Bank	Aaa	4.250	7 16 1998	800,000,000	8,256,941.40
France (Government of)	Aaa	9.500	1 25 2001	200,000,000	41,034,456.66
Gtd. Export Finance Corp.	Aaa	10.625	9 15 2001	5,000,000	8,277,018.75
International Bk. for Rec. & Dev.	Aaa	11.500	11 9 2003	15,000,000	26,162,325.00
International Bk. for Rec. & Dev.	Aaa	4.500	3 20 2003	1,600,000,000	16,271,064.98
International Bk. for Rec. & Dev.	Aaa	4.500	6 20 2000	4,000,000,000	41,260,376.56
International Bk. for Rec. & Dev.	Aaa	4.500	12 22 1997	800,000,000	8,388,974.60
Inter American Develop Bank	Aaa	6.750	2 20 2001	1,550,000,000	17,795,438.21
New South Wales Treasury Corp.	Aaa	11.500	7 1 1999	10,000,000	8,656,826.11
O.A.T. Coupon Strip	Aaa	N/A	4 25 2010	100,000,000	5,493,854.26
O.A.T. Coupon Strip	Aaa	N/A	4 25 2011	100,000,000	5,019,393.36
Platform Mortgage	Aa1	11.750	4 30 2017	2,156,450	3,494,905.08
Province of Manitoba Notes	A1	7.750	2 1 2002	30,000,000	30,144,000.00
Province of Nova Scotia	A2	9.625	1 1 1995	18,000,000	18,306,360.00
Province of Ontario	AA3	7.375	1 27 2003	30,000,000	28,905,000.00
Province of Ontario	AA3	7.625	6 22 2004	35,000,000	34,321,875.00
Province of Quebec	A1	8.625	12 1 2026	20,000,000	19,359,400.00
Province of Quebec	A1	9.375	1 16 2023	45,000,000	34,786,410.24
Queensland Treasury Corp.	Aa2	8.000	7 14 1999	10,000,000	7,553,762.29
Queensland Treasury Corp.	Aa2	8.000	5 14 2003	12,000,000	7,836,231.97
Societe Nat Des Chemins De Fer	Aaa	8.600	3 9 2004	100,000,000	19,399,772.14
UK Conversion Gilt Stock	Aaa	9.000	7 12 2011	5,000,000	7,968,318.75
Victorian Finance Authority	A1	12.500	7 15 2000	7,000,000	5,762,571.37
Total Governments					\$ 621,233,866.49
Corporates:					
Amcor Limited Conv.	NR	9.000	1 1 1999	\$ 10,000,000	\$ 14,613,020.00
Amoco Canada	Aa1	6.750	2 15 2005	12,000,000	11,117,880.00
Amoco Canada	Aa1	6.750	9 1 2023	25,000,000	20,935,250.00
British Tel Finance	Aaa	9.375	2 15 1999	15,000,000	16,143,000.00
CS Holdings Finance Conv.	A2	4.875	11 19 2002	5,000,000	6,534,400.00
Ford Capital	A2	9.875	5 15 2002	30,000,000	33,160,200.00
Hanson America, Inc. Conv.	A2	2.390	3 1 2001	4,500,000	3,341,250.00
Hydro Quebec	A1	8.000	2 1 2013	22,650,000	21,143,775.00
Hydro Quebec MT Notes	A1	9.640	12 29 1997	12,000,000	13,090,560.00
Imperial Oil	Aa1	8.750	10 15 2019	23,500,000	23,681,890.00
Michelin Conv.	NR	2.500	1 1 2001	6,666	311,268.95
Northern Telecom	A2	8.250	6 13 1996	10,000,000	10,262,300.00
Ontaria Hydro Global	Aa3	8.625	2 6 2002	25,000,000	23,738,250.00
Pioneer Concrete Conv.	NR	9.500	6 21 1998	4,000,000	2,961,328.50
Total Corporates					\$ 201,034,372.45
Total International Fixed Income Portfolio					\$ 822,268,238.94
Grand Total Fixed Income Portfolio					\$ 6,988,210,403.80

TCRS Portfolio**Domestic Stock Portfolio**

	Shares	Book Value	Market Value
AMR Corp.	50,000	\$ 2,893,800.00	\$ 2,968,750.00
American Airlines (AMR) Pfd.	200,000	10,047,500.00	8,950,000.00
Arco Chemical Co.	25,000	1,154,080.00	1,134,375.00
A T & T Corp.	600,000	23,484,790.00	32,625,000.00
Abbott Laboratories	400,000	11,987,075.00	11,600,000.00
Aetna Life and Casualty	50,000	2,875,025.10	2,793,750.00
Airtouch Communications	700,000	11,999,658.62	16,537,500.00
Albertsons, Inc.	150,000	4,304,525.00	4,125,000.00
Alco Standard Corp.	233,200	9,750,401.43	13,321,550.00
Alexander & Baldwin, Inc.	325,000	8,732,733.20	8,368,750.00
Allied Signal, Inc.	540,000	14,610,580.20	18,697,500.00
Aluminum Co. of America	205,000	12,872,292.59	14,990,625.00
Alza Corp.	150,000	3,720,591.60	3,525,000.00
Amerada Hess Corp.	655,000	32,574,201.10	32,258,750.00
American Electric Power	525,000	19,816,027.60	14,831,250.00
American Express Pfd. Notes	170,000	6,247,500.00	6,715,000.00
American Federal Bank FSB	50,000	437,500.00	550,000.00
American Medical Holdings	550,000	8,599,058.89	13,750,000.00
American Mobile Satellite Corp.	16,000	336,000.00	200,000.00
American Stores Co.	100,000	2,596,800.00	2,450,000.00
Ameritech Corp.	950,000	31,341,070.90	36,218,750.00
Amgen, Inc.	275,000	13,344,243.40	11,790,625.00
Amoco Corp.	782,500	34,986,112.50	44,504,687.50
Anadarko Petroleum	100,000	4,442,542.00	5,112,500.00
Anheuser Busch	400,000	19,875,040.00	20,300,000.00
Antec Corp.	150,000	3,196,274.50	3,525,000.00
Archer Daniels Midland Co.	625,000	14,773,971.80	14,609,375.00
Asarco, Inc.	100,000	2,573,607.49	2,812,500.00
Ashland Oil Inc.	425,000	13,825,642.30	14,237,500.00
Atlantic Richfield	325,000	30,679,924.40	33,231,250.00
Atlantic Southeast Air	125,000	4,700,608.00	3,031,250.00
Atmel Corp.	200,000	4,903,082.00	4,750,000.00
Autodesk, Inc.	200,000	11,629,797.30	9,900,000.00
Automatic Data Processing	725,000	19,136,275.34	38,515,625.00
Aviall, Inc.	200,000	3,316,238.00	1,750,000.00
Avon Products	100,000	6,055,160.00	5,887,500.00
BB & T Financial Corp.	84,700	2,504,968.95	2,646,875.00
Baker Hughes	110,000	2,003,150.00	2,255,000.00
Baltimore Gas & Electric	100,000	2,677,665.00	2,125,000.00
Bank South Corp.	93,500	1,038,165.50	1,683,000.00
Barnett Bank of Florida	100,000	4,461,552.00	4,375,000.00
Bellsouth Corp.	340,000	18,592,862.00	20,995,000.00
Belo (A.H.) Corp.	100,000	5,098,850.80	4,312,500.00
Ben and Jerry's Ice Cream	38,600	1,046,337.44	651,375.00
Berkshire Hathaway, Inc.	180	2,477,300.00	1,098,000.00
Beverly Enterprises	100,000	1,573,810.00	1,212,500.00
Birmingham Steel Corp.	81,000	2,466,826.40	2,187,000.00
Blockbuster Entertainment	200,000	4,973,892.20	5,175,000.00
Boatmen's Bancshares, Inc.	75,000	2,566,642.50	2,362,500.00
Boeing Company	650,000	25,355,426.40	30,062,500.00
Borden, Inc.	100,000	1,325,376.00	1,237,500.00
Boston Edison Co.	700,000	14,582,930.00	18,462,500.00

(Continued)

TCRS Portfolio
Domestic Stock Portfolio

	Shares	Book Value	Market Value
Bowater, Inc.	100,000	\$ 2,429,820.00	\$ 2,462,500.00
Breed Tech	75,000	3,032,250.00	2,081,250.00
Brinker Intl	100,000	3,245,341.67	2,100,000.00
Bristol Myers Squibb Co.	99,000	5,041,068.50	5,308,875.00
Browning Ferris Industries	666,000	16,723,314.20	20,229,750.00
Brunswick Corp.	150,000	2,935,950.40	3,300,000.00
Burlington Northern, Inc.	50,000	2,740,600.00	2,668,750.00
Burlington Northern Pfd.	100,000	5,558,244.50	6,325,000.00
Burlington Resources	100,000	4,408,690.00	4,137,500.00
CBS	10,000	2,599,063.00	3,130,000.00
Citicorp	475,000	16,456,302.50	18,940,625.00
CSX Corp.	225,000	15,595,801.26	16,987,500.00
Cadence Design Systems, Inc.	105,000	1,443,880.00	1,758,750.00
Campbell Soup Co.	100,000	3,988,450.00	3,437,500.00
Capital Cities ABC, Inc.	400,000	22,929,089.82	28,450,000.00
Carnival Cruise Lines	225,000	9,504,389.60	9,956,250.00
Caterpillar Tractor	250,000	14,176,316.60	25,000,000.00
Ceridian Corp. Conv. Pfd.	100,000	5,000,000.00	5,950,000.00
Champion International Corp.	100,000	3,197,690.40	3,287,500.00
Chemical Banking Conv. Pfd.	80,000	5,198,750.00	6,140,000.00
Chemical Waste Management, Inc.	525,000	4,819,001.20	4,593,750.00
Chevron Corp.	800,000	28,097,782.70	33,500,000.00
Chiquita Brands International	125,000	2,281,219.00	1,515,625.00
Chiron Corp.	50,000	3,252,425.00	2,737,500.00
Chrysler Corp. Conv. Pfd.	100,000	7,101,380.00	13,300,000.00
Chubb Corp.	50,000	4,082,854.05	3,831,250.00
Cidco, Inc.	75,000	1,189,349.50	1,293,750.00
Cigna Corp.	250,000	14,503,655.20	18,250,000.00
Citicorp Conv. Pfd.	350,000	6,933,053.60	6,868,750.00
Clorox Co.	160,000	7,910,107.70	7,820,000.00
Coastal Corp.	525,000	14,562,773.78	14,175,000.00
Coast Cast Corp.	135,000	3,206,250.00	3,442,500.00
Coca-Cola Co.	350,000	8,666,119.06	14,218,750.00
Columbia Gas	275,000	6,575,221.58	7,425,000.00
Columbia HCA Healthcare Corp.	451,300	9,163,984.00	16,923,750.00
Comcast Corp. Class A	565,000	9,234,853.84	10,170,000.00
Commonwealth Edison Co.	426,000	12,709,419.00	9,691,500.00
Community Psychiatric Centers	150,000	2,606,537.50	1,781,250.00
Compaq Computer Co.	450,000	8,785,736.73	14,568,750.00
Computer Assoc. Intl. Inc.	50,000	1,857,650.00	2,000,000.00
Computer Sciences Corp.	425,000	13,741,450.22	17,690,625.00
Conagra, Inc.	350,000	9,786,775.00	10,675,000.00
Conrail Holdings Inc.	50,000	2,849,600.00	2,737,500.00
Conseco, Inc.	100,000	5,697,715.00	4,662,500.00
Consolidated Freight	150,000	4,036,142.71	3,562,500.00
Cooper Tire & Rubber Co.	165,000	4,490,850.00	3,815,625.00
Coral Gables Fedcorp	600,000	9,677,474.25	12,600,000.00
Corning, Inc.	437,500	12,394,823.00	14,273,437.50
Cray Research Inc.	200,000	5,875,549.40	4,525,000.00
Crescent Real Estate Equities	385,000	9,879,612.50	10,395,000.00
Cyprus Minerals Co.	75,000	2,203,575.00	2,231,250.00
Cypress Amax Min Pfd.	100,000	6,010,624.00	6,750,000.00

(Continued)

