



1996 TREASURER'S REPORT

Steve Adams, Treasurer

TENNESSEE'S BICENTENNIAL 1796 - 1996

On June 1, 1796, Tennessee was admitted to the Union as the sixteenth state. That year, John Sevier became Tennessee's first Governor, William Blount and William Cocke were elected as the first U.S. senators from Tennessee, Andrew Jackson was elected as Tennessee's first representative in Congress, and the first Tennessee General Assembly met in Knoxville.

The Tennessee Bicentennial Commission was created in anticipation of Tennessee's two hundred year statehood celebration to develop a program for celebrating the bicentennial of Tennessee's admission to the union in 1796. In honor of the state's Bicentennial, a Bicentennial Mall honoring Tennessee's 95 counties was developed in Nashville, special events were held around the state, and a Bicentennial Train carried exhibits to 30 locations across the state.

The photos in this year's Treasurer's Report show glimpses of Tennessee as it has looked at various times throughout its history. The photos on the next page show Tennessee's capitol as it looked during its occupation by the Union Army in 1862, and from the air in 1948.

1996

TREASURER'S REPORT



STEVE ADAMS, TREASURER

STATE OF TENNESSEE

**FISCAL YEAR ENDED
JUNE 30, 1996**

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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, 1996

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

It is an honor and privilege to present the annual report of the Treasurer's Office for the fiscal year ended June 30, 1996. I have had the opportunity to serve as Treasurer for the past ten years. During this time, with your support and the help of a hard working and dedicated staff, we have continued to excel in the administration of the programs for which we are responsible.

On the following pages you will find summarized the activity and accomplishments of our programs. I bring to your attention three significant items. The new Careers Now Intern Program had a great beginning this year. Utilization of the workers compensation preferred provider network has enabled the state to obtain approximately 30% savings on workers compensation medical bills while providing access to 75% of state employees. Investments of the Tennessee Consolidated Retirement System portfolio produced \$1.6 billion in income for a realized rate of return of 12.16% on book value.

As you peruse this document, I am confident you will agree that much has been accomplished by our department. We are committed to providing superior service to the true beneficiaries of our work — the citizens of this great state. We have many challenges ahead and look forward to working with you as we continue the task of providing professional financial management and programs responsive to the needs of public employees and the taxpayers of the state.

Sincerely,

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

Steve Adams

SA:msh

Introduction

The 1996 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, Risk Management, the Unclaimed Property Program, the Chairs of Excellence Program, and the Careers Now Internship 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 1995-96 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 1995-96 averaged \$2.26 billion, producing \$128.84 million in income for an average rate of return of 5.69%. Local governments participating in the Local Government Investment Pool received \$78.3 million in interest at a net rate averaging 5.54%. 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, 1996 totaled \$14.6 billion at book value (an increase of \$1.5 billion for the year) and \$15.9 billion at market value. For the year, investments produced \$1.6 billion in income for a realized rate of return of 12.16% on book value. This section also manages investments for the Chairs of Excellence Trust which at June 30, 1996 totaled \$144 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, 1996, there were 177,588 active TCRS members: 42,450 state employees; 57,435 K-12 teachers; 57,313 political subdivision employees; and 20,390 higher education employees. As of June 30, 1996, there were 63,988 retirees. TCRS paid out \$482 million in benefits during fiscal year 1995-96. 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. Activities during 1995-96 included 4,406 retirements, 4,663 refunds, approximately 7,600 estimates provided to members, and approximately 5,300 requests to purchase prior service. TCRS received its seventh consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its June 30, 1995 Comprehensive Annual Financial Report.

The State of Tennessee Deferred Compensation Program offers state employees the opportunity to accumulate supplemental retirement income on a tax deferred basis. 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 \$171 million in salary. During the last six months of 1995-96, the state, the University of Tennessee, and the Tennessee Board of Regents each matched their employees' contributions to the 401(k) plan at \$20 per month. As of June 30, 1996, 34,652 state and higher education employees had accounts in the program, an increase of 22,946 during the year. The market value of accumulated account balances totaled \$245 million, an increase of \$46.5 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 and dental insurance premiums, out-of-pocket medical expenses, and dependent care expenses. At June 30, 1996, there were 37,346 state employees using the plan: 36,912 paid medical premiums, 11,851 paid dental premiums, 2,385 used the medical expense reimbursement account and 376 used the dependent care reimbursement account. The plan generated over \$2.2 million in F.I.C.A. savings for the state during the 1995-96 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 Board of Claims. The Division of Claims Administration received 6,587 claims for tort, employee property damage, and workers' compensation. The Board of Claims took action on 10 matters regarding claims and insurance, and 1,639 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 \$14.9 million. Payments made to victims of criminal injuries and drunk drivers totaled \$6.2 million. Since the first payments were issued in 1982, over \$79 million has been paid to crime victims.

**Claims
Administra-
tion**

The Division of Risk Management is responsible for administering the state's Property/Casualty Insurance Program, including the procurement of boiler insurance and employee fidelity bond coverage. All state-owned buildings and contents are provided all-risk, replacement cost coverage for the limits of liability listed in the state's Property Insurance Schedule. On July 1, 1995, the total scheduled values were \$7.8 billion. The State Reserve for Casualty Losses, in the amount of \$5 million, provides a self-insured retention for the payment of property claims. Excess property coverage is procured from an independent insurance carrier to provide claim payments in excess of the retention, should losses exceed \$5 million in a given fiscal year. A \$5,000 per occurrence deductible is assumed by the depart-

**Division of
Risk
Management**

ment, agency, or institution experiencing a loss. In fiscal year 1995-96, the premium cost for total property coverage without the \$5 million retention was estimated to be \$8.2 million. The actual cost of the program for the same period was \$2 million, providing a savings to the state of approximately \$6.2 million.

Unclaimed Property Program

The Unclaimed Property Division is responsible for the administration of the state's Uniform Disposition of Unclaimed Property Act. 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, \$15.9 million of unclaimed property was turned over to the Treasurer and \$5.6 million was returned to owners or their heirs. Since the program began in 1978, over \$113.8 million in unclaimed property has been reported to the Treasurer and over \$31.6 million of that property has been returned to the owners or their heirs.

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 1996 fiscal year, one chair was created with matching contributions totaling \$539,000. Since 1984, a total of 93 chairs have been created. The Trust totaled \$144 million book value at June 30, 1996 and produced income of \$12.7 million during the year.

Careers Now Internship Program

The Careers Now Internship Program provides Tennessee college students the opportunity to learn more about the operations of state government and career opportunities in state government by working in one the three constitutional offices for a semester. The program welcomed its first class of twelve students in January 1996.

Bond Refunding Trust

The Treasurer has been appointed Refunding Trustee for the Tennessee Local Development Authority (TLDA) and for the Funding Board of the State of Tennessee (Funding Board) in connection with the sale of bonds issued to refund, in advance of maturity, bonds previously issued by the TLDA and Funding Board. 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 \$78.5 million at market value on June 30, 1996.