TCRS Portfolio**Domestic Stock Portfolio**

	Shares	Book Value	Market Value
Dayton Hudson Corp.	50,000	\$ 3,916,700.00	\$ 4,050,000.00
Deere & Co.	282,000	19,018,497.10	19,070,250.00
Delta Airlines, Inc.	99,500	4,482,375.50	4,502,375.00
Digital Equipment	100,000	2,242,500.00	1,950,000.00
Disney (Walt) Co.	650,000	23,755,225.25	27,056,250.00
Dr. Pepper Seven Up Cos.	137,500	3,078,875.00	3,162,500.00
Dollar General Corp.	93,750	579,141.70	2,343,750.00
Dominion Resources, Inc.	200,000	9,193,335.60	7,275,000.00
Dow Chemical	300,000	17,906,949.00	19,612,500.00
Dow Jones & Co., Inc.	100,000	3,974,760.70	3,100,000.00
Dresser Industries	150,000	3,437,890.00	3,075,000.00
Dupont (E.I.) De Nemours	450,000	22,805,812.00	26,212,500.00
Duke Power Company	300,000	12,945,450.00	10,725,000.00
Eastman Chemical Co.	75,000	2,909,317.60	3,581,250.00
El Paso Natural Gas	100,000	4,072,575.00	3,225,000.00
Electric Fuel Corp.	35,000	445,000.00	301,875.00
Emerson Electric Co.	562,000	22,763,466.48	31,963,750.00
Engelhard Corp.	100,000	2,944,710.00	2,525,000.00
Enserch Corp.	350,000	6,192,112.60	5,031,250.00
EQK Realty Investors I	1,250,000	5,781,250.01	2,812,500.00
Equifax, Inc.	500,000	12,737,876.40	14,125,000.00
Equity Inns, Inc.	105,000	1,050,000.00	1,443,750.00
Exxon Corp.	800,000	42,833,276.80	45,400,000.00
FHP Intl Corp Conv. Pfd.	100,000	2,378,745.00	2,450,000.00
Federal Express Corp.	100,000	7,089,399.71	7,475,000.00
Federal Home Loan Mortgage Corp.	417,000	16,449,050.27	25,228,500.00
Federal National Mortgage Corp.	220,000	12,130,508.90	18,370,000.00
Federal Paper Board, Inc.	50,000	1,211,787.50	1,143,750.00
First Brands Corp.	400,000	12,598,712.24	14,650,000.00
First Chicago Corp.	200,000	9,792,880.00	9,625,000.00
First Chicago Corp. Pfd.	100,000	3,625,000.00	3,262,500.00
First Palm Beach	165,000	2,542,872.38	3,026,100.00
First USA, Inc.	100,000	3,820,300.00	3,837,500.00
First USA Corp Conv. Pfd.	100,000	3,187,500.00	3,737,500.00
Fleet Financial Group, Inc.	165,000	6,132,519.30	6,228,750.00
Fluor Corp.	75,000	3,842,300.00	3,806,250.00
Ford Motor Co.	400,000	16,738,935.00	23,600,000.00
Ford Motor Co. Conv. Pfd.	100,000	7,657,375.00	9,700,000.00
Forest Labs, Inc.	50,000	2,368,606.00	2,175,000.00
Foster Wheeler Corp.	440,000	11,262,661.82	16,005,000.00
Freeport MC COP & GLD Conv. Pfd.	100,000	2,486,214.40	2,262,500.00
GATX Corp.	210,000	8,401,536.80	8,505,000.00
Gannett Co.	650,000	28,304,774.15	32,175,000.00
Gap, Inc.	300,000	11,985,910.00	12,825,000.00
Genentech Inc.	425,000	19,638,294.74	20,931,250.00
General Electric Co.	500,000	10,483,998.48	23,312,500.00
General Mills, Inc.	125,000	6,652,850.00	6,828,125.00
General Motors Corp.	550,000	22,058,353.67	27,637,500.00
General Motors Corp. Class E	95,000	3,412,875.00	3,313,125.00
General Motors Corp. Conv. Pfd.	85,000	4,897,106.94	4,791,875.00
General Public Utilities	125,000	3,626,500.08	3,281,250.00
Genesco, Inc.	200,000	1,428,568.53	650,000.00
Gentex	60,000	877,735.00	1,530,000.00

(Continued)

TCRS Portfolio
Domestic Stock Portfolio

	Shares	Book Value	Market Value
Genuine Parts	200,000	\$ 7,395,446.20	\$ 7,225,000.00
Georgia Gulf	50,000	1,132,530.00	1,712,500.00
Georgia Pacific Corp.	100,000	6,010,080.00	5,987,500.00
Gillette Co.	271,000	11,166,323.85	17,648,875.00
Grand Casinos	100,000	3,193,100.00	1,375,000.00
Great Financial Corp.	496,000	7,208,864.00	8,742,000.00
Great Western Fin	325,000	6,593,975.00	5,971,875.00
Grow Group, Inc.	235,000	3,159,026.00	4,083,125.00
Halliburton Co.	413,000	13,979,444.20	13,990,375.00
Handy & Harman	152,300	2,525,415.25	2,132,200.00
Health Mgmt. Assoc., Inc.	150,000	1,940,013.50	3,075,000.00
Healthtrust, Inc.	100,000	1,829,653.35	2,775,000.00
Hechinger Co. Class A	275,000	3,613,100.00	3,781,250.00
Helmerich & Payne	314,500	9,276,789.20	8,334,250.00
Hewlett Packard	110,000	9,232,624.00	8,277,500.00
Hibernia Corp. Class A	261,500	2,074,478.50	2,255,437.50
Hilton Hotels Corp.	100,000	7,310,318.22	5,300,000.00
Home Depot, Inc.	100,000	4,487,100.00	4,212,500.00
Homestake Mining Co.	125,000	2,442,984.10	2,343,750.00
Hospitality Franchise System	350,000	7,334,761.20	8,575,000.00
Host Marriott Corp.	350,000	3,894,050.00	3,368,750.00
Humana, Inc.	238,000	2,786,590.00	3,837,750.00
Huntco, Inc. Class A	220,000	6,056,530.00	4,895,000.00
IBP, Inc.	550,000	10,507,105.98	14,643,750.00
Illinova Corp.	250,000	5,482,885.00	4,687,500.00
Ingersoll Rand Co.	600,000	15,950,629.19	21,075,000.00
Inland Steel Industries, Inc.	125,000	4,038,475.00	4,359,375.00
Integrated Device Technology	175,000	4,871,181.00	4,331,250.00
Intelligent Electronics, Inc.	320,000	8,455,783.50	4,840,000.00
Intergraph	490,000	5,262,866.20	4,777,500.00
International Business Machines	450,000	22,923,197.50	26,437,500.00
International Paper	200,000	13,799,850.00	13,250,000.00
JSB Financial	330,000	8,305,643.30	8,085,000.00
Jefferson Pilot	100,000	5,093,150.00	4,875,000.00
Jones Apparel Group, Inc.	100,000	3,080,156.00	2,825,000.00
K U Energy Corp.	100,000	2,703,512.80	2,512,500.00
Kansas City Power & Light	125,000	3,135,061.80	2,390,625.00
Kaufman & Broad Home Corp.	175,000	3,759,300.00	2,340,625.00
Kellogg Co.	200,000	10,257,740.00	10,875,000.00
Kimberly Clark Corp.	100,000	5,569,460.00	5,287,500.00
Knight Ridder, Inc.	97,000	5,940,435.20	4,959,125.00
Kroger Co.	425,000	8,838,254.50	9,881,250.00
LCI International, Inc.	68,000	1,655,788.85	2,176,000.00
LCI International, Inc. Conv. Pfd.	100,000	2,530,000.00	2,450,000.00
LTV Corp.	150,000	2,551,750.00	2,306,250.00
LAC Minerals Ltd.	45,000	396,417.50	382,500.00
Lafarge Corp.	100,000	2,084,050.90	1,937,500.00
Legent Corp.	150,000	4,552,687.50	4,050,000.00
Libbey, Inc.	350,000	4,550,000.00	6,475,000.00
Liberty Corp.	50,000	1,509,699.30	1,368,750.00
Liberty Media Corp.	325,000	8,225,375.00	6,418,750.00
Lilly (Eli) & Co.	400,000	23,225,146.90	22,750,000.00
LIN Broadcasting Corp.	16,000	1,892,640.00	1,916,000.00

(Continued)

TCRS Portfolio**Domestic Stock Portfolio**

	Shares	Book Value	Market Value
Lincoln Natl Bank Corp.	200,000	\$ 8,814,150.00	\$ 8,475,000.00
Linear Technology Corp.	50,000	2,250,950.00	2,200,000.00
Litton Industries	50,000	1,654,600.00	1,681,250.00
Liz Claiborne	250,000	5,798,140.00	5,000,000.00
Loew Corp.	200,000	19,857,448.50	17,200,000.00
Long Island Lighting Co.	529,000	11,789,390.00	9,389,750.00
Lowes Companies, Inc.	450,000	4,926,538.15	15,412,500.00
Lyondell Petrochemical Co.	129,700	2,942,346.44	3,193,862.50
MBNA Corp.	487,500	9,703,440.50	10,968,750.00
MCI Communications Corp.	650,000	11,904,753.30	14,381,250.00
Macromedia, Inc.	40,000	480,000.00	350,000.00
Mallinckrodt, Inc.	100,000	3,498,998.00	3,250,000.00
Manor Care	100,000	2,756,099.00	2,512,500.00
Marriott International	100,000	2,885,400.00	2,662,500.00
Masco Corp.	305,000	9,435,952.70	8,387,500.00
Mattel, Inc.	140,000	3,363,625.00	3,552,500.00
Maxwell Shoe Co. Class A	100,000	1,200,000.00	918,700.00
Maytag Co.	250,000	4,367,931.00	4,625,000.00
McCaw Cellular	145,000	6,941,996.00	7,503,750.00
McCormick & Co., Inc.	400,000	9,635,694.00	8,100,000.00
McDermott International, Inc.	400,000	9,404,600.30	10,000,000.00
McDermott International Corp. Conv. Pfd.	70,000	3,230,312.50	3,010,000.00
McDonalds Corp.	1,100,000	19,180,966.34	31,762,500.00
McDonnell Douglas Corp.	25,000	2,983,500.00	2,925,000.00
Mead Corporation	269,700	11,706,028.76	11,900,512.50
Medtronic, Inc.	30,000	2,505,340.00	2,403,750.00
Mercantile Stores	200,000	7,594,575.00	6,425,000.00
Merck & Co.	100,000	3,173,500.00	2,975,000.00
Merisel, Inc.	225,000	4,007,588.00	1,968,750.00
Micron Technology, Inc.	300,000	5,898,459.00	10,387,500.00
Mitchell Energy & Dev. Class A	155,000	3,778,693.82	3,138,750.00
Mobil Corp.	480,000	20,857,250.00	39,120,000.00
Mobile Telecom Tech Corp.	210,000	3,009,944.65	3,780,000.00
Mobile Telecomm Conv. Pfd.	215,000	10,750,000.00	6,181,250.00
Monsanto Co.	200,000	13,263,837.74	15,125,000.00
Montana Power Co.	451,000	9,194,599.00	10,091,125.00
Morrison Knudson Co.	350,000	8,320,427.23	7,525,000.00
Morton International, Inc.	50,000	4,263,875.00	3,900,000.00
Moviefone, Inc. Class A	150,000	1,725,000.00	937,500.00
Murphy Oil Corp.	425,000	18,059,954.00	18,168,750.00
Nalco Chemical Co.	250,000	9,094,107.60	7,968,750.00
National Gypsum Co.	75,000	2,714,942.20	2,306,250.00
National Medical Enterprises	250,000	3,972,875.00	3,906,250.00
NationsBank Corp.	100,000	5,150,190.00	5,137,500.00
Newmont Mining Corp.	50,000	2,069,400.00	2,012,500.00
Newmont Mining Conv. Pfd.	120,000	6,521,885.00	7,110,000.00
Nextel Communications Inc.	100,000	4,052,500.00	3,025,000.00
Nike, Inc. Class B	50,000	2,839,737.50	2,987,500.00
Noram Energy Corp.	200,000	1,397,070.00	1,175,000.00
Nynex Corp.	400,000	15,933,251.30	15,150,000.00
Occidental Petroleum Corp.	1,250,000	27,382,100.50	23,593,750.00
Occidental Petroleum Corp. Conv. Pfd.	100,000	5,075,000.00	5,000,000.00
Penney (J.C.) Co.	500,000	16,950,081.60	27,125,000.00

(Continued)

TCRS Portfolio
Domestic Stock Portfolio

	Shares		Book Value		Market Value
PNC Financial Corp.	103,000	\$	3,085,340.00	\$	2,974,125.00
PPG Industries, Inc.	150,000		5,541,090.00		5,625,000.00
Pacific Telesis Group	700,000		18,127,528.48		21,525,000.00
Pacificare Health System, Inc.	75,000		3,909,194.80		3,750,000.00
Pacificorp	100,000		1,708,897.35		1,687,500.00
Paramount Communications, Inc.	100,000		4,161,250.00		4,650,000.00
Parker Hannifin Corp.	50,000		2,190,000.00		2,131,250.00
Peco Energy Co.	125,000		3,507,625.00		3,281,250.00
Pepsico, Inc.	500,000		12,034,823.67		15,312,500.00
Pet, Inc.	200,000		3,369,135.00		3,725,000.00
Pfizer, Inc.	98,000		5,781,355.00		6,186,250.00
Phelps Dodge	50,000		2,785,550.00		2,850,000.00
Phillips Petroleum	510,000		13,861,324.10		15,937,500.00
Phillips Van Heusen	200,000		7,009,300.08		5,025,000.00
Pioneer Hi Breed	100,000		3,629,973.60		3,275,000.00
Pitney Bowes, Inc.	100,000		4,547,156.00		3,812,500.00
Placer Dome, Inc.	163,000		2,997,075.00		3,504,500.00
Policy Management Systems, Inc.	75,000		2,669,350.00		2,475,000.00
Portland General Corp.	100,000		1,722,502.50		1,700,000.00
Post Properties, Inc.	100,000		2,792,400.00		3,137,500.00
Price/Costco, Inc.	425,000		8,113,535.20		6,348,225.00
Procter & Gamble	350,000		16,986,454.60		18,681,250.00
Quaker State Corp.	250,000		3,647,645.05		3,500,000.00
RFS Hotel Investors, Inc.	100,000		1,650,000.00		1,775,000.00
RJR Nabisco Holdings Conv. Pfd.	700,000		4,542,690.00		4,637,500.00
Ralcorp Holdings, Inc.	16,666		261,659.98		264,572.75
Ralston Purina	50,000		1,974,829.50		1,743,750.00
Reynolds Metals Conv. Pfd.	100,000		4,725,000.00		4,987,500.00
Richfood Holdings, Inc.	82,500		764,384.74		1,258,125.00
Rochester Tel Corp.	350,000		8,148,442.50		7,918,750.00
Rock TN Co.	75,000		1,237,500.00		1,237,500.00
Rockwell International Corp.	215,000		7,655,034.50		8,035,625.00
Russell Corp.	100,000		2,920,038.70		2,912,500.00
Safeco Corp.	50,000		2,962,490.00		2,781,250.00
Safeway Stores	300,000		6,409,063.32		7,125,000.00
Scana Corp.	219,700		10,899,723.90		9,419,637.50
Sherer (R.P.) Corp.	100,000		3,171,974.20		3,300,000.00
Schering Plough Corp.	200,000		12,377,451.22		12,250,000.00
Scientific Games Holding Corp.	100,000		2,300,000.00		3,475,000.00
Scott Paper Co.	100,000		4,017,019.82		5,225,000.00
Seagate Technology	400,000		8,573,647.40		7,900,000.00
Sears Roebuck & Co. Conv. Pfd.	100,000		5,457,875.00		5,512,500.00
Security Capital Bancorp.	74,000		982,883.00		1,110,000.00
Sherwin Williams Co.	250,000		7,825,351.30		7,875,000.00
Signet Banking	300,000		8,930,146.00		12,112,500.00
Smith International, Inc.	50,000		708,340.00		762,500.00
Sonat, Inc.	300,000		8,648,698.50		9,225,000.00
Southwestern Bell Corp.	700,000		18,337,644.40		30,450,000.00
Sports and Recreation, Inc.	50,000		2,029,050.00		1,850,000.00
Sprint Corp.	750,000		23,146,264.30		26,156,250.00
Stant Corp.	100,000		1,600,000.00		1,750,000.00
Staples, Inc.	200,000		5,885,543.20		5,400,000.00
State Street Boston Corp.	115,000		4,580,327.30		4,441,875.00

(Continued)

TCRS Portfolio**Domestic Stock Portfolio**

	Shares	Book Value	Market Value
Stein Mart	85,000	\$ 1,819,873.34	\$ 1,487,500.00
Stewart & Stevenson Serv.	220,000	8,945,106.30	9,130,000.00
Stewart Enterprises Class A	50,500	1,287,750.00	1,098,375.00
Storage USA, Inc.	100,000	2,175,000.00	2,650,000.00
Stratus Computer	100,000	2,984,664.00	2,825,000.00
Sun Co.	375,000	11,497,199.62	10,078,125.00
Suntrust Banks, Inc.	300,000	13,607,317.10	14,512,500.00
Sysco Corp.	300,000	7,534,237.50	6,787,500.00
TCA Cable TV	50,000	1,181,824.80	1,131,250.00
Teco Energy, Inc.	400,000	5,471,043.32	7,650,000.00
TRW, Inc.	250,000	15,788,549.42	16,125,000.00
Tektronics, Inc.	100,000	3,176,435.00	2,825,000.00
Temple Inland, Inc.	200,000	10,400,905.10	9,525,000.00
Tenneco, Inc.	150,000	7,815,225.00	6,956,250.00
Texaco, Inc.	275,000	18,593,915.80	16,603,125.00
Texas Utilities	100,000	3,302,390.00	3,125,000.00
Time Warner, Inc.	900,000	23,785,222.84	31,950,000.00
Trident NGL, Inc.	125,000	1,625,000.00	1,218,750.00
Tribune Company	48,000	2,830,603.20	2,556,000.00
USX Corp. Conv. Pfd.	130,000	6,562,350.00	6,565,000.00
USX Marathon Group	400,000	6,902,495.00	6,700,000.00
Ultramar Corp.	150,000	4,398,154.60	3,937,500.00
UNIFI, Inc.	100,000	2,610,557.50	2,337,500.00
Union Carbide	75,000	2,015,400.00	1,987,500.00
Union Electric Co.	300,000	9,289,382.80	9,487,500.00
Union Pacific Corp.	200,000	12,373,294.40	11,325,000.00
Union Planters Corp. Conv. Pfd.	100,000	2,581,250.00	3,500,000.00
United Healthcare Corp.	100,000	4,908,930.00	3,700,000.00
USAIR Group	275,000	2,011,115.00	1,753,125.00
U.S. Surgical Corp. Conv. Pfd.	75,000	1,671,250.00	1,828,125.00
U.S. West, Inc.	200,000	7,272,896.10	8,375,000.00
United Technologies Corp.	400,000	21,351,461.20	25,700,000.00
UNOCAL Corp.	1,000,000	17,722,685.90	28,625,000.00
UNOCAL Corp. Conv. Pfd.	100,000	5,862,500.00	5,450,000.00
Upjohn	300,000	9,030,744.00	8,737,500.00
Vanguard Cellular System	87,500	2,632,250.00	2,887,500.00
Varian Associates, Inc.	550,000	12,473,630.23	19,593,750.00
Varity Corp.	250,000	9,739,650.00	9,093,750.00
Viacom, Inc. Class A	100,000	3,311,052.00	3,375,000.00
Vivra, Inc.	100,000	2,609,800.00	2,400,000.00
W.M.X. Technologies, Inc.	150,000	3,819,085.00	3,975,000.00
Walgreen's, Inc.	600,000	14,538,732.54	21,825,000.00
Warner Lambert Co.	213,000	14,982,324.70	14,058,000.00
Wells Fargo & Co.	275,000	32,611,528.00	41,353,125.00
Wendy's International, Inc.	300,000	4,318,511.10	4,687,500.00
Westinghouse Electric Conv. Pfd.	250,000	3,567,750.00	3,250,000.00
Wheeling-Pittsburg Conv. Pfd.	100,000	6,468,829.00	6,250,000.00
Whitman Corp.	175,000	2,836,960.00	2,712,500.00
Willamette Ind.	394,000	16,276,964.70	17,040,500.00
Winston Hotels, Inc.	200,000	2,187,480.00	2,175,000.00
Wrigley (W.M.) Jr.	50,000	2,558,200.00	2,375,000.00
Xilinx, Inc.	100,000	4,335,323.90	3,412,500.00
Xerox Corp.	114,000	11,328,353.80	11,143,500.00
<i>Total Domestic Stock Portfolio</i>		\$ 2,801,050,246.21	\$ 3,106,385,422.75

TCRS Portfolio
International Stock Portfolio

	Shares		Book Value		Market Value
Accor	32,000	\$	3,455,616.57	\$	3,599,308.05
Air Liquide	38,000		4,904,513.99		5,123,445.01
Akita Bank	325,000		2,526,971.03		2,520,481.84
Akzo	50,000		4,750,593.82		5,350,232.97
Alcan Alum Ltd.	293,000		5,951,764.00		6,574,750.00
Alps Electric Co.	330,000		4,603,908.99		4,750,519.03
Amcov Conv. Notes	650,000		4,282,814.25		4,293,305.27
Asahi Chemical	550,000		3,799,365.56		4,142,764.83
Baloise Holdings PC	1,500		2,478,215.57		2,695,762.78
Bandai Co. Ltd.	126,000		4,935,924.64		6,080,177.75
Barclays Bank	485,000		4,061,260.92		3,885,221.02
BASF	32,000		6,270,338.28		6,132,779.70
BAT Industries	790,000		5,545,065.94		4,877,460.00
Bayer AG	26,000		6,069,114.45		5,698,458.25
Bayer Vereinsbank Conv. Pfd.	344,000		219,387.76		248,038.26
BBC Brown Boveri	12,300		7,403,137.25		10,792,917.13
Blue Circle Industries	900,000		5,233,895.91		3,945,186.00
BNP	146,250		7,156,709.69		6,229,016.78
Brambles Industries	400,000		3,938,917.15		3,811,075.61
Bridgestone Corp.	657,000		8,102,031.95		10,656,734.11
British Airways	1,960,000		8,584,797.61		11,284,219.80
British Gas	1,350,000		7,243,000.46		5,594,801.62
British Petroleum PLC	840,000		5,052,112.79		5,050,023.30
British Steel	2,660,000		6,141,610.00		5,830,108.20
Broken Hill Proprietary Co. Ltd.	450,000		5,689,301.69		5,911,697.24
BSN	20,000		3,558,582.70		2,876,075.75
Burmah Castrol	385,000		5,047,946.54		5,146,183.35
Canon	148,000		2,504,550.07		2,595,652.78
Carlton Communications	230,000		3,040,920.84		2,864,890.35
Cie De Suez	95,000		5,746,819.08		4,603,095.13
Coca Cola Amatil	1,012,500		3,452,497.00		6,399,132.78
CSK Corp.	74,000		2,538,968.68		2,850,716.92
Daimaru Inc.	650,000		5,133,646.23		5,383,617.43
Dai Nippon Printing	353,000		6,089,483.14		6,978,275.23
Dai-Tokyo Fire & Marine	530,000		2,995,498.09		4,153,308.02
Daiwa Securities Co. Ltd.	400,000		6,549,138.15		7,015,277.78
DSM	80,000		5,135,795.47		5,674,048.12
Ecco	50,500		4,709,186.35		6,182,646.93
Elf Aquitaine	35,000		2,580,946.52		2,433,856.21
Fujitsu Ltd.	470,000		4,955,842.00		5,384,124.32
Futaba Corp.	120,000		4,894,699.33		6,192,097.79
GEA	6,250		1,934,372.93		2,191,400.53
Glaxo Holdings	410,000		5,115,414.29		3,442,622.40
Hitachi Ltd.	1,100,000		7,510,646.73		11,485,996.71
Hitachi Metals	350,000		4,010,005.83		4,222,345.66
Holderbank Bearer	5,400		2,038,829.77		3,551,747.35
Honda Motor Co. Ltd.	700,000		9,804,447.34		12,276,736.12
Horiba Ltd.	9,000		127,727.94		170,617.23
Horsham Corp.	400,000		4,460,115.00		5,550,000.00
Hoya Corp.	185,000		3,946,029.07		4,032,264.07
Iino Kaiun	67,000		560,052.68		481,570.43
Imperial Chemical Holdings	495,000		6,143,643.99		5,921,251.87
Itochu Corp.	965,000		6,016,164.00		7,258,886.34

(Continued)

TCRS Portfolio**International Stock Portfolio**

	Shares	Book Value	Market Value
Japan Associated Finance	38,000	\$ 4,143,534.17	\$ 6,394,851.48
Johnson Matthey	670,000	6,264,154.71	5,150,042.10
Kawasaki Steel Corp.	1,300,000	5,118,892.45	5,508,817.84
Kenwood	425,000	2,475,638.00	4,075,856.11
KLM Royal Dutch Airlines	157,000	2,676,628.23	4,371,448.46
Koninklijke PTT Nederland	275,000	7,445,173.05	7,687,808.58
Kyocera	98,000	5,925,236.56	7,322,044.12
Lafarge Coppee	34,850	1,856,579.29	2,598,351.25
Legrand	6,500	4,735,469.64	6,596,655.28
Lion Corp.	500,000	3,450,868.88	3,649,566.47
Lufthansa Stamm	50,000	3,441,087.33	5,796,607.86
Makita Corp.	400,000	5,733,825.95	8,150,698.46
Man AG	23,000	4,117,775.80	5,686,959.29
Mannesmann AG	38,000	6,815,198.04	9,634,622.05
Maruzen	400,000	3,019,380.30	3,183,232.98
Matsushita Electric Ind'l	280,000	2,891,784.81	5,137,778.58
Mazda Motor Corp	420,000	2,534,403.76	2,397,156.91
Michelin	137,000	5,142,792.52	5,671,914.49
MIM Holdings, Ltd.	1,400,000	2,265,475.22	2,945,984.83
Mitsubishi Electric	1,420,000	7,478,803.62	9,630,597.67
Mitsubishi Motors	1,320,000	7,809,368.99	13,114,108.87
Mitsubishi Trust	305,000	4,980,639.05	5,070,869.86
Mitsukoshi Ltd.	600,000	5,083,387.41	6,265,089.11
Mori Seiki	250,000	5,355,594.01	6,412,085.54
National Power ADR	83,550	2,921,824.62	5,612,889.00
NEC	600,000	6,002,730.69	7,420,785.17
Nestle SA	5,400	4,202,558.07	4,532,513.96
Next PLC	1,200,000	4,411,107.30	4,334,148.00
NGK Spark Plug Co.	390,000	4,987,446.09	5,416,564.91
Nippon Electric Glass Co.	300,000	4,752,086.24	6,599,632.71
Nippon Paper Ind. Co.	450,000	3,038,653.59	3,357,601.15
Nippon TV Network	16,000	4,243,404.42	4,184,836.22
Nippon Denso	130,000	2,533,403.92	2,728,050.94
Nomura Securities	325,000	7,000,720.35	7,841,499.08
Northern Telecom Ltd.	325,000	10,073,823.96	8,978,125.00
Peugeot SA	56,000	5,640,054.11	7,919,650.13
Philips Electronics	250,000	4,518,209.86	7,199,004.57
Pilkington	2,025,000	6,172,674.28	5,219,731.12
Polly Peck Int'l	2,589,285	25,892.85	39,965.61
Polygram NV ADR's	220,000	3,607,450.00	8,772,500.00
Potash Saskatchewan	125,000	3,293,325.00	3,421,875.00
Powergen PLC ADR	75,000	2,622,822.82	5,707,050.00
Preussag	21,000	4,763,849.54	5,887,845.53
Rengo Company	639,000	4,969,483.89	5,752,446.68
Reuters Holdings PLC	720,000	5,008,419.82	4,762,006.20
Rhone Poulenc Rhorer	125,500	7,342,339.11	3,850,873.09
Ricoh Company	575,000	5,059,189.25	5,549,368.58
Rolls Royce	1,330,000	3,600,794.14	3,551,439.15
Rothmans International	730,000	1,967,318.18	4,090,120.65
RTZ Corporation	700,000	7,348,684.72	8,913,712.50
Sainsbury	600,000	4,625,804.85	3,695,139.00