Treasury Numbers at a Glance
Fiscal Year 1995-96

Administrative	Number of Positions	174
	Payroll Expenditures	\$ 6,028,408
	Other Expenditures	\$ 3,196,753
	Total Administrative Expenditures	\$ 9,225,161
Cash Management Program	General Fund Earnings	\$ 17,358,040
	LGIP Earnings	\$ 79,195,869
	Restricted Fund Earnings	\$ 32,281,428
	Total Cash Management Earnings	\$ 128,835,337
Retirement Program	Retirement Benefits	\$ 482,028,294
	Number of Retirees	63,998
	Number of Active Members	177,588
	Retirement Contributions	\$ 478,703,061
	Retirement Investment Earnings	\$ 1,599,782,343
	Retirement Refunds	\$ 20,721,711
Claims Administration Program	Workers' Compensation Payments	\$ 12,061,094
	Workers' Compensation Claims Filed	4,353
	Employee Property Damage Payments	\$ 28,555
	Employee Property Damage Claims Filed	264
	Tort Claims Payments	\$ 2,822,790
	Tort Claims Filed	1,970
	Criminal Injury Payments	\$ 6,266,916
	Criminal Injury Claims Filed	2,068
	Claims Award Fund Revenue	\$ 37,792,640
Risk Management Program	Property Values Insured	\$ 7,812,051,900
	Total Cost of Program	\$ 2,037,423
	Savings to the State over Private Insurance Rates	\$ 6,165,232
Other Programs	Deferred Compensation Contributions	\$ 30,031,090
	State Matching Contributions	\$ 2,179,810
	Deferred Compensation Participants	34,652
	Flexible Benefits Plan Payments	\$ 3,055,278
	FICA Savings Generated from Flex Plan	\$ 2,225,925
	Unclaimed Property Revenues	\$ 15,872,175
	Unclaimed Property Payments	\$ 5,624,130
Chairs of Excellence Program	Chairs of Excellence Contributions	\$ 2,104,328
	Chairs Of Excellence Investment Earnings	\$ 12,707,779
	Total Number of Chairs of Excellence	93
	Chairs of Excellence Expenditures	\$ 5,931,812
Market Value of Assets Under Management at 6/30/96	Retirement Trust Fund	\$ 16,072,177,125
	Chairs of Excellence Trust Fund	\$ 154,636,752
	State Pooled Investment Fund	\$ 2,419,284,893
	Deferred Compensation (outside managers)	\$ 245,174,629
	Bond Refunding Trust	\$ 78,452,978
	Total Assets Under Management	\$ 18,969,726,377



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 175 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 1995-96 fiscal year, the average balance of short term investments in the Treasurer's Cash Management program was \$2,259,523,334 per month and interest income of \$128,835,337 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 invest-

ed 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, and prime banker's acceptances.

On June 14, 1996, the Governmental Accounting Standards Board issued an exposure draft on Accounting and Financial Reporting for Certain Investments and for External Investment Pools. The provisions proposed in this statement will likely result in changes to the investment policy concerning portfolio maturity and reporting requirements for the State Pooled Investment Fund. This proposed statement will be effective for financial statements for periods beginning after June 15, 1997.

At June 30, 1996, investments had an average maturity of 101 days, and an average weighted yield of 5.46%. The total balance in the State Pooled Investment Fund at June 30, 1996 (\$2,423,477,000 par value) was allocated as follows: U.S. Treasury government and agency securities, 35.81%; repurchase agreements, 2.46%; collateralized certificates of deposit, 34.50%; and commercial paper, 27.23%.

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)
1995-96	5.69%	5.49%	5.60%	5.29%
1994-95	5.34	5.33	5.47	5.45
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

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.

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, the Department of Transportation, 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. The Collateral Pool operates under the jurisdiction of the Collateral Pool Board, which is comprised of four bankers and three government members representing state and local government divisions. The Collateral Pool Board has established rules and procedures that provide a low amount of risk and a high degree of efficiency for participating institutions.

While participation in the Collateral Pool is voluntary, participation is subject to application to and approval by the Collateral Pool Board. The Board has established minimum financial performance levels for applicants which must be met to ensure that only healthy institutions are permitted to participate.

All public funds held by a pool participant are collateralized based on a collateral target calculated each month by the participant. The collateral target is based on the aggregate

average balance of all public funds for the month multiplied by the pledge percentage assigned to the participant by the Board.

All collateral transactions for the pool are monitored and processed through the Treasury Department using uniform state-wide procedures. In addition, Treasury Department staff monitors all pool activity through the monthly, quarterly, and annual reports required to be submitted by pool participants.

The Collateral Pool began operations on November 1, 1995 with 13 banks participating. Only banks were initially eligible to participate in the pool, but in the spring of 1996, legislation was passed to allow thrift institutions to participate in the collateral pool. The Collateral Pool Board began accepting applications from thrift institutions on August 29, 1996.

Currently, the Collateral Pool has 34 participant institutions collateralizing public funds in excess of \$1.5 billion and representing over 6,500 public fund accounts.

Securities Acceptable as Collateral for State Deposits

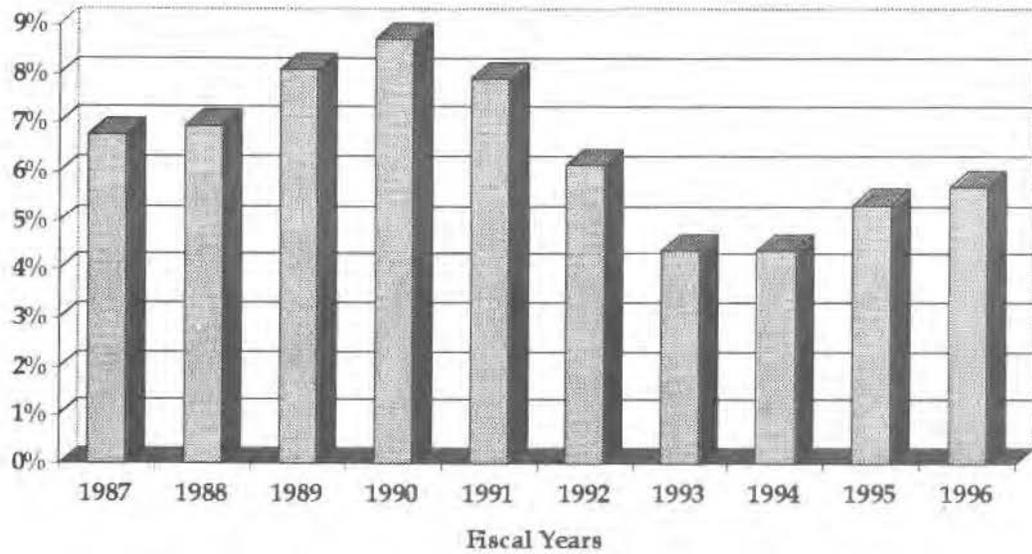
1. U.S. Treasury Bills
2. U.S. Treasury Notes & Bonds
3. Federal Housing Administration (FHA) debentures
4. Government National Mortgage Associations (GNMA)*
5. Farm Credit System (FCS)
 - a. Federal Land Bank Bond (FLBB)
 - b. Farm Credit Systemwide Bonds (FCSB)
 - c. Farm Credit Systemwide Discount 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.
13. Surety Bonds issued by insurance companies meeting certain requirements, including licensure under the laws of Tennessee.

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

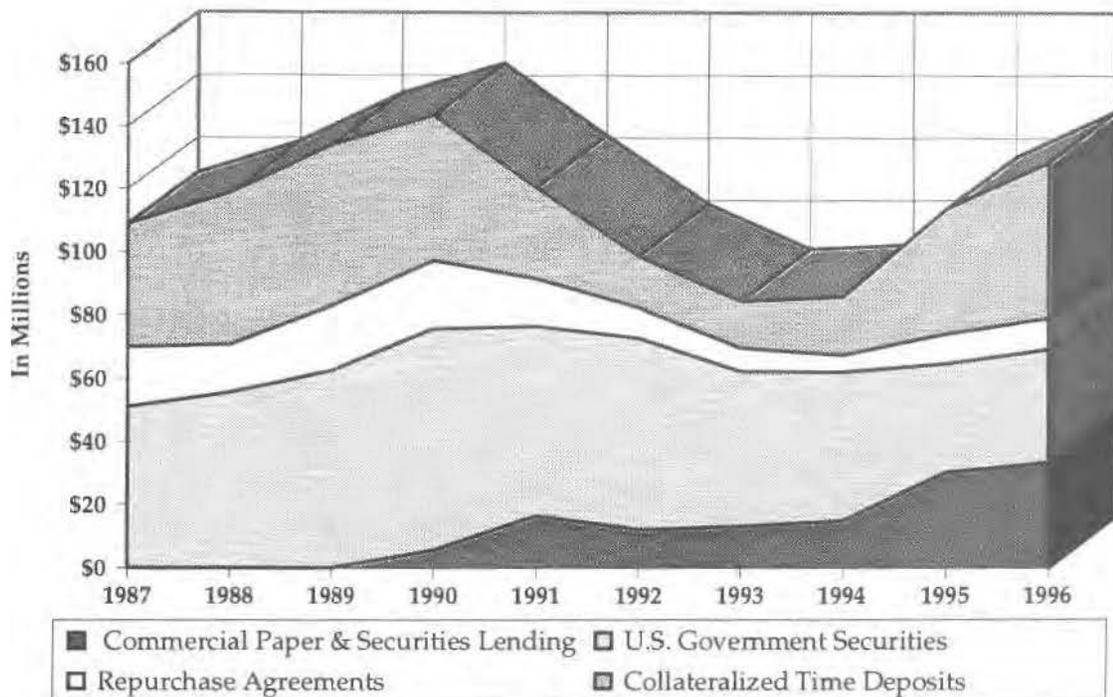
Historical Analysis of State Cash Investments