(Continued)

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
Sankyo Co. Ltd.	250,000	\$ 5,559,322.80	\$ 5,575,726.56
Schneider	82,000	5,451,738.88	5,281,574.22
Schneider Warrants	8,000	76,065.35	71,810.29
Sears PLC	1,530,000	2,242,440.16	2,703,980.47
Sega	65,000	5,001,580.74	5,040,963.69
Severn Trent	335,000	3,037,602.26	2,461,265.10
SGS Surveillance	5,000	6,035,110.78	7,436,844.74
Sharp Corp.	290,000	5,091,944.96	5,262,472.10
Shell Transport and Trading PLC	455,000	5,133,799.64	4,775,589.00
Shin-Etsu Chemical Co. Ltd.	250,000	5,036,720.54	5,347,628.65
Siebe	545,000	5,095,861.22	4,635,053.32
Siemens	8,000	3,018,009.51	3,267,464.59
Sony Corp.	140,000	5,392,145.86	8,586,618.90
Sony Music Entertainment	100,200	4,232,473.56	6,460,462.57
Sumitimo Metal Inds.	1,000,000	2,849,626.58	3,010,892.34
Sumitomo Chemical	1,000,000	4,518,130.70	5,413,523.60
Sumitomo Corp.	500,000	4,109,238.07	5,220,907.59
Sumitomo Rubber Industries	500,000	5,011,441.37	5,322,284.44
Sumitomo Trust and Banking	340,000	5,051,427.50	5,618,304.83
Suzuki Motor	620,000	5,790,322.48	8,233,827.48
TDK Corp.	110,000	5,154,984.83	5,453,060.57
Telus Corp.	100,000	1,225,750.00	1,130,988.36
Tesco	1,300,000	5,032,074.74	4,504,704.75
Thorn EMI	360,000	6,160,460.23	5,584,383.00
Thyssen	50,000	5,473,691.89	9,016,945.57
TNT	1,700,000	3,028,398.81	2,794,740.07
Toray Industries	1,200,000	7,384,352.20	9,050,924.86
Toshiba Corp.	312,000	2,463,973.74	2,555,669.75
Total Cie Francaise Petroles	45,000	2,594,031.47	2,585,170.77
Toyo Seikan Kaisha	125,000	4,037,036.54	4,055,073.86
Union Assurance Paris	110,000	4,070,691.75	2,849,212.83
Vendome	1,000,000	5,180,351.63	6,760,530.00
Volkswagen	28,000	8,477,297.41	8,339,575.02
Wako Securities	525,000	5,412,244.43	6,386,741.33
Wellcome	700,000	9,987,704.78	6,374,655.00
Western Mining Corp. Holdings Ltd.	565,000	3,528,363.21	2,976,416.44
Willis Corroon Group	900,000	3,117,025.84	2,028,159.00
Yamaha Motor	550,000	4,487,955.73	5,291,364.50
Yamato Transport	450,000	5,159,949.97	5,976,165.10
<i>Total International Stock Portfolio</i>		\$ 664,209,445.65	\$ 753,631,119.55
<i>Grand Total Stock Portfolio</i>		\$ 3,465,259,691.86	\$ 3,860,016,542.30

Chairs of Excellence Portfolio**Domestic Stock Portfolio**

	Shares	Book Value	Market Value
AMR Corp.	1,000	\$ 58,660.00	\$ 59,375.00
A T & T Corp.	1,500	84,240.00	81,562.50
Aetna Life and Casualty	1,000	57,285.00	55,875.00
Albertsons, Inc.	10,000	295,975.00	275,000.00
Alexander and Baldwin, Inc.	10,000	261,087.40	257,500.00
Allied Signal, Inc.	1,000	34,285.00	34,625.00
Aluminum Co. of America	1,000	71,785.00	73,125.00
Alza Corp.	4,000	98,791.00	94,000.00
American Medical Holdings	7,000	105,220.00	175,000.00
Ameritech Corp.	3,000	108,630.05	114,375.00
Amoco Corp.	5,000	275,550.00	284,375.00
Anheuser Busch	7,000	346,745.00	355,250.00
Archer Daniels Midland Co.	12,000	285,856.00	280,500.00
Arco Chemical Co.	2,000	89,820.00	90,750.00
Ashland Oil, Inc.	7,000	211,965.00	234,500.00
Atlantic Richfield	1,000	101,410.00	102,250.00
Avon Products	2,000	119,320.00	117,750.00
Baker Hughes	5,000	90,800.00	102,500.00
Barnett Bank of Florida	4,000	176,140.00	175,000.00
Bellsouth Corp.	1,500	87,115.00	92,625.00
Beverly Enterprises	10,000	155,350.00	121,250.00
Boatmen's Bancshares, Inc.	1,000	34,165.70	31,500.00
Boeing Company	4,000	180,140.00	185,000.00
Borden, Inc.	6,000	77,460.00	74,250.00
Bowater, Inc.	1,000	24,160.00	24,625.00
Browning Ferris Industries	5,000	149,949.50	151,875.00
Burlington Northern, Inc.	1,000	55,035.00	53,375.00
CBS	100	25,990.63	31,300.00
Campbell Soup Co.	2,000	79,570.00	68,750.00
Capital Cities ABC, Inc.	4,000	233,414.00	284,500.00
Champion International Corp.	1,000	31,660.00	32,875.00
Chevron Corp.	6,000	289,605.00	251,250.00
Chiquita Brands International	5,000	68,925.00	60,625.00
Chiron Corp.	1,000	64,165.00	54,750.00
Chubb Corp.	1,000	80,660.00	76,625.00
Citicorp	2,000	79,320.00	79,750.00
Coastal Corp.	10,000	290,412.50	270,000.00
Columbia Gas	12,000	259,045.00	324,000.00
Columbia HCA Healthcare Corp.	1,500	59,115.00	56,250.00
Community Psychiatric Centers	7,000	121,745.00	83,125.00
Computer Assoc. Intl., Inc.	2,000	73,820.00	80,000.00
Computer Sciences Corp.	8,000	252,015.00	333,000.00
Conagra, Inc.	8,000	220,530.00	244,000.00
Conrail Holdings, Inc.	1,000	57,035.00	54,750.00
Conseco, Inc.	1,000	52,660.00	46,625.00
Consolidated Freight	4,000	106,515.00	95,000.00
Cooper Tire & Rubber Co.	5,000	134,800.00	115,625.00
Corning, Inc.	5,000	139,067.00	163,125.00
Cyprus Minerals Co.	1,000	28,785.00	29,750.00
Dayton Hudson Corp.	1,000	77,785.00	81,000.00
Delta Airlines, Inc.	500	22,524.50	22,625.00

(Continued)

Chairs of Excellence Portfolio**Domestic Stock Portfolio**

	Shares	Book Value	Market Value
Digital Equipment	2,000	\$ 44,695.00	\$ 39,000.00
Dr. Pepper Seven Up Cos.	5,000	110,175.00	115,000.00
Dresser Industries	5,000	114,050.00	102,500.00
Dupont (E.I.) De Nemours	1,500	82,927.50	87,375.00
El Paso Natural Gas	4,000	158,640.00	129,000.00
Federal Paper Board, Inc.	1,000	24,160.00	22,875.00
First Brands Corp.	7,000	210,007.50	256,375.00
Fleet Financial Group, Inc.	3,000	110,730.00	113,250.00
Fluor Corp.	3,000	152,480.00	152,250.00
Foster Wheeler Corp.	4,000	171,684.20	145,500.00
Gannett Co.	4,000	212,265.00	198,000.00
Genentech, Inc.	1,000	49,285.00	49,250.00
General Mills, Inc.	1,000	52,410.00	54,625.00
General Motors Corp. Class E	5,000	179,625.00	174,375.00
General Public Utilities	5,000	143,925.00	131,250.00
Gillette Co.	1,000	67,660.00	65,125.00
Hechinger Co. Class A	15,000	186,225.00	206,250.00
Hibernia Corp. Class A	15,000	118,650.00	129,375.00
Home Depot, Inc.	2,000	89,070.00	84,250.00
Homestake Mining Co.	2,000	38,891.30	37,500.00
Host Marriott Corp.	4,000	37,640.00	38,500.00
Humana, Inc.	8,000	82,310.00	129,000.00
Illinova Corp.	7,000	151,502.00	131,250.00
Integrated Device Technology	3,000	85,495.00	74,250.00
Intergraph	22,000	239,984.60	214,500.00
International Paper	2,000	137,820.00	132,500.00
Jefferson Pilot	1,000	50,910.00	48,750.00
K U Energy Corp.	1,000	26,285.00	25,125.00
Kimberly Clark Corp.	1,000	55,285.00	52,875.00
Kroger Co.	9,000	185,451.50	209,250.00
LTV Corp.	4,000	63,640.00	61,500.00
LAC Minerals Ltd.	5,000	43,583.50	42,500.00
Lafarge Corp.	4,000	81,140.00	77,500.00
Legent Corp.	2,000	54,330.00	54,000.00
LIN Broadcasting Corp.	200	23,658.00	23,950.00
Litton Industries	1,000	32,785.00	33,625.00
Liz Claiborne	1,000	19,910.00	20,000.00
Lowes Companies, Inc.	5,000	52,827.50	171,250.00
Lyondell Petrochemical Co.	4,000	90,835.00	98,500.00
Manor Care	2,000	55,106.00	50,250.00
Marriott International	2,000	58,070.00	53,250.00
Maytag Co.	4,000	73,640.00	74,000.00
McCaw Cellular	5,000	229,276.00	258,750.00
McDonnell Douglas Corp.	500	59,455.00	58,500.00
Meads Corp.	1,000	42,285.00	44,125.00
Medtronic, Inc.	1,000	82,160.00	80,125.00
Merck & Co.	2,000	61,945.00	59,500.00
Murphy Oil Corp.	5,000	212,817.80	213,750.00
National Gypsum Co.	1,000	36,165.00	30,750.00
National Medical Enterprises	10,000	165,350.00	156,250.00
NationsBank Corp.	2,000	103,070.00	102,750.00

(Continued)

Chairs of Excellence Portfolio**Domestic and International Stock Portfolio**

	Shares	Book Value	Market Value
Nike, Inc. Class B	1,000	\$ 57,285.00	\$ 59,750.00
Noram Energy Corp.	15,000	108,025.00	88,125.00
Peco Energy Co.	6,000	169,335.00	157,500.00
PPG Industries, Inc.	3,000	110,302.50	112,500.00
Pacificorp	2,000	34,070.00	33,750.00
Parker Hannifin Corp.	1,000	43,910.00	42,625.00
Pfizer, Inc.	2,000	117,070.00	126,250.00
Phelps Dodge	1,000	55,535.00	57,000.00
Phillips Petroleum	9,000	276,065.00	281,250.00
Pitney Bowes, Inc.	3,000	134,730.00	114,375.00
Portland General Corp.	2,000	33,820.00	34,000.00
Price/Costco, Inc.	8,000	157,200.00	119,496.00
Procter & Gamble	3,000	172,605.00	160,125.00
Quaker State Corp.	13,300	196,035.68	186,200.00
Rockwell International Corp.	4,000	157,628.30	149,500.00
Russell Corp.	3,000	86,105.10	87,375.00
Sonat, Inc.	4,000	120,140.00	123,000.00
Southwestern Bell Corp.	2,500	69,310.75	108,750.00
Sprint Corp.	5,000	171,300.00	174,375.00
Staples, Inc.	6,000	174,990.00	162,000.00
State Street Boston Corp.	3,000	119,528.50	115,875.00
Sun Co.	8,000	233,855.10	215,000.00
Suntrust Banks, Inc.	3,000	135,480.00	145,125.00
Tektronics, Inc.	4,000	126,265.00	113,000.00
Temple Inland, Inc.	2,000	103,257.50	95,250.00
Tenneco, Inc.	2,000	101,945.00	92,750.00
Texaco, Inc.	1,500	97,365.00	90,562.50
Time Warner, Inc.	3,000	120,105.00	106,500.00
Tribune Co.	1,500	88,815.50	79,875.00
USX Marathon Group	10,000	173,090.00	167,500.00
Union Carbide	1,000	26,910.00	26,500.00
United Healthcare Corp.	1,500	73,740.00	55,500.00
USAIR Group	10,000	73,160.00	63,750.00
Upjohn	8,000	255,280.00	233,000.00
Varian Associates, Inc.	8,000	207,140.00	285,000.00
Viacom, Inc. Class A	1,000	31,160.00	33,750.00
W.M.X. Technologies, Inc.	3,000	75,536.70	79,500.00
Wendy's International, Inc.	13,000	162,205.00	203,125.00
Willamette Ind.	3,000	148,245.60	129,750.00
Xerox Corp.	2,000	196,634.60	195,500.00
Total Domestic Stock Portfolio		\$ 16,493,571.51	\$16,655,821.00

INTERNATIONAL STOCK PORTFOLIO

Alcan Alum Ltd.	3,000	\$ 60,336.00	\$ 68,250.00
Northern Telecom Ltd.	6,000	177,725.10	165,750.00
Telus Corp.	4,000	49,100.00	62,500.00
Total International Stock Portfolio		\$ 287,161.10	\$ 296,500.00
Grand Total Stock Portfolio		\$ 16,780,732.61	\$ 16,952,321.00

Chairs of Excellence Portfolio
Domestic Fixed Income Portfolio

	Rating	Coupon	Maturity	Par Value	Market Value
Governments:					
Bonds and Notes					
United States Treasury Bonds	AAA	10.750	8 15 2005	\$ 7,200,000	\$ 8,974,152.00
United States Treasury Notes	AAA	8.875	5 15 2000	1,000,000	1,088,750.00
<i>Total Bonds and Notes</i>					\$ 10,062,902.00
Agencies:					
FNMA #2494	AAA	8.000	4 1 2008	\$ 5,291,083	\$ 5,211,716.83
FNMA #50991	AAA	6.500	2 1 2024	3,040,121	2,737,993.57
FNMA# 270338	AAA	6.500	2 1 2024	2,032,092	1,830,143.09
GNMA ARM #008351	AAA	4.500	1 20 2024	1,939,909	1,808,965.58
GNMA ARM #8371	AAA	4.500	3 20 2024	2,007,798	1,872,271.66
GNMA II ARM POOL #8399	AAA	5.000	4 20 2024	2,031,170	1,924,533.40
GNMA #196110	AAA	9.000	12 15 2016	1,622,306	1,678,730.09
Government Trust Certificates	AAA	9.400	11 15 1996	1,086,538	1,121,926.55
Government Trust Certificates	AAA	9.250	11 15 1996	753,001	780,379.80
Navy Dept. - U.S Government Cert.	Aaa	8.625	12 15 2013	500,000	504,220.00
SBIC 1991-10C	Aaa	8.330	9 1 2001	5,254,829	5,323,825.03
<i>Total Agencies</i>					\$ 24,794,705.60
<i>Total Governments and Agencies</i>					\$ 34,857,607.60
Corporates:					
A T & T Capital MT Notes	Aa3	8.800	7 15 1994	\$ 500,000	\$ 500,405.00
Associates Corp.	A1	4.500	2 15 1996	500,000	484,955.00
Associates Corp.	A1	6.250	3 15 1999	2,000,000	1,906,860.00
Arco Co. MT Notes	A2	8.200	9 15 1998	3,000,000	3,100,380.00
Big River Electric	Aaa	9.500	2 15 2017	5,000,000	5,555,650.00
Dean Witter Discover	A2	6.250	3 15 2000	2,000,000	1,869,200.00
Ford Motor Credit	A2	7.250	5 15 1999	2,000,000	1,979,760.00
Ford Motor Credit MT Notes	A2	9.100	7 5 1996	5,000,000	5,218,350.00
GE Capital Corp.	Aaa	7.875	11 22 2004	3,065,000	3,074,378.90
GE Capital Corp.	Aaa	5.625	1 15 1995	2,500,000	2,501,925.00
GMAC MT Notes	Baa1	9.250	6 8 1995	800,000	822,192.00
Gulf Power Co.	A2	8.750	12 1 2021	1,000,000	1,037,000.00
Intl Lease Finance Corp.	A2	5.710	7 15 1997	2,000,000	1,924,440.00
Intl Lease Finance Corp.	A2	7.900	10 1 1996	5,000,000	5,110,200.00
MCA Funding Corp. MT Notes	Aa2	7.400	9 19 1995	2,000,000	2,031,000.00
MCA MT Notes	Aa2	7.550	3 28 1997	500,000	506,880.00
Phillip Morris Co.	A1	8.750	11 15 1994	1,500,000	1,517,040.00
Sony USA Capital Corp. MT Notes	A1	4.450	3 30 1995	5,000,000	4,952,500.00
Southern Bell Tel	Aaa	7.375	7 15 2010	1,000,000	929,060.00
Southwestern Bell Tel	A1	7.625	10 1 2013	3,319,000	3,058,027.03
Southwestern Bell Tel	A1	8.300	6 1 1996	3,000,000	3,096,510.00
Standard Credit Corp. Master TR 91-2A	AAA	7.875	9 7 1995	1,000,000	1,000,000.00
TVA	AAA	8.625	11 15 2029	500,000	507,435.00
Union Electric Co.	A1	6.875	8 1 2004	2,050,000	1,894,938.00
Wisconsin Gas Co.	Aa2	7.500	11 15 1998	2,000,000	2,014,900.00
<i>Total Corporates</i>					\$ 56,593,985.93
<i>Total Domestic Fixed Income Portfolio</i>					\$ 91,451,593.53

Chairs of Excellence Portfolio
International Fixed Income Portfolio

	Rating	Coupon	Maturity	Par Value	Market Value
Governments:					
Metropolis of Tokyo	Aaa	8.700	10 5 1999	\$ 3,000,000	\$ 3,177,210.00
Province of Nova Scotia	A2	9.625	1 1 1995	727,000	739,373.54
<i>Total Governments:</i>					\$ 3,916,583.54
Corporates:					
Imperial Oil	Aa1	8.750	10 15 2019	\$ 150,000	\$ 151,161.00
Nippon Tel & Tel Notes	Aaa	9.500	7 27 1998	2,000,000	2,159,180.00
<i>Total Corporates</i>					\$ 2,310,341.00
<i>Total International Fixed Income Portfolio</i>					\$ 6,226,924.54
<i>Grand Total Fixed Income Portfolio</i>					\$97,678,518.07

FINANCIAL STATEMENTS

LOCAL GOVERNMENT INVESTMENT POOL

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

DEFERRED COMPENSATION

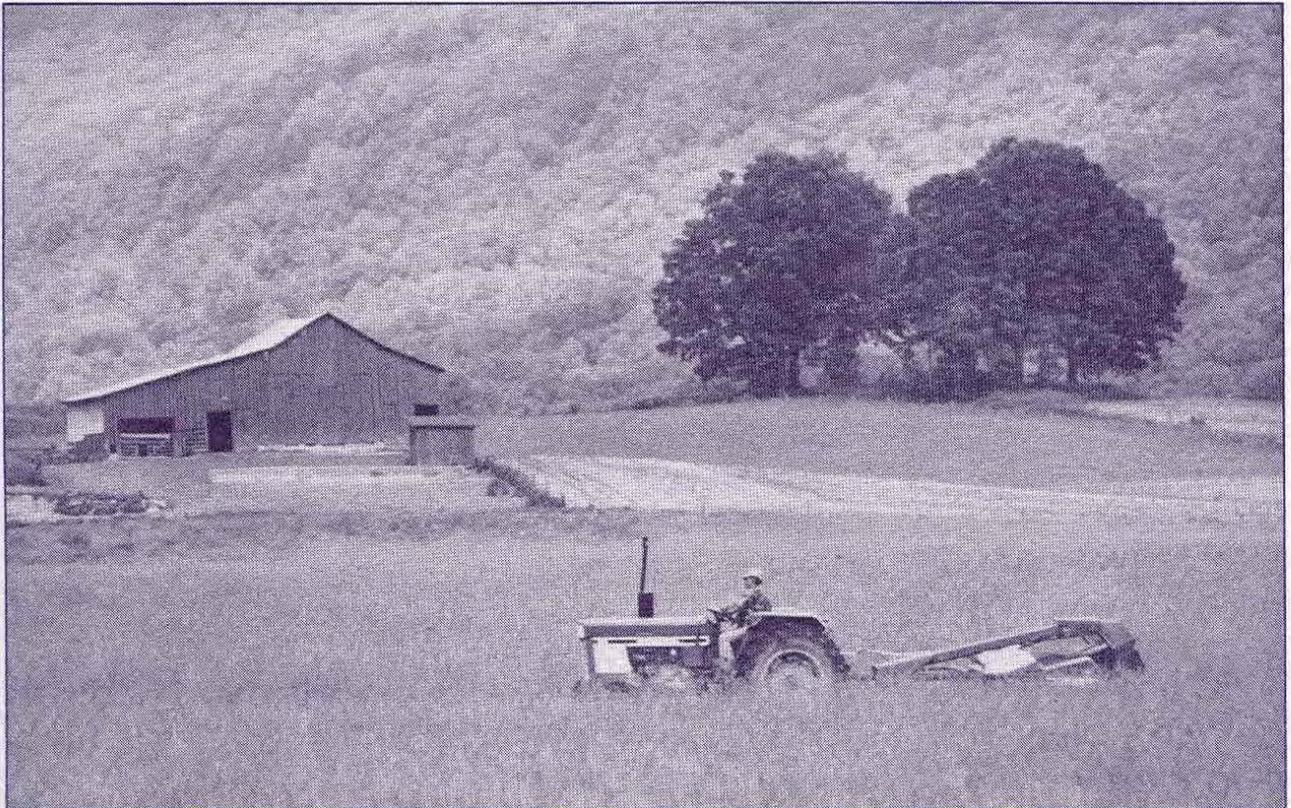
FLEXIBLE BENEFITS PLAN

CLAIMS AWARD FUND

CRIMINAL INJURIES FUND

CHAIRS OF EXCELLENCE

BOND REFUNDING



**Local Government Investment Pool
Independent Auditor's Report**

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 22, 1994

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, 1994, and June 30, 1993, 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, 1994, and June 30, 1993, 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,

A handwritten signature in cursive script, appearing to read "Arthur A. Hayes, Jr.", written over a horizontal line.
Arthur A. Hayes, Jr., CPA
Director, Division of State Audit

Local Government Investment Pool
Comparative Balance Sheets

	June 30, 1994	June 30, 1993
<i>Assets</i>		
Cash and Cash Equivalents	\$1,139,765,831	\$ 930,347,419
Due from State General Fund	147,533	159,022
Due from State Special Revenue Fund	60,082	21,783
Due from State Highway Fund	0	1,355
Total Assets	\$1,139,973,446	\$ 930,529,579
<i>Liabilities and Fund Balance</i>		
Liabilities:		
Member Deposits	\$ 936,313,686	\$ 727,202,595
Due to State Capital Projects Fund	924,379	1,207,197
Due to State College and University Funds	196,863,985	196,373,475
Due to Community Health Agencies	2,615,284	2,578,413
Due to State Veterans' Homes Board	439,222	333,442
Warrants Payable	0	621
Total Liabilities	\$1,137,156,556	\$ 927,695,743
Fund Balance	\$ 2,816,890	\$ 2,833,836
Total Liabilities and Fund Balance	\$1,139,973,446	\$ 930,529,579

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, 1994	For the Year Ended June 30, 1993
<i>Revenues:</i>		
Investment Income	\$ 38,310,928	\$ 33,572,078
<i>Expenditures:</i>		
Interest on Deposits	37,642,737	32,002,937
Administrative Cost	685,137	1,044,067
Total Expenditures	\$ 38,327,874	\$ 33,047,004
Excess of Revenues Over Expenditures (Expenditures Over Revenues)	\$ (16,946)	\$ 525,074
Fund Balance, July 1	\$ 2,833,836	\$ 2,308,762
Fund Balance, June 30	\$ 2,816,890	\$ 2,833,836

See accompanying Notes to the Financial Statements.

Local Government Investment Pool

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

A. 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 .06 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.

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.

B. 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.

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, 1994.

Local Government Investment Pool
Schedules of Cash Receipts and Disbursements

	July 1, 1993 through June 30, 1994	July 1, 1992 through June 30, 1993
<i>Cash and Cash Equivalents Balance, July 1</i>	\$ 930,347,419	\$ 930,465,507
<i>Add Cash Receipts:</i>		
Member Deposits	\$ 3,332,918,653	\$ 3,350,290,676
Investment Income	38,310,929	33,572,078
<i>Total Cash Receipts</i>	<u>\$ 3,371,229,582</u>	<u>\$ 3,383,862,754</u>
<i>Deduct Cash Disbursements:</i>		
Member Withdrawals	\$ 3,161,126,033	\$ 3,382,936,775
Administrative Cost Paid	685,137	1,044,067
<i>Total Cash Disbursements</i>	<u>\$ 3,161,811,170</u>	<u>\$ 3,383,980,842</u>
<i>Cash and Cash Equivalents Balance, June 30</i>	<u>\$ 1,139,765,831</u>	<u>\$ 930,347,419</u>

See accompanying Notes to the Financial Statements.