<i>Fiscal Year</i>	<i>Average Amount Invested</i>	<i>Amount Earned</i>	<i>Rate of Return</i>
Collateralized Time Deposits			
1995-96	\$ 835,888,333	\$ 49,605,934	5.89%
1994-95	743,203,083	39,498,384	5.34%
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%
Repurchase Agreements			
1995-96	\$ 176,878,167	\$ 9,988,181	5.62%
1994-95	172,311,500	9,375,039	5.46%
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%
Commercial Paper			
1995-96	\$ 591,118,167	\$ 33,556,447	5.65%
1994-95	533,771,250	29,866,669	5.60%
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%
U.S. Government Securities			
1995-96	\$ 655,638,667	\$ 35,684,775	5.46%
1994-95	692,287,167	34,534,311	5.07%
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%
Securities Lending Income			
1995-96	N/A	\$ 0	N/A
1994-95	N/A	487,467	N/A
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
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>
1995-96	\$ 2,259,523,334	\$128,835,337	5.69%
1994-95	2,141,573,000	113,761,870	5.34%
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%

**Cash Management Investments
Composite Weighted Average Rate of Return 1987-1996**



Analysis of State Cash Earnings 1987-1996



Cash Management Portfolio Analysis
Fiscal Year Ended June 30, 1996

Date	Current Investment Yield	Total Portfolio Yield	Avg. Days to Maturity	Portfolio Composition				
				Time Deposits	Repurchase Agreements	U.S. Treasury Notes	U.S. Agencies	Commercial Paper
07/95	5.89%	5.92%	137	42.89%	7.75%	9.67%	17.25%	22.44%
08/95	5.81%	5.88%	136	39.59%	8.05%	10.01%	17.07%	25.28%
09/95	5.84%	5.87%	131	39.18%	8.17%	10.61%	14.96%	27.09%
10/95	5.82%	5.87%	132	43.49%	8.76%	11.40%	13.66%	22.69%
11/95	5.84%	5.86%	119	46.93%	9.71%	11.31%	17.19%	14.86%
12/95	5.80%	5.85%	106	44.10%	8.19%	12.02%	16.12%	19.58%
01/96	5.60%	5.75%	79	36.80%	11.71%	8.49%	18.49%	24.52%
02/96	5.26%	5.54%	76	32.32%	8.78%	7.59%	21.06%	30.25%
03/96	5.35%	5.42%	81	29.15%	6.73%	8.94%	22.31%	32.88%
04/96	5.36%	5.45%	86	28.34%	5.76%	9.79%	24.14%	31.97%
05/96	5.31%	5.43%	97	31.10%	6.46%	7.34%	24.65%	30.45%
06/96	5.37%	5.45%	107	33.43%	5.09%	9.98%	22.90%	28.60%
Dollar Weighted Avg.	5.60%	5.69%	107	37.28%	7.93%	9.76%	19.15%	25.88%

Date	General Fund		LGIP		Other Restricted		Total Invested
	Average	Percent	Average	Percent	Average	Percent	
07/95	\$ 396,269,040	17.66%	\$1,311,740,380	58.46%	\$ 535,830,580	23.88%	\$ 2,243,840,000
08/95	483,730,173	20.36%	1,367,836,124	57.59%	523,800,703	22.05%	2,375,367,000
09/95	425,155,772	18.03%	1,384,102,719	58.70%	548,621,509	23.27%	2,357,880,000
10/95	339,283,874	15.48%	1,298,987,688	59.29%	552,812,438	25.23%	2,191,084,000
11/95	190,299,654	9.32%	1,282,896,132	62.87%	567,616,214	27.81%	2,040,812,000
12/95	167,004,349	8.39%	1,271,068,174	63.87%	551,996,477	27.74%	1,990,069,000
01/96	142,163,016	6.85%	1,388,723,027	66.92%	544,289,957	26.23%	2,075,176,000
02/96	205,270,759	9.25%	1,456,482,899	65.62%	557,772,342	25.13%	2,219,526,000
03/96	178,315,112	7.59%	1,619,618,455	68.96%	550,618,433	23.45%	2,348,552,000
04/96	342,172,860	13.82%	1,595,530,354	64.42%	539,051,786	21.76%	2,476,755,000
05/96	376,462,102	15.38%	1,527,865,040	62.40%	544,001,858	22.22%	2,448,329,000
06/96	342,987,667	14.61%	1,456,970,322	62.09%	546,932,011	23.30%	2,346,890,000
Avg.	\$ 299,092,865	13.06%	\$1,413,485,110	62.60%	\$ 546,945,359	24.34%	\$ 2,259,523,333

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 approximately 700 active accounts, representing over 250 local government units. In addition, approximately 300 accounts are active in the Department of Transportation program.

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.

The Treasurer's Office has installed a facsimile copy machine to assist participants of the LGIP in communicating their instructions regarding deposits, transfers or withdrawals of funds. Thus, participants have the choice of communicating these instructions by telephone or telecopier.

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

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

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 1995-96 fiscal year, the average rate participants earned on their deposits after the fee reduction was 5.54%.

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, 1996

	Account Balance 7/1/95	Net Deposits/Withdrawals FY 1995-96	Net Interest Credited FY 1995-96	Account Balance 6/30/96
Cities	\$ 262,144,412	\$ (8,869,450)	\$ 13,818,207	\$ 267,093,169
Counties	538,249,333	(33,865,987)	31,490,514	535,873,860
Commitments to D.O.T.	22,357,117	5,679,589	1,510,054	29,546,760
Educational Institutions	306,095,536	6,344,009	22,720,097	335,159,642
Community Health Agencies	5,533,095	(63,659)	312,104	5,781,540
Restricted Accounts	956,456	(62,325)	52,616	946,747
Other	144,217,643	(1,444,069)	8,442,112	151,215,686
TOTAL	\$ 1,279,553,592	\$ (32,281,892)	\$ 78,345,704	\$ 1,325,617,404

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 expediently under the Treasurer's management.

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

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

The restrictions required the State Trust of Tennessee to contract with an agent bank to execute these transactions. SunTrust Bank in Nashville began serving as the Trust's agent on July 1, 1994.

The State Trust became an associate member of the Nashville Clearinghouse on April 1, 1994. Approximately 85% of all check items presented for redemption are processed through the clearinghouse.

State Trust Of Tennessee Federal Reserve Bank Transactions Fiscal Year 1995-96

Transaction Type	Number	Amount
(1) Wire Disbursements	758	\$ 1,941,759,492
(2) Wire Receipts	8,128	10,751,801,837
(3) Security Disbursements	1,162	38,907,562,921
(4) Security Receipts	1,129	38,861,046,049
(5) Check Redemptions	6,093,786	6,527,486,825
TOTAL	6,104,963	\$ 96,989,657,124

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, and money market instruments.