**Tennessee Consolidated Retirement System
Independent Auditor's Report**

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 8, 1994

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

Dear Mr. Snodgrass:

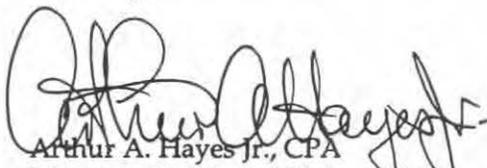
We have audited the accompanying balance sheets of the Tennessee Consolidated Retirement System as of June 30, 1994, and June 30, 1993, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility 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, 1994, and June 30, 1993, 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 97 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 as of June 30, 1994

(Expressed in Thousands)

	June 30, 1994	June 30, 1993
Assets		
Cash and Cash Equivalents	\$ 683	\$ 1,061
Investments:		
Short-term Securities (Amortized Cost)	\$ 1,622,722	\$ 826,161
Domestic Securities:		
Government Bonds (Amortized Cost)	2,805,816	2,149,634
Corporate Bonds (Amortized Cost)	3,043,296	2,842,109
Corporate Stocks (Cost)	2,796,283	2,780,128
Securities on Loan:		
Government Bonds (Amortized Cost)	341,481	585,451
Corporate Bonds (Amortized Cost)	86	60,649
Corporate Stocks (Cost)	4,768	1,505
International Securities:		
Government Bonds (Amortized Cost)	615,971	492,879
Corporate Bonds (Amortized Cost)	192,779	263,503
Corporate Stocks (Cost)	627,891	616,288
American Depository Receipts (Cost)	9,152	10,432
Securities on Loan:		
Government Bonds (Amortized Cost)	0	94,818
Corporate Bonds (Amortized Cost)	0	10,116
Corporate Stocks (Cost)	27,166	118,673
Total Investments	\$ 12,087,411	\$ 10,852,346
Receivables:		
Member Contributions Receivable	\$ 12,719	\$ 12,217
Employer Contributions Receivable	24,221	23,234
Political Subdivisions Receivable	3,283	3,045
Accrued Interest Receivable	131,283	124,727
Accrued Dividends Receivable	9,046	10,455
Accrued Loan Income Receivable	21	113
Investments Sold	0	89,414
Total Receivables	\$ 180,573	\$ 263,205
Total Assets	\$ 12,268,667	\$ 11,116,612
Liabilities and Fund Balance		
Liabilities:		
Retired Payroll Payable	\$ 13,399	\$ 11,788
Warrants Payable	618	402
Accounts Payable:		
Death Benefits and Refunds Payable	1,013	1,474
Other	710	53
Investments Purchased	0	101,955
Total Liabilities	\$ 15,740	\$ 115,672
Fund Balance:		
Member Reserve	\$ 2,075,679	\$ 1,904,043
Employer Reserve (Unfunded Actuarial Accrued Liability totaled \$471.8 million as of June 30, 1994 and \$197.8 million as of June 30, 1993)	10,177,248	9,096,897
Total Fund Balance	\$ 12,252,927	\$ 11,000,940
Total Liabilities and Fund Balance	\$ 12,268,667	\$ 11,116,612

See accompanying Notes to the Financial Statements.

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

(Expressed in Thousands)

	For the Year Ended June 30, 1994	For the Year Ended June 30, 1993
Operating Revenues:		
Contributions:		
Member Contributions	\$ 117,173	\$ 108,059
Employer Contributions	264,670	246,525
Political Subdivisions Contributions	56,310	36,382
Total Contributions	\$ 438,153	\$ 390,966
Investment Income:		
Loan Revenue	\$ 2,008	\$ 1,458
Interest	438,518	426,687
Dividends	91,460	99,890
Income from Foreign Investments	38,089	49,033
Net Discount Amortization	69,108	57,751
Currency Gain on Sale of Foreign Investments	618	10,100
Net Gain on Sale of Investments	589,883	492,548
Total Investment Income	\$ 1,229,684	\$ 1,137,467
Total Operating Revenues	\$ 1,667,837	\$ 1,528,433
Operating Expenses:		
Annuity Benefits:		
Retirement Benefits	\$ 301,058	\$ 272,977
Survivor Benefits	18,131	16,207
Disability Benefits	9,065	8,118
Cost of Living	66,910	61,623
Death Benefits	3,049	2,300
Refunds	17,637	17,142
Total Operating Expenses	\$ 415,850	\$ 378,367
Net Income	\$ 1,251,987	\$ 1,150,066
Fund Balance, July 1	\$ 11,000,940	\$ 9,850,874
Fund Balance, June 30	\$ 12,252,927	\$ 11,000,940

See accompanying Notes to the Financial Statements.

Tennessee Consolidated Retirement System

Statements of Cash Flows

(Expressed in Thousands)

	For the Year Ended June 30, 1994	For the Year Ended June 30, 1993
Cash Flows from Operating Activities:		
Cash Received from Member Contributions	\$ 116,671	\$ 107,308
Cash Received from Employer Contributions	263,683	230,652
Cash Received from Political Subdivision Contributions	56,072	35,970
Cash Payments for Annuity Benefits	(393,553)	(359,014)
Cash Payments for Death Benefits	(2,221)	(2,241)
Cash Payments for Refunds to Members	(18,725)	(17,165)
Other Operating Revenues	323	1
Net Cash Flows Provided by (Used for) Operating Activities	\$ 22,250	\$ (4,489)
Cash Flows from Investing Activities:		
Interest on Investments	\$ 427,372	\$ 431,137
Dividends on Investments	93,963	99,700
Loan Revenue	2,099	1,436
Income from Foreign Investments	41,587	44,513
Proceeds from Sales and Maturities of Investments	18,165,517	12,376,320
Purchase of Investments	(18,753,166)	(12,949,768)
Net Cash Flows Provided by (Used for) Investing Activities	\$ (22,628)	\$ 3,338
Net Decrease in Cash and Cash Equivalents	\$ (378)	\$ (1,151)
Cash and Cash Equivalents at July 1	\$ 1,061	\$ 2,212
Cash and Cash Equivalents at June 30	\$ 683	\$ 1,061
Reconciliation of Net Income to Net Cash Flows		
from Operating Activities:		
Net Income	\$ 1,251,987	\$ 1,150,066
Adjustments to Reconcile Net Income to Net Cash Flows		
from Operating Activities:		
Interest Income	(438,518)	(426,687)
Dividend Income	(91,460)	(99,890)
Income from Foreign Investments	(38,089)	(49,033)
Net Profit on Sale of Investments	(589,883)	(492,548)
Currency Gain on Sale of Foreign Investments	(618)	(10,100)
Net Discount Amortization	(69,108)	(57,751)
Loan Revenue	(2,008)	(1,458)
Changes in Receivables:		
Member Contributions	(502)	(750)
Employer Contributions	(987)	(15,873)
Political Subdivision Contributions	(238)	(412)
Changes in Payables:		
Retired Payroll Payable	1,611	(89)
Warrants Payable	216	(138)
Accounts Payable	(153)	174
Total Adjustments	\$ (1,229,737)	\$ (1,154,555)
Net Cash Flows Provided by (Used for) Operating Activities	\$ 22,250	\$ (4,489)

Noncash Investing, Capital and Financing Activities:

At June 30, 1994, the TCRS had no unsettled investment purchases or unsettled investment sales.

At June 30, 1993, the TCRS had unsettled investment purchases of \$101,954,812 and unsettled investment sales of \$89,414,020.

See accompanying Notes to the Financial Statements.

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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, 1994, the number of participating local government employers and the TCRS membership was:

Cities	118	Retirees and beneficiaries	
Counties	83	currently receiving benefits	59,714
Utility Districts	27	Terminated members entitled to	
Special School Districts	20	benefits but not yet receiving them	9,401
Joint Ventures	22	Current members:	
Regional Libraries	12	Vested	110,052
Development Agencies	12	Nonvested	59,995
Housing Authorities	10	Total	239,162
911 Emergency Communication Districts	18		
Other	16		
Total	338		

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. Members joining the system on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are 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 Board of Trustees of the TCRS.

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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' 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, 1994, the state of Tennessee contributed \$42.7 million (10.1 percent of current covered payroll) to the Optional Retirement Plan. The total current covered payroll was \$424.6 million.

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 included in the State of Tennessee Financial Reporting Entity. Because of the state's fiduciary responsibility, the TCRS forms an integral part of the Tennessee primary government and as such has been included as a pension 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 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.

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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 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 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, 1994.

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 \$5.7 million due from other funds within the state and \$34.5 million due from other governments.

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 of \$76,697,139 at book value and \$91,975,370 at market value, that were classified as Domestic Corporate Bonds in the June 30, 1993 Balance Sheet, have been reclassified as International Corporate Bonds. Investments of \$2,589,650 at book value and \$3,112,500 at market value, that were classified as International Stocks in the June 30, 1993 Balance Sheet, have been reclassified as Domestic Stocks.

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:

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

- 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. 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, 1994 and June 30, 1993

	June 30, 1994		June 30, 1993	
	Book Value	Market Value	Book Value	Market Value
<i>Cash Equivalents-Not Categorized:</i>				
Cash in State Treasurer's Pooled Investment Fund	\$ 682,810	\$ 682,810	\$ 1,061,549	\$ 1,061,549
<i>Investments - Category 1:</i>				
Short-term Securities:				
Commercial Paper	\$ 1,303,526,454	\$ 1,300,645,137	\$ 713,664,881	\$ 712,649,155
Medium-term Corporate Notes	50,000,000	50,000,000	50,000,000	50,000,000
U. S. Treasury Notes	191,145,806	190,415,800	62,495,722	63,764,100
Repurchase Agreements	78,050,000	78,050,000	0	0
Long-term Investments:				
Domestic Securities				
Government Bonds	2,803,228,086	2,854,508,337	2,139,821,328	2,473,442,403
Corporate Bonds	3,043,295,846	2,977,163,171	2,782,887,234	2,985,483,578
Corporate Stocks	2,796,282,576	3,103,566,048	2,767,459,197	3,618,225,564
International Securities:				
Government Bonds	615,971,021	621,233,866	492,878,829	481,426,837
Corporate Bonds	192,778,906	201,034,372	263,503,651	300,092,077
Corporate Stocks	627,891,415	702,045,409	596,134,963	604,141,680
American Depository Receipts	9,152,098	20,092,439	10,432,098	17,105,100
	\$ 11,711,322,208	\$ 12,098,754,579	\$ 9,879,277,903	\$ 11,306,330,494
<i>Investments - Categories 2 & 3:</i>	\$ 0	\$ 0	\$ 0	\$ 0
<i>Investments - Not Categorized:</i>				
Investments held by broker-dealers under securities on loan contracts:				
Domestic Securities				
Government Bonds	\$ 341,481,026	\$ 331,680,885	\$ 585,451,424	\$ 664,434,177
Corporate Bonds	86,468	85,798	60,648,877	62,696,598
Corporate Stocks	4,767,670	2,819,375	1,504,827	1,721,875
International Securities				
Government Bonds	0	0	94,817,804	104,787,857
Corporate Bonds	0	0	10,115,830	10,665,100
Corporate Stocks	27,165,934	31,493,272	118,673,057	123,342,691
Margin Deposit on Futures Contracts:				
Domestic Government Bonds	2,588,256	2,503,974	0	0
Unsettled Investment Acquisitions:				
Domestic Securities				
Government Bonds	0	0	9,812,500	9,812,500
Corporate Bonds	0	0	59,221,450	59,297,200
Corporate Stocks	0	0	12,668,373	12,782,000
International Securities				
Corporate Stocks	0	0	20,153,635	19,969,155
Total Investments	\$ 12,087,411,562	\$ 12,467,337,883	\$ 10,852,345,680	\$ 12,375,839,647

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, 1994, the market value of TCRS securities on loan to brokers was \$366,079,330, and the market value of collateral pledged for the securities on loan was \$385,027,923.

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

The TCRS is a party to financial instruments with off-balance sheet risk used in the normal course of business to generate earnings and reduce its own exposure to fluctuations in market conditions. The TCRS is authorized by statute to engage in forward contracts to exchange different currencies at a specified future date and rate and in domestic stock index futures contracts. These contracts involve elements of credit and market risk in excess of amounts recognized in the Balance Sheet as of June 30, 1994. The contractual or notional amounts express the extent of the TCRS' involvement in these instruments and do not represent exposure to credit loss. The credit risk on forward and futures contracts is controlled through limits and monitoring procedures.

The allowable currencies for hedging purposes are limited by policy of the Board of Trustees to the Pound Sterling, Deutschmarks and Japanese Yen. Forward exchange contracts in effect at June 30, 1994 are summarized as follows:

Commitments to Deliver Foreign Currency		U.S. Currency to be Received Upon Delivery of Foreign Currency	Market Value at 06/30/94 to Purchase Foreign Currency for Delivery
30,000,000	Sterling	\$ 45,517,500	\$ 46,273,800
15,000,000,000	Japanese Yen	147,647,123	153,011,904
400,000,000	Deutschmarks	235,584,222	251,266,464
	<i>Total</i>	<i>\$ 428,748,845</i>	<i>\$ 450,552,168</i>

The Currency Gain on Sale of Foreign Investments line item on the Statement of Revenues, Expenses and Changes in Fund Balances includes a net loss on forward contracts in the amount of \$7,489,846.

At June 30, 1994, the notional amount of futures contracts was \$46,193,750 at a market value of \$44,505,000. The changes in market value of the outstanding futures contracts are settled daily. The Net Gain on Sale of Investments line item on the Statement of Revenues, Expenses and Changes in Fund Balances includes a net loss on futures contracts in the amount of \$1,736,085.

The TCRS is also 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, 1994.

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 and an actuarial update as of June 30, 1994. 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.

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

At June 30, 1994, the net assets exceeded the pension benefit obligation by \$1.64 billion as follows (in millions):

	State	Political Subdivisions	Total
Pension benefit obligation			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 3,802.9	\$ 475.6	\$ 4,278.5
Current employees:			
Accumulated employee contributions including allocated investment earnings	1,743.3	333.3	2,076.6
Employer-financed vested	3,739.1	426.8	4,165.9
Employer-financed nonvested	59.2	27.9	87.1
Total pension benefit obligation	\$ 9,344.5	\$ 1,263.6	\$ 10,608.1
Net assets available for benefits at cost or amortized cost (market value is \$12,632.9)	10,772.4	1,480.5	12,252.9
Assets in excess of pension benefit obligation	\$ (1,427.9)	\$ (216.9)	\$ (1,644.8)

During the year, 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 benefit provision caused the pension benefit obligation to increase by \$450.6 million (\$401.2 million for the state and \$49.4 million for political subdivisions).

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 for \$90.8 million of the unfunded accrued liability associated with the contributory teachers group from 22 to 10 years. The remaining \$107.0 million of the unfunded accrued liability relating to a closed group of state judges, attorneys general and county officials is amortized over a 22-year period. 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

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

The June 30, 1993 actuarial valuation calculated the effect of the proposed five percent benefit improvement for state employees and teachers to be \$303.1 million, resulting in a total unfunded actuarial accrued liability of \$500.9 million. The proposed benefit improvement was effective January 1, 1994. The June 30, 1994 actuarial update calculated the unfunded actuarial accrued liability at \$471.8 million.

For the year ended June 30, 1994, contributions totaling \$438.2 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 Note D. The state contributed \$264.7 million (6.2 percent of current covered payroll) to the plan, and state employees and teachers contributed \$91.8 million (2.2 percent of current covered payroll). Political subdivisions contributed \$56.3 million (1.3 percent of current covered payroll) to the plan, and employees of political subdivisions contributed \$25.4 million (.6 percent of current covered payroll). These contributions consisted of (a) \$292.5 million normal cost (6.9 percent of current covered payroll) and (b) \$145.7 million amortization of the unfunded actuarial accrued liability (3.4 percent of current covered payroll). The total current-year covered payroll was \$4.26 billion.

The employer contribution requirement to finance the five percent benefit improvement for state employees and teachers discussed in Note D is approximately \$61 million annually. Funding for the benefit improvement is included in the contribution rates that went into effect July 1, 1994. Adoption of the five percent benefit improvement is optional to each individual political subdivision, thus no employer contribution to finance the improvement is projected.

F. 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 eight years.

Tennessee Consolidated Retirement System
Required Supplementary Information

Revenues by Source

Fiscal Year	Member Contributions	Employer Contributions	Investment Income	Contributions For ORP	Total
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
1994	117,173,260	320,979,877	1,229,683,544	0	1,667,836,681

Expenses by Type

Fiscal Year	Benefits	Refunds	Contributions TO ORP	Total
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	361,225,244	17,141,499	0	378,366,743
1994	398,213,491	17,636,340	0	415,849,831

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)
1994 [2]	12,252.9	10,608.1	115.5	(1,644.8)	4,264.7	(38.6)

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's 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.

[2] Benefit improvement provisions adopted during fiscal year 1994 caused an increase of \$450.6 million in the pension benefit obligation.

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
<i>Assets</i>						
<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
<i>Liabilities</i>						
<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 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 benefit improvement as if it had occurred at June 30, 1993. The adoption of the five percent benefit improvement is optional to each individual political subdivision.

Deferred Compensation
Independent Auditor's Report

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 22, 1994

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

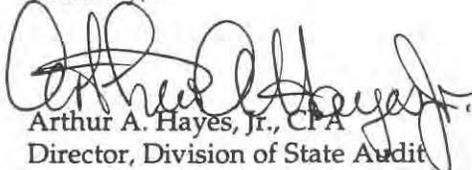
Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the IRC Section 457 Deferred Compensation Plan as of June 30, 1994, and June 30, 1993, and the related statement of changes in assets and liabilities for the year ended June 30, 1994. 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, 1994, and June 30, 1993, and the changes in assets and liabilities for the year ended June 30, 1994, 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, 1994	June 30, 1993
<i>Investments Held by Vendors:</i>		
AEtna	\$ 26,261,372	\$ 26,333,455
American General	993,998	972,733
Calvert Group	330,012	274,248
Fidelity Investments	30,673,490	25,970,773
Great West	5,882,390	6,684,649
Union Planters	13,833,317	13,047,361
<i>Total</i>	<u>\$ 77,974,579</u>	<u>\$ 73,283,219</u>
<i>Receivables from State Funds for:</i>		
AEtna	\$ 37,714	\$ 19,937
American General	6,067	6,959
Calvert Group	2,026	1,702
Fidelity Investments	107,544	92,236
Great West	9,877	11,637
Union Planters	27,622	28,447
<i>Total</i>	<u>\$ 190,850</u>	<u>\$ 160,918</u>
Total Assets	<u>\$ 78,165,429</u>	<u>\$ 73,444,137</u>
 <i>Liabilities</i>		
Amounts Held in Custody for Others	\$ 78,165,429	\$ 73,444,137

See accompanying Notes to the Financial Statements.

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

<i>Assets</i>	Balance July 1, 1993	Additions	Deductions	Balance June 30, 1994
Investments, at Market	\$ 73,283,219	\$ 15,833,550	\$ 11,142,190	\$ 77,974,579
Receivables from State Funds	160,918	190,850	160,918	190,850
Total Assets	\$ 73,444,137	\$ 16,024,400	\$ 11,303,108	\$ 78,165,429

Liabilities

Amounts Held in Custody for Others	\$ 73,444,137	\$ 16,024,400	\$ 11,303,108	\$ 78,165,429
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See accompanying Notes to the Financial Statements.

IRC Section 457 Deferred Compensation
Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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.

**Flexible Benefits Plan
Independent Auditor's Report**

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 22, 1994

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

Dear Mr. Snodgrass:

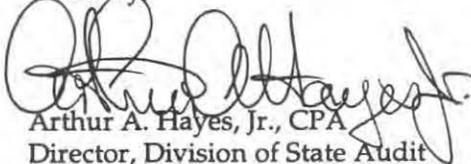
We have audited the accompanying balance sheets of the Flexible Benefits Plan as of June 30, 1994, and June 30, 1993, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of management. Our responsibility 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, 1994, and June 30, 1993, 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, 1994	June 30, 1993
<i>Assets</i>		
Cash and Cash Equivalents	\$ 5,101,250	\$ 3,750,317
Receivable from State Funds	102,631	91,222
Total Assets	\$ 5,203,881	\$ 3,841,539
<i>Liabilities and Fund Balance</i>		
Liabilities:		
Warrants Payable	\$ 2,560	\$ 6,815
Checks Payable	-	-
Accounts Payable	59,350	72,089
Dependent Care Deposits	131,298	127,988
Medical Reimbursement Deposits	101,720	119,789
Total Liabilities	\$ 294,928	\$ 326,681
<i>Fund Balance</i>	\$ 4,908,953	\$ 3,514,858
Total Liabilities and Fund Balance	\$ 5,203,881	\$ 3,841,539

See accompanying Notes to the Financial Statements.

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

	For the Year Ended June 30, 1994	For the Year Ended June 30, 1993
<i>Revenues:</i>		
FICA Savings	\$ 2,063,220	\$ 1,916,524
Flexible Benefit Forfeiture	26,899	13,980
Total Revenue	\$ 2,090,119	\$ 1,930,504
<i>Expenditures:</i>		
Administrative Fees	\$ 233,807	\$ 229,934
Excess of Revenues over Expenditures	\$ 1,856,312	\$ 1,700,570
<i>Other Financing Uses:</i>		
Operating Transfer to State General Fund	(462,217)	(362,068)
Excess of Revenues Over Expenditures and Other Uses	\$ 1,394,095	\$ 1,338,502
Fund Balance, July 1	\$ 3,514,858	\$ 2,176,356
Fund Balance, June 30	\$ 4,908,953	\$ 3,514,858

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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, 1994.

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.

Flexible Benefits Plan**Schedules of Cash Receipts and Disbursements**

	July 1, 1993 through June 30, 1994	July 1, 1992 through June 30, 1993
<i>Cash Balance, July 1</i>	\$ 3,750,317	\$ 2,418,020
<i>Add Cash Receipts:</i>		
Plan Deposits	\$ 2,804,938	\$ 2,552,641
FICA Savings	2,062,435	1,916,113
<i>Total Cash Receipts</i>	\$ 4,867,373	\$ 4,468,754
<i>Deduct Cash Disbursements:</i>		
Plan Withdrawals	\$ 2,820,416	\$ 2,544,455
Transfer to General Fund	462,217	362,068
Administrative Fees	233,807	229,934
<i>Total Cash Disbursements</i>	\$ 3,516,440	\$ 3,136,457
<i>Cash Balance, June 30</i>	\$ 5,101,250	\$ 3,750,317

See accompanying Notes to the Financial Statements.

Claims Award Fund
Independent Auditor's Report

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 22, 1994

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, 1994, and June 30, 1993, 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, 1994, and June 30, 1993, 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, 1994	June 30, 1993
<i>Assets</i>		
Cash and Cash Equivalents	\$ 69,314,868	\$ 75,196,369
Accounts Receivable	33,397	0
Total Assets	\$ 69,348,265	\$ 75,196,369
 <i>Liabilities and Fund Equity</i>		
Liabilities:		
Warrants Payable	\$ 389,622	\$ 650,403
Checks Payable	293,210	195,761
Accounts Payable	101,446	125,543
Deferred Revenue	152,803	1,297,755
Claims Liability	59,768,197	50,671,976
Total Liabilities	\$ 60,705,278	\$ 52,941,438
 <i>Fund Equity</i>	 \$ 8,642,987	 \$ 22,254,931
Total Liabilities and Fund Equity	\$ 69,348,265	\$ 75,196,369

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, 1994	For the Year Ended June 30, 1993
<i>Operating Revenues:</i>		
Insurance Premiums	\$ 1,349,995	\$ 4,420,887
Interest Income	2,204,101	2,502,007
Taxes	5,400	3,320
Total Operating Revenues	\$ 3,559,496	\$ 6,926,214
<i>Operating Expenses:</i>		
Torts		
Death	\$ 157,500	\$ 643,878
Bodily Injury	2,907,924	2,683,845
Property Damage	865,090	599,775
Total Torts	\$ 3,930,514	\$ 3,927,498
Workers' Compensation		
Death	\$ 290,470	\$ 557,818
Medical	6,622,766	4,630,313
Assault Injury	2,829	670
Temporary Disability	1,151,561	903,548
Permanent Disability	3,378,642	2,655,156
Total Workers' Compensation	\$ 11,446,268	\$ 8,747,505
Employee Property Damage	\$ 40,572	\$ 21,621
Professional/Administrative	5,576,065	4,629,096
Additional Funding Liability	9,096,221	5,058,976
Total Operating Expenses	\$ 30,089,640	\$ 22,384,696
Operating Income	\$ (26,530,144)	\$ (15,458,482)
<i>Operating Transfers from:</i>		
General Fund	\$ 7,800,000	\$ 14,261,900
Highway Fund	4,572,700	4,185,000
Special Revenue Fund	545,500	472,700
Total Operating Transfers	\$ 12,918,200	\$ 18,919,600
Net Income (Loss)	\$ (13,611,944)	\$ 3,461,118
Fund Equity, July 1	\$ 22,254,931	\$ 18,793,813
Fund Equity, June 30	\$ 8,642,987	\$ 22,254,931

See accompanying Notes to the Financial Statements.

Claims Award Fund
Statements of Cash Flows

	For the Year Ended June 30, 1994	For the Year Ended June 30, 1993
<i>Cash Flows from Operating Activities:</i>		
Operating Income	\$ (26,530,144)	\$ (15,458,482)
Adjustments to Reconcile Net Income to Net Cash Flows Provided in Operating Activities:		
Interest Income	(2,204,101)	(2,502,007)
Change in Assets and Liabilities:		
Increase in Accounts Receivable	(33,397)	0
Increase (Decrease) in Warrants Payable	(260,781)	407,330
Increase (Decrease) in Checks Payable	97,449	91,814
Increase (Decrease) in Accounts Payable	(24,097)	67,144
Decrease in Deferred Revenue	(1,144,952)	(4,199,700)
Increase in Claims Liability	9,096,221	5,058,976
<i>Total Adjustments</i>	\$ 5,526,342	\$ (1,076,443)
<i>Net Cash Flows Used in Operating Activities</i>	\$ (21,003,802)	\$ (16,534,925)
<i>Cash Flows from Noncapital Financing Activities:</i>		
Transfers from:		
General Fund	\$ 7,800,000	\$ 14,261,900
Highway Fund	4,572,700	4,185,000
Special Revenue Fund	545,500	472,700
<i>Net Cash Flows Provided by Noncapital Financing Activities</i>	\$ 12,918,200	\$ 18,919,600
<i>Cash Flows from Investing Activities:</i>		
Interest on Investments	\$ 2,204,101	\$ 2,502,007
<i>Net Cash Flows Provided by Investing Activities</i>	\$ 2,204,101	\$ 2,502,007
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	\$ (5,881,501)	\$ 4,886,682
<i>Cash and Cash Equivalents at July 1</i>	\$ 75,196,369	\$ 70,309,687
<i>Cash and Cash Equivalents at June 30</i>	\$ 69,314,868	\$ 75,196,369

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements, June 30, 1994 and June 30, 1993**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, 1994.

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.