The investment authority for TCRS is set out in *Tennessee Code Annotated, Section 8-37-104(a)*, which provides that, with certain specific exceptions, investments of TCRS assets are subject to the same terms, conditions, and limitations imposed on domestic life insurance companies. It further provides that 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 senior investment professionals from within the state of Tennessee. All members hold the Chartered Financial Analyst designation.

Effective July 1, 1994, Boston Safe Deposit and Trust Company began providing Master Trust Custodial services. The master custodian provides safekeeping, accounting and securities lending services. Previously, accounting services for investment activity were performed internally.

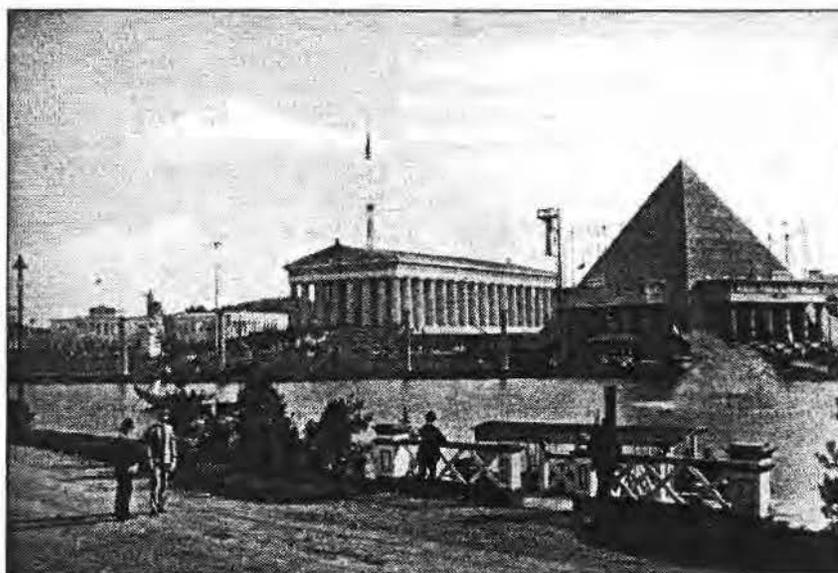
Initiatives

With a rapidly growing portfolio which is expected to continue to grow at an accelerated rate for a number of years, the following initiatives will be conducted in the investment area:

- Establish another equity portfolio with a fundamental discipline which is sector-neutral to the S&P 500. This portfolio will compliment the sector-neutral quantitative disciplined portfolio, the growth oriented technical disciplined portfolio, the mid-cap portfolio, and the convertible portfolio,
- Perform an asset allocation study to review various return and risk scenarios, and
- Perform an asset liability study to evaluate the impact of various asset allocation scenarios on the projected liabilities of the plan.

Summary of Retirement Fund Investments

	June 30, 1996		June 30, 1995	
	Book Value	Market Value	Book Value	Market Value
<i>Domestic Securities:</i>				
Government Bonds	\$ 4,862,167,123	\$ 4,902,951,139	\$ 3,668,148,128	\$ 3,930,205,081
Corporate Bonds	3,176,053,522	3,177,512,851	3,038,098,538	3,110,967,317
Corporate Stocks	3,806,165,101	4,977,670,919	3,508,605,826	4,165,908,786
<i>Total Domestic Securities</i>	<i>\$11,844,385,746</i>	<i>\$13,058,134,909</i>	<i>\$10,214,852,492</i>	<i>\$11,207,081,184</i>
<i>International Securities:</i>				
Government Bonds	\$ 876,667,577	\$ 890,090,344	\$ 634,253,596	\$ 683,428,051
Corporate Bonds	258,992,252	264,545,689	338,581,133	367,596,792
Corporate Stocks	905,979,830	1,007,259,825	859,900,687	911,428,130
<i>Total International Securities</i>	<i>\$ 2,041,639,659</i>	<i>\$ 2,161,895,858</i>	<i>\$ 1,832,735,416</i>	<i>\$ 1,962,452,973</i>
<i>Short-Term Securities</i>	<i>\$ 668,219,508</i>	<i>\$ 667,732,900</i>	<i>\$ 968,231,409</i>	<i>\$ 968,197,966</i>
<i>Total Investments</i>	<i>\$14,554,244,913</i>	<i>\$15,887,763,667</i>	<i>\$13,015,819,317</i>	<i>\$14,137,732,123</i>



The Tennessee Centennial Exposition. 1897.

**TCRS Performance Summary
Fiscal Years 1986-87 through 1995-96**

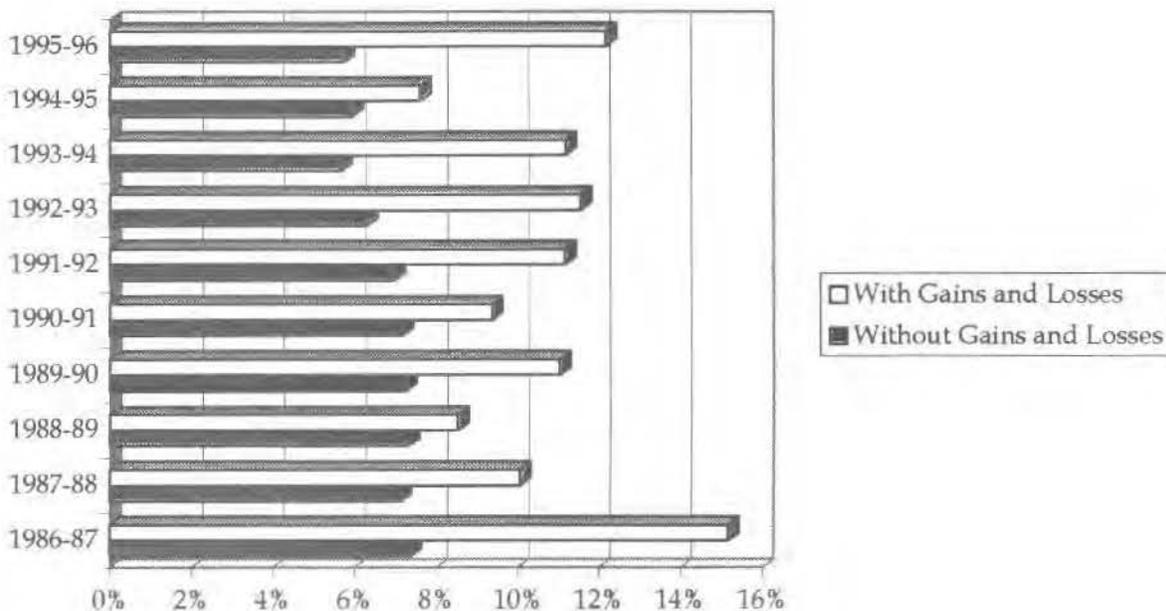
Fiscal Year	Excluding Gains and Losses			Including Gains and Losses		
	Average Amount Invested	Amount Earned	Percentage Earned on Book Value	Average Amount Invested	Amount Earned	Percentage Earned on Book Value
1995-96	\$ 13,567,316,260	\$ 775,574,420	5.72%	\$ 13,155,212,298	\$ 1,599,782,343	12.16%
1994-95	12,347,068,826	730,338,058	5.92	12,247,025,328	930,425,055	7.60
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

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

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

WHERE
 I = Current earnings plus discount minus premium
 A = Total assets less current liabilities at beginning of year
 B = Total assets less current liabilities at end of year

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



TCRS Investments Benchmark Analysis

Fiscal Year	¹ Public Fund Index Median Total Return	² TCRS Total Return	³ Income Yield On Average Available Funds	⁴ Yield To Maturity New Bonds
1995-96	15.8%	12.8%	5.4%	6.2%
1994-95	15.4	12.8	4.8	7.3
1993-94	1.6	0.5	4.8	5.9
1992-93	13.2	15.1	5.2	6.5
1991-92	12.1	13.7	5.4	8.2
1990-91	7.9	7.8	6.0	8.7
1989-90	10.4	11.6	6.0	9.0
1988-89	14.2	15.3	6.4	9.4
1987-88	1.9	2.0	5.5	9.2
1986-87	10.8	10.3	5.5	8.5

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 1991-92 Through 1995-96

Fiscal Year	Cash Management Earnings	TCRS Portfolio Earnings	Total Earnings
1995-96	\$ 128,835,337	\$ 1,599,782,343	\$ 1,728,617,680
1994-95	113,761,870	930,425,055	1,044,186,925
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

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

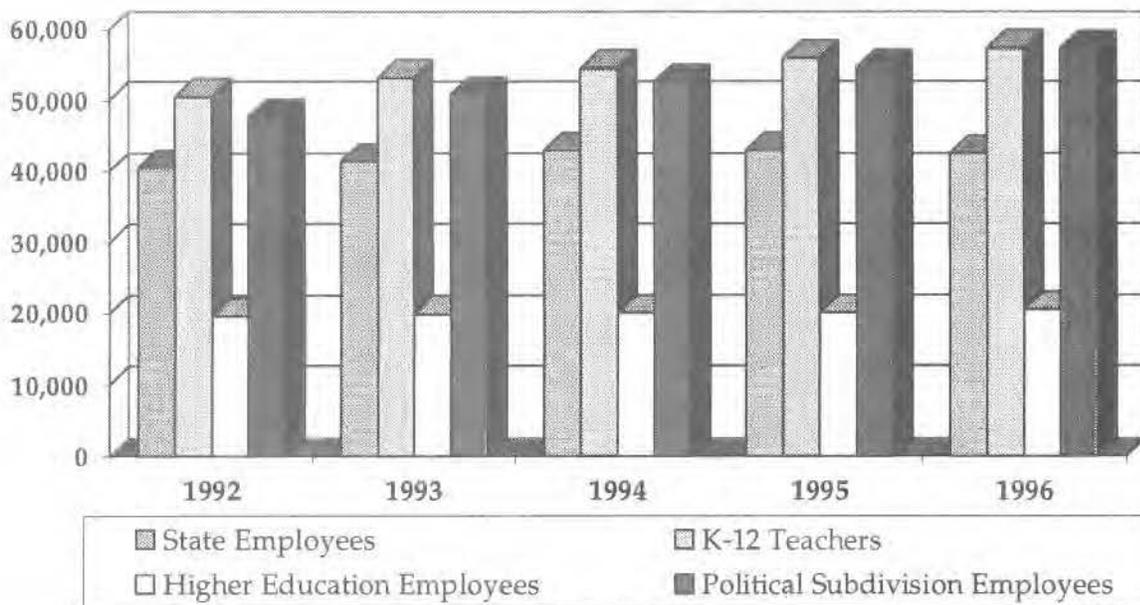
Membership in the retirement system is a condition of employment for full-time state employees, teachers, general employees in higher education, and the employees of local governments that participate in TCRS. Membership is optional for certain part-time employees. Faculty employees in higher education 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, 1996, there were 177,588 active members of TCRS and 10,364 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 1992-1996



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 Section 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 Section 414(h) coverage for their employees.

Upon termination of employment, a member may elect to withdraw his contributions and

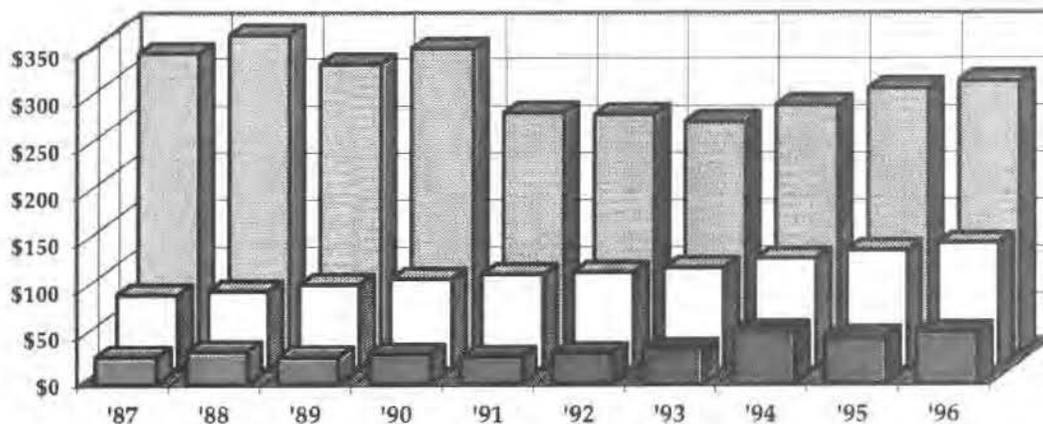
accumulated interest from the retirement system in a lump sum. By obtaining a lump sum refund, a member waives all rights and benefits in the retirement system. A vested member may leave his account balance in TCRS and apply for benefits upon meeting the age requirements. A non-vested member who terminates employment may only leave his account balance in TCRS for up to seven years. During the 1995-96 fiscal year, 4,663 refunds totaling \$20.7 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, 1996 were as follows:

Noncontributory State and Higher Education Employees	6.33%
K-12 Teachers	8.51%
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 1987-1996



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, 1996, 63,998 retirees were receiving monthly benefit payments. This represents an increase of 1,908 retirees since June 30, 1995.

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.

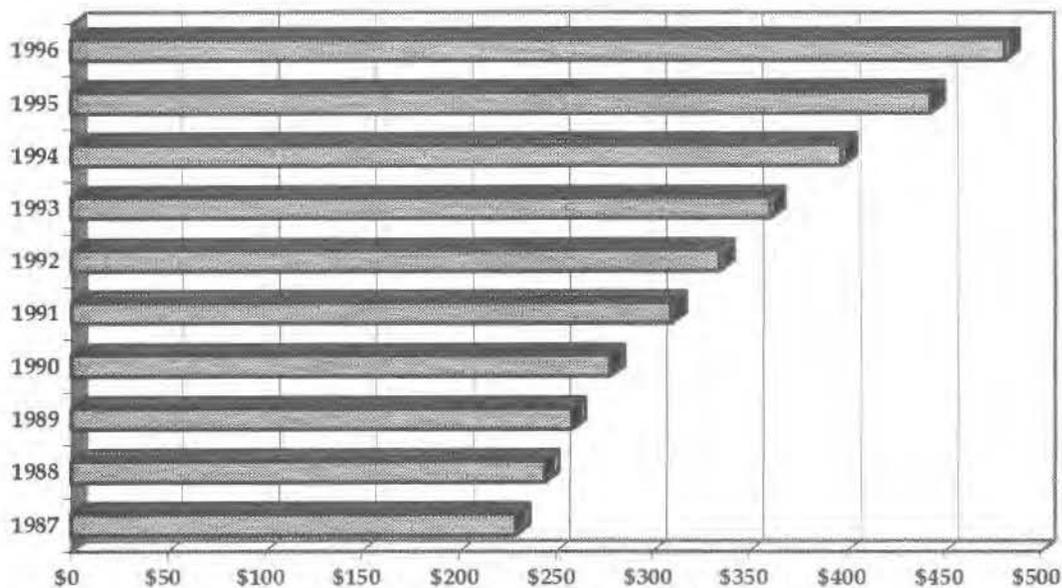
Disability benefits are available to active members with five years of service who become disabled and can not engage in gainful employment. There is no service requirement for disability benefits paid to active members whose disability is a result of an accident or injury occurring while the member 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 1995-96 totaled \$482 million, an increase of \$38.6 million over 1994-95 benefit payments.

Annual Benefit Payments Fiscal Years 1987-1996



Tennessee's Retirement Program
TCRS and Social Security Benefits

Sample Calculations for Calendar Year 1996

<u>Five Year Average Final Compensation</u>		<u>20 Years</u>	<u>25 Years</u>	<u>30 Years</u>
\$15,000	TCRS	\$ 4,725	\$ 5,906	\$ 7,088
	Social Security	<u>7,932</u>	<u>7,932</u>	<u>7,932</u>
	Total	\$ 12,657 (84.4%)	\$ 13,838 (92.3%)	\$ 15,020 (100.1%)
\$20,000	TCRS	\$ 6,300	\$ 7,875	\$ 9,450
	Social Security	<u>9,564</u>	<u>9,564</u>	<u>9,564</u>
	Total	\$ 15,864 (79.3%)	\$ 17,439 (87.2%)	\$ 19,014 (95.1%)
\$25,000	TCRS	\$ 7,875	\$ 9,844	\$ 11,813
	Social Security	<u>11,208</u>	<u>11,208</u>	<u>11,208</u>
	Total	\$ 19,083 (76.3%)	\$ 21,052 (84.2%)	\$ 23,021 (92.1%)
\$30,000	TCRS	\$ 9,671	\$ 12,088	\$ 14,506
	Social Security	<u>12,732</u>	<u>12,732</u>	<u>12,732</u>
	Total	\$ 22,403 (74.7%)	\$ 24,820 (82.7%)	\$ 27,238 (90.8%)
\$35,000	TCRS	\$ 11,508	\$ 14,385	\$ 17,262
	Social Security	<u>13,428</u>	<u>13,428</u>	<u>13,428</u>
	Total	\$ 24,936 (71.2%)	\$ 27,813 (79.5%)	\$ 30,690 (87.7%)
\$40,000	TCRS	\$ 13,346	\$ 16,682	\$ 20,018
	Social Security	<u>13,884</u>	<u>13,884</u>	<u>13,884</u>
	Total	\$ 27,230 (68.1%)	\$ 30,566 (76.4%)	\$ 33,902 (84.8%)
\$45,000	TCRS	\$ 15,183	\$ 18,979	\$ 22,775
	Social Security	<u>14,268</u>	<u>14,268</u>	<u>14,268</u>
	Total	\$ 29,451 (65.4%)	\$ 33,247 (73.9%)	\$ 37,043 (82.3%)

This chart is based on a date of retirement in 1996. 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 1996; (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, 1995 to establish employer contribution rates for the two year period beginning July 1, 1996. The system's accrued liability at June 30, 1995 is \$407.8 million. The accrued liability is being amortized over a 40 year period which began in 1975.

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. Following are the assumptions used in the June 30, 1995 actuarial valuation of the plan:

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 \$12.1 billion at the June 30, 1995 actuarial valuation date. Net assets of \$13.2 billion, equaling 108.5% of the pension benefit obligation (PBO), were available for benefits. At June 30, 1996, as determined by an actuarial update, the net assets were \$14.7 billion, equaling 111.5% of the PBO. This overall ratio indicates 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 TCRS administration.

**Political Subdivision Participation
as of June 30, 1996**

Cities	128
Counties	84
Utility Districts	29
Special School Districts	20
Joint Ventures	22
Miscellaneous Organizations	16
Regional Libraries	12
911 Emergency Communication Districts	23
Housing Authorities	10
Development Agencies	<u>12</u>
Total	356

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.
Part-time employees were permitted to participate in TCRS and members were allowed to establish credit for previous part-time employment.
The minimum benefit was increased from \$7 to \$8 per month per year of service.
Retirement credit for armed conflict military service was approved.
- 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 was authorized effective Jan. 1, 1994.
A 5% benefit improvement was authorized effective January 1, 1994.
- 1996** An installment payment plan for prior service was authorized.
3.6% indexing of salaries for noncontributory employees was extended for an additional year.

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>
1997	7.65%	7.65%	\$ 65,400	No Limit
1996	7.65	7.65	62,700	No Limit
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

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. The 457 plan was implemented in the 1981-82 fiscal year and the 401(k) plan was implemented in the 1983-84 fiscal year.

As of June 30, 1996, 34,652 employees had accounts in the program: approximately 87% had accounts in the 401(k) plan only, 9% had accounts in both plans, and 4% had accounts in the 457 plan only. At June 30, 17,420 state employees, 4,888 University of Tennessee employees, and 6,424 Tennessee Board of Regents employees were actively contributing to the 401(k) plan and 1,600 state employees, 103 University of Tennessee employees, and eight Tennessee Board of Regents employees were actively contributing to the 457 plan.

The program is used by state employees

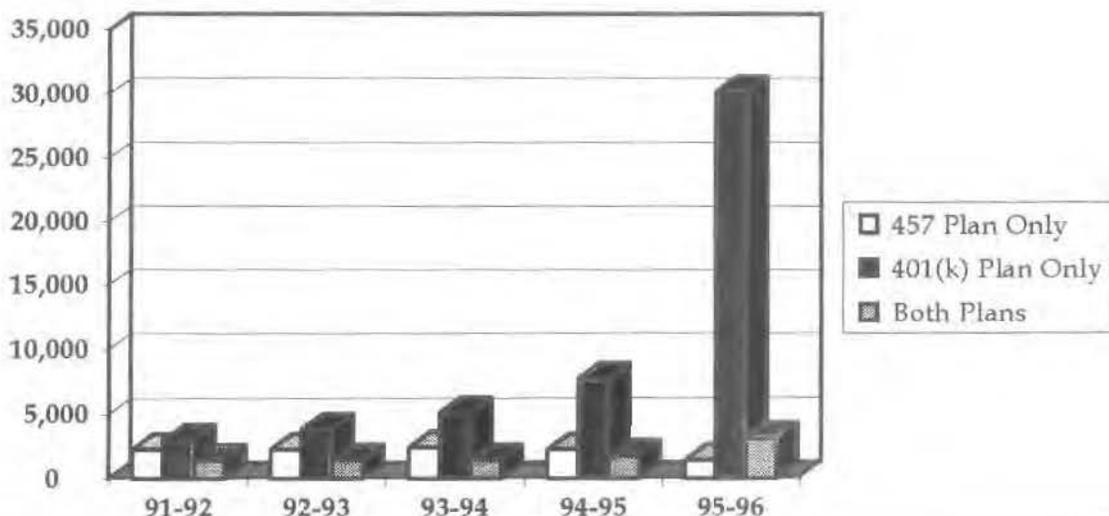
of all ages and salary levels. The majority are under age 50 and earn below \$35,000 per year. At June 30, 1996, the average monthly deferral among state employee participants was \$105 and the average monthly deferral among higher education employee participants was \$65.

IRS regulations for 1996 allow a maximum deferral in the 457 plan of 25% of taxable salary up to the maximum annual contribution of \$7,500. The maximum deferral in the 401(k) plan is 20% of taxable salary for most members, up to the maximum annual contribution of \$9,500. Participants who use more than one tax-deferred savings plan are subject to additional limits.

During the last six months of the 1995-96 fiscal year, the state, the University of Tennessee, and the Tennessee Board of Regents each matched their employees' contributions to the 401(k) plan at \$20 per month as authorized by the General Assembly. The amount contributed by the state during that six month period was \$2,179,810.

Enrollment and recordkeeping services for the program are provided by Security First

Participants 1992 - 1996



Group. The use of an "unbundled" arrangement enables participants to use a wide variety of investment products without the fees or sales pressures traditionally associated with "bundled" products and to receive consolidated account statements and benefit estimates.

Participants in the program receive a quarterly statement showing contributions and earnings during the quarter. In addition, once a year, participants receive a special statement projecting their account balance to a variety of retirement ages and showing the monthly income those account balances might provide. The program provides a variety of communication and education materials and services, including a video, a voice response telephone system, a handbook for participants, an introductory booklet for new employees, and investment seminars around the state.

Participants in the program may direct the investment of their deferred salary to Union Planters Time Deposit Account, Aetna's Fixed Account, Calvert's Income Fund, and Fidelity Investments' Magellan Fund, Puritan Fund, OTC Portfolio, Contrafund, International Growth and Income Fund, Asset Manager, and Government Money Market Portfolio. Contributions are wired through the State Trust of Tennessee for immediate crediting. As illustrat-

ed below, at June 30, 1996, participants had invested 67% of accumulated assets and 80% of new deferrals in variable mutual funds.

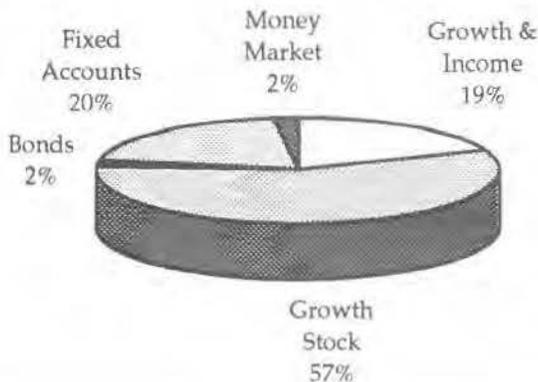
For the year ending June 30, 1996, contributions to the program totaled \$32,210,900. At June 30, 1996, accumulated account balances totaled \$245,174,629. Distribution of these funds among the investment providers is shown on the following page.

Benefits from the program may be distributed in periodic payments, in an annuity, or in a lump sum. At June 30, 1996, there were 337 individuals receiving periodic payments and 189 individuals receiving annuity payments from the program. The majority of retirees elect to withdraw funds in a lump sum.

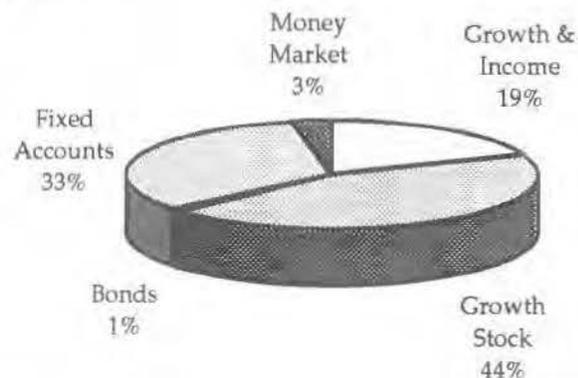
Under the loan program offered in the 401(k) plan, active employees who have accumulated \$4,000 or more in their 401(k) account may borrow up to half of their account value. Participants repay principal and interest to their 401(k) account through salary deduction. Taxes continue to be deferred while funds accumulated in the plan are in loan status. During the 1995-96 fiscal year, there were 144 loans issued, bringing the total number of outstanding loans to 362 as of June 30, 1996. Outstanding loan balances totaled \$1.6 million.

**Distribution of Deferred Compensation Assets
By Investment Category
June 30, 1996**

Contributions



Assets

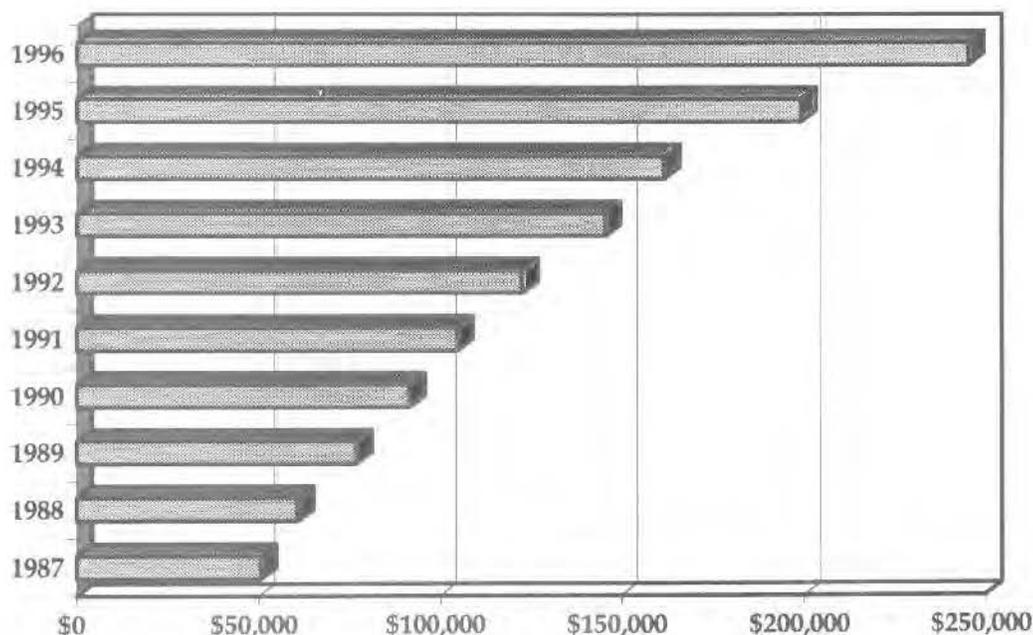


Deferred Compensation

Deferred Compensation Deferrals and Assets

	Contributions		Market Value of Account Balances	
	FY 1995-96	FY 1994-95	June 30, 1996	June 30, 1995
Plan I: 457				
Aetna - Closed Contract	\$ 0	\$ 0	\$ 19,184,136	\$ 18,700,246
Aetna - New Contract	588,195	638,162	11,125,492	9,417,932
American General	59,775	125,085	983,807	998,466
Calvert Group	55,295	52,290	444,883	324,675
Fidelity Investments	2,562,010	2,635,058	48,458,233	40,132,431
Great West	141,921	221,639	5,105,240	5,641,763
Union Planters	640,417	707,619	15,174,443	14,806,977
TOTAL 457	\$ 4,047,613	\$ 4,379,853	\$ 100,476,234	\$ 90,022,490
Plan II: 401(k)				
Aetna - Closed Contract	\$ 0	\$ 0	\$ 10,575,409	\$ 10,465,622
Aetna - New Contract	3,372,615	2,045,632	15,491,754	12,143,606
Calvert Group	450,861	288,967	1,314,240	793,017
Fidelity Investments	21,996,257	10,493,181	100,598,120	69,784,538
Great West	305,676	309,725	4,691,108	5,197,465
Union Planters	2,037,878	1,301,563	12,027,764	10,327,561
TOTAL 401(k)	\$ 28,163,287	\$14,439,068	\$ 144,698,395	\$108,711,809
GRAND TOTAL	\$ 32,210,900	\$18,818,921	\$ 245,174,629	\$198,734,299

Program Assets 1987-1996



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. 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.

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

At June 30, 1996, 37,346 state employees were enrolled in one or more of the plan's four options: 36,912 employees used the plan to pay medical insurance premiums, 11,851 paid dental insurance premiums, 2,385 used the medical expense reimbursement account, and 376 used the dependent care reimbursement account.

Since contributions to the plan are exempt from both employee and employer F.I.C.A. (social security) tax, employees' use of the plan creates F.I.C.A. savings for the state. In fiscal year 1995-96, the state's F.I.C.A. savings totaled \$ 2,225,925. Since the program began operation in January 1989, the state's F.I.C.A. savings have totaled \$12,637,623. Savings exceeding the costs of administering the plan have been designated for offsetting costs of the state's wellness program, providing assistance for day care programs, and funding matching contributions to the 401(k) plan. As of June 30, 1996, \$4,595,119 had been transferred to offset costs of other benefit programs.

Claims Against the State

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 contracts with a managed care organization which has established a workers' compensation preferred provider network for medical treatment for injured state employees. Currently, 75% of state employees have access to this network. The managed care organization also provides case management services such as pre-certification for inpatient hospital care, bill review, large case management and other services to manage the costs of workers' compensation claims. The use of a preferred provider network has enabled the state to obtain approximately 30% savings off billed charges on workers' compensation medical bills.

The Division of Claims Administration also handles all employee property damage claims and tort claims up to a certain monetary limit.

During fiscal year 1995-96, the Division of Claims Administration received 6,587 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 the 1995-96 fiscal year, the Board took action on a total of 10 matters regarding claims and insurance. 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 1995-96

	Claims Filed	Payments Made
Workers' Compensation Claims	4,353	
Death Payments		\$ 262,660
Medical Payments		6,407,653
Assault Injury Payments		20,424
Temporary Disability (Lost Time)		1,252,921
Permanent Disability		4,117,436
Subtotal		\$ 12,061,094
Employee Property Damage	264	\$ 28,555
Tort Claims	1,970	
Death Payments		\$ 613,000
Bodily Injury Payments		1,380,256
Property Damage Payments		829,534
Subtotal		\$ 2,822,790
TOTAL	6,587	\$ 14,912,439

Victims Compensation Program

Assisting persons who are innocent victims of crime is the purpose of the Criminal Injury Compensation Program. 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.

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 1995-96 fiscal year, the Division of Claims Administration made payments on 1,639 criminal injury claims for a total of \$6,266,916. 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

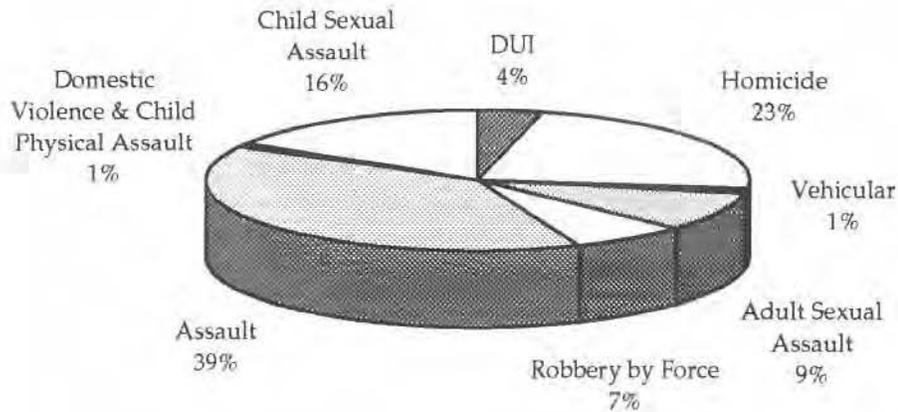
both drunk driver and criminal injury victims. When the proximate cause of a death or injury is the operator's intoxication as prohibited by T.C.A. 55-10-401, the victim's death or injury is eligible for compensation in the same manner as criminal injury compensation, not to exceed a maximum award of \$7,000 per claim plus attorney fees for injuries occurring on or after July 1, 1992. A supplemental award of up to \$3,000 was available for crimes occurring during the 1995-96 fiscal year.

Since the first claims were paid in 1982, the program has awarded a total of over \$79 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.

Effective July 1996, the General Assembly authorized the creation of the criminal injuries compensation public awareness program. The purpose of this service is to make Tennesseans aware of the victims' compensation program and its benefits and to instruct persons on how to obtain benefits under the program. Three employees, assigned to districts in east, middle, and west Tennessee, will provide on-site training to victim advocates and law enforcement personnel, speak to various victim and civic organizations, and distribute program materials to individuals or organizations.

**Victims Compensation Awards
Paid During Fiscal Year 1995-96**

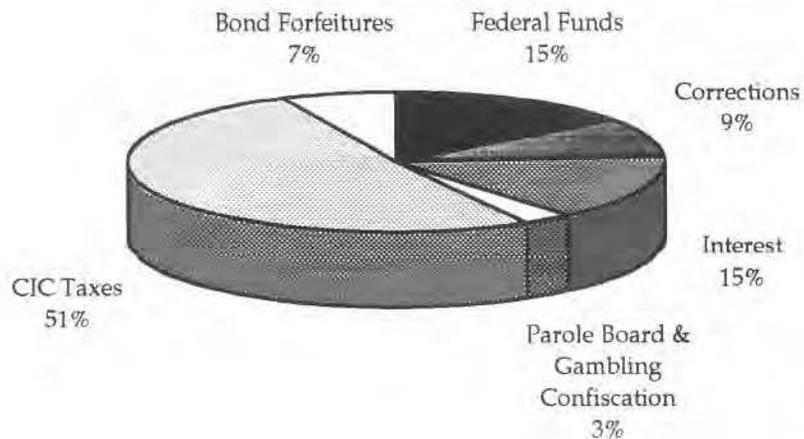
Percentage of Awards Based on Crime Classification



During fiscal year 1995-96, there were 1,639 awards totaling \$6,266,916. Of that amount, \$274,707 can be attributed to claims involving DUI with the remaining \$5,992,209 related to all other crime types. The average award for all types was \$3,824.

Sources of Funds

Victims of Criminal Injury



Division of Risk Management

The Division of Risk Management administers a variety of insurance programs for the state. The Property/Casualty Insurance Program provides all-risk, replacement cost coverage, including flood and earthquake, for all state-owned buildings and contents. This is accomplished through a \$5 million self-insured retention — a property/casualty reserve fund appropriated for the payment of property claims within a given fiscal year — and an excess property insurance policy purchased from a private carrier.

All property exposures are thoroughly inspected and evaluated to determine appropriate rates for premium development and allocation of premium costs to the various departments. As of July 1, 1995, the state's property values exceeded \$7.8 billion. The premium cost for excess property coverage and fidelity bond amounted to \$492,940. This translates to an annual rate of .0063 cents per \$100 of coverage.

The Builders' Risk Insurance Program provides property insurance coverage for building construction or renovation projects which have been approved by the State Building Commission. The Division of Risk Management reviews all construction contracts and insurance specifications and issues builders' risk policies providing all-risk coverage for the state agency, contractor and sub-contractors for the duration of the project.

Boiler insurance must be provided to ensure protection for all state-owned boiler objects. A boiler insurance policy is purchased from a private insurance carrier which is not only responsible for the insurance coverage, but must also provide a boiler inspection service. Certified inspectors evaluate all boiler objects on a regularly scheduled basis to ensure the safe operation of these systems. This loss prevention program has proven very effective

with results showing no incidents reported within the past five years.

In order to protect the state from financial loss due to employee dishonesty, the Division of Risk Management procures an Honesty Blanket Position and Faithful Performance Blanket Position Bond. This bond is provided by the excess property insurance carrier and is negotiated as part of the property insurance package. Fidelity coverage is provided in the amount of \$1 million per incident for 29 scheduled employees and \$100,000 per incident for all remaining state employees.

The Division of Risk Management also has the responsibility to investigate and process all property, boiler, and fidelity bond claims. A detailed property inventory schedule is maintained which provides the insurable values for both buildings and contents in the event a loss occurs. There is a \$5,000 deductible per occurrence which must be assumed by the individual departments. Documented losses above the deductible amount are indemnified by the property/casualty reserve fund, through an allotment revision process. Should this reserve fund become completely exhausted within a given fiscal year, the excess property policy would provide the primary fund resource for claim payments.

During fiscal year 1995-96, a total of 148 claims were reported. Of this number, 119 did not exceed the \$5,000 deductible and were closed with no action. The remaining 29 incurred losses amounted to \$1,637,292, with a net loss to the fund of \$1,492,292. With a manual premium for first dollar coverage of \$8.2 million, the state's pure property loss ratio would be 18.1%. Since the generally expected standard in the insurance industry for loss ratio break-even is approximately 48%, the state's property loss experience remains at an excellent level.

The prevention and control of losses continues to be an item of growing importance in the area of state risk management. Effective July 1, 1995, the Division of Risk Management initiated a statewide fire/life safety inspection program. This in-depth inspection process targets high risk state-owned facilities in an effort to prevent extensive loss to property and

human life. The