Claims Award Fund

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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 \$59,768,197. Changes in the balances of claims liabilities during fiscal 1993 and 1994 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
1992-1993	\$45,613,000	\$17,755,600	\$(12,696,624)	\$50,671,976
1993-1994	\$50,671,976	\$24,513,575	\$(15,417,354)	\$59,768,197

At June 30, 1994, CAF held \$69.3 million in cash and cash equivalents designated for payment of these claims.

2. The total premium recommended by the actuary for fiscal year 1994 totaled \$28,077,637. Of this amount, \$12,918,200 was received through state appropriation, \$1,144,952 from deferred revenue, and fund balance absorbed the remaining \$14,014,485. New agency billings totaled \$205,043.
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 and \$12,918,200 during fiscal year 1994. The remaining payback, plus interest, will be collected in fiscal year 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 years in 1993 and 1994 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 and \$1,144,952 was recognized in fiscal year 1994. The remaining \$152,803 will be recognized in fiscal year 1995.

**Criminal Injuries Compensation Fund
Independent Auditor's Report**

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 22, 1994

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

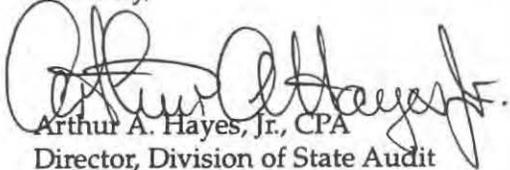
Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Criminal Injuries Compensation Fund as of June 30, 1994, and June 30, 1993, 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, 1994, and June 30, 1993, 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, 1994	June 30, 1993
<i>Assets</i>		
Cash and Cash Equivalents	\$ 29,939,151	\$ 23,039,159
Accounts Receivable	582,581	592,928
Total Assets	\$ 30,521,732	\$ 23,632,087
 <i>Liabilities and Fund Balance</i>		
Liabilities:		
Warrants Payable	\$ 593,895	\$ 485,616
Accounts Payable	103,674	346,605
Claims Liability	6,522,589	5,719,915
Total Liabilities	\$ 7,220,158	\$ 6,552,136
Fund Balance :		
Reserved for Future Benefits	\$ 22,133,057	\$ 15,191,253
Reserved for Victims of Drunk Drivers	1,168,517	1,888,698
Total Fund Balance	\$ 23,301,574	\$ 17,079,951
Total Liabilities and Fund Balance	\$ 30,521,732	\$ 23,632,087

See accompanying Notes to the Financial Statements.

Criminal Injuries Compensation Fund
Statements of Revenues, Expenditures and Changes in Fund Equity

	For the Year Ended June 30, 1994	For the Year Ended June 30, 1993
<i>Revenues:</i>		
State		
Taxes	\$ 6,460,789	\$ 6,973,508
Fines	1,494,699	1,496,475
Federal	6,374,000	2,904,000
Interest Income	863,907	658,639
Total Revenues	\$ 15,193,395	\$ 12,032,622
<i>Expenditures:</i>		
Claim Payments	\$ 8,971,772	\$ 8,645,354
Excess of Revenues Over Expenditures	\$ 6,221,623	\$ 3,387,268
Fund Balance, July 1	\$ 17,079,951	\$ 526,387
Equity Transfer from Victims of Drunk Driver Compensation	\$ -	\$ 13,166,296
Fund Balance, June 30	\$ 23,301,574	\$ 17,079,951

See accompanying Notes to the Financial Statements.

Criminal Injuries Compensation Fund

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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, 1994.

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.

**Chairs of Excellence
Independent Auditor's Report**

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 22, 1994

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

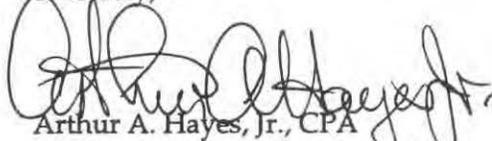
Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Chairs of Excellence as of June 30, 1994, and June 30, 1993, 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, 1994, and June 30, 1993, 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

	June 30, 1994	June 30, 1993
Assets		
Investments:		
Short-term Securities (Amortized Cost)	\$ 20,159,608	\$ 2,822,171
Domestic Securities:		
Government Bonds (Amortized Cost)	34,448,042	20,309,658
Corporate Bonds (Amortized Cost)	57,297,216	58,703,816
Corporate Stocks (Cost)	16,493,571	27,661,594
Securities on Loan:		
Government Bonds (Amortized Cost)	516,799	9,900,703
Corporate Bonds (Amortized Cost)	0	1,863,853
International Securities:		
Government Bonds (Amortized Cost)	3,477,166	781,077
Corporate Bonds (Amortized Cost)	2,279,499	2,309,203
Corporate Stocks (Cost)	287,161	160,885
Securities on Loan:		
Government Bonds (Amortized Cost)	414,203	3,167,676
Total Investments	\$ 135,373,265	\$ 127,680,636
Receivables:		
Due From Colleges and Universities	\$ 263,000	\$ 346,000
Investment Income Receivable	1,898,239	1,992,842
Investments Sold	0	1,109,781
Total Receivables	\$ 2,161,239	\$ 3,448,623
Total Assets	\$ 137,534,504	\$ 131,129,259
Liabilities and Fund Balance		
Liabilities:		
Payable to Colleges and Universities	\$ 1,639,660	\$ 1,955,140
Payable to the Academic Scholars Fund	3,783,237	3,522,676
Payable to State General Fund	27,325	48,288
Investments Purchased	0	451,805
Total Liabilities	\$ 5,450,222	\$ 5,977,909
Fund Balance:		
Endowment Reserve	\$ 91,104,469	\$ 89,455,002
Special Reserve	2,900,118	7,553,943
Restricted Reserve	38,079,695	28,142,405
Total Fund Balance	\$ 132,084,282	\$ 125,151,350
Total Liabilities and Fund Balance	\$ 137,534,504	\$ 131,129,259

See accompanying Notes to the Financial Statements.

Chairs of Excellence

Statements of Revenues, Expenses and Changes in Fund Balance

	For the Year Ended June 30, 1994	For the Year Ended June 30, 1993
<i>Operating Revenues:</i>		
Investment Income	\$ 11,484,501	\$ 11,135,886
<i>Operating Expenses:</i>		
Payments to the University of Tennessee	\$ 3,302,881	\$ 3,462,716
Payments to the Tennessee Board of Regents	2,791,415	2,864,492
Administrative Cost	106,740	189,858
<i>Total Operating Expenses</i>	<u>\$ 6,201,036</u>	<u>\$ 6,517,066</u>
<i>Net Income</i>	<u>\$ 5,283,465</u>	<u>\$ 4,618,820</u>
<i>Other Changes in Fund Balance:</i>		
Contributions from Private Sources	\$ 1,649,467	\$ 1,010,000
<i>Net Change in Fund Balance</i>	<u>\$ 6,932,932</u>	<u>\$ 5,628,820</u>
<i>Fund Balance, July 1</i>	<u>\$ 125,151,350</u>	<u>\$ 119,522,530</u>
<i>Fund Balance, June 30</i>	<u>\$ 132,084,282</u>	<u>\$ 125,151,350</u>

See accompanying Notes to the Financial Statements.

Chairs of Excellence
Statements of Cash Flows

	For the Year Ended June 30, 1994	For the Year Ended June 30, 1993
<i>Cash Flows from Operating Activities:</i>		
Operating Income	\$ 5,283,465	\$ 4,618,820
Adjustments to Reconcile Operating Income to Net Cash Flows Used for Operating Activities:		
Investment Income	(12,150,667)	(11,647,566)
Net (Discount) Premium Amortization	405,605	201,343
Interest Paid to the Academic Scholars Fund	260,561	310,337
Change in Assets and Liabilities:		
Decrease (Increase) in Interfund Receivables	83,000	(346,000)
Increase (Decrease) in Interfund Payables	(75,882)	2,040,041
Net Cash Flows Used for Operating Activities:	\$ (6,193,918)	\$ (4,823,025)
<i>Cash Flows from Noncapital Financing Activities:</i>		
Contributions from Private Sources	\$ 1,649,467	\$ 1,010,000
Net Cash Flows Provided by Noncapital Financing Activities:	\$ 1,649,467	\$ 1,010,000
<i>Cash Flows from Investing Activities:</i>		
Investment Income Received	\$ 8,360,237	\$ 8,414,719
Proceeds from Sales and Maturities of Investments	157,128,895	131,048,742
Purchase of Investments	(160,684,120)	(135,340,099)
Interest Paid to the Academic Scholars Fund	(260,561)	(310,337)
Net Cash Flows Provided by Investing Activities:	\$ 4,544,451	\$ 3,813,025
Net Decrease in Cash and Cash Equivalents	\$ 0	\$ 0
Cash and Cash Equivalents at July 1	\$ 0	\$ 0
Cash and Cash Equivalents at June 30	\$ 0	\$ 0

Noncash Investing, Capital and Financing Activities:

At June 30, 1994, the COE trust had no unsettled investment purchases or unsettled investment sales.
 At June 30, 1993, the COE trust had unsettled investment purchases of \$451,805 and unsettled investment sales of \$1,109,781.

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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, 1994.

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 nonexpendable 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.

6. Reclassification.

Investments of \$132,676 at book value and \$173,763 at market value, that were classified as Domestic Corporate Bonds on the June 30, 1993 Balance Sheet, have been reclassified as International Corporate

(Continued)

Chairs of Excellence

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

Bonds. Investments of \$175,500 at book value and \$207,500 at market value, that were classified as International Stocks on the June 30, 1993 Balance Sheet, have been reclassified as Domestic Stocks.

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.

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 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, 1994		June 30, 1993	
	Book Value	Market Value	Book Value	Market Value
Investments - Category 1:				
Short-term Securities:				
Commercial Paper	\$ 20,159,608	\$ 20,159,608	\$ 2,822,171	\$ 2,822,171
Long-term Investments:				
Domestic Securities:				
Government Bonds	34,448,042	34,313,232	20,309,658	22,385,381
Corporate Bonds	57,297,216	56,593,986	58,703,816	60,922,991
Corporate Stocks	16,493,571	16,655,821	27,209,789	31,697,616
International Securities:				
Government Bonds	3,477,166	3,498,251	781,077	778,348
Corporate Bonds	2,279,499	2,310,341	2,309,203	2,512,723
Corporate Stocks	287,161	296,500	160,885	192,250
	\$ 134,442,263	\$ 133,827,739	\$ 112,296,599	\$ 121,311,480
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	516,799	544,375	9,900,703	11,318,388
Corporate Bonds	0	0	1,863,853	2,072,368
International Securities:				
Government Bonds	414,203	418,333	3,167,676	3,456,720
Unsettled Investment Acquisitions:				
Domestic Securities:				
Corporate Stocks	0	0	451,805	458,000
Total Investments	\$ 135,373,265	\$ 134,790,447	\$ 127,680,636	\$ 138,616,956

(Continued)

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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 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, 1994, the market value of COE securities on loan to brokers was \$962,708, and the market value of collateral pledged for the securities on loan was \$1,008,450.

C. Other Accounting Disclosures

1. Chairs of Excellence Endowment Trust.

The Chairs of Excellence Trust is a nonexpendable 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, 1994, 86 Chairs have been established with matching contributions received totaling \$47,104,469. This is an increase of 2 Chairs and \$1,649,467 since June 30, 1993. Total contributions to the COE Trust totaled \$91,104,469 as of June 30, 1994. This includes \$44,000,000 from the State, \$10,321,300 from Colleges and Universities, and \$36,783,169 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.

Bond Refunding
Independent Auditor's Report

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 22, 1994

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 Bond Refunding Trust as of June 30, 1994, and June 30, 1993, and the related statement of changes in assets and liabilities for the year ended June 30, 1994. 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, 1994 and June 30, 1993, and the changes in assets and liabilities for the year ended June 30, 1994, 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, 1994	June 30, 1993
<i>Assets</i>		
Cash and Cash Equivalents	\$ 86,905	\$ 198,405
Investments (amortized cost)	38,234,256	39,138,598
Accrued Interest Receivable	1,378,056	1,378,056
Total Assets	\$ 39,699,217	\$ 40,715,059

Liabilities

Amounts Held in Custody for Others	\$ 39,699,217	\$ 40,715,059
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See accompanying Notes to the Financial Statements.

**Bond Refunding
Statement of Changes in Assets and Liabilities**

	Balance June 30, 1993	Additions	Deductions	Balance June 30, 1994
<i>Assets</i>				
Cash and Cash Equivalents	\$ 198,405	\$ 73,804,701	\$ 73,916,201	\$ 86,905
Investments	39,138,598	34,101,154	35,005,496	38,234,256
Accrued Interest Receivable	1,378,056	1,378,057	1,378,057	1,378,056
Total Assets	\$ 40,715,059	\$ 109,283,912	\$ 110,299,754	\$ 39,699,217

Liabilities

Amounts Held in Custody for Others	\$ 40,715,059	\$ 34,718,001	\$ 35,733,843	\$ 39,699,217
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See accompanying Notes to the Financial Statements.

Bond Refunding

Notes to the Financial Statements, June 30, 1994 and June 30, 1993

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. In July 1993, the Authority issued refunding bonds of \$34,250,000 to refund \$32,471,000 of the 1987 Series A refunding bonds. The refunding bonds were issued to take advantage of lower interest rates. The proceeds resulting from the advance refundings 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 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, 1994.

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>
\$38,234,256	\$38,695,109

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



Treasury Department; December 1994; Authorization No. 309084; 600 copies.
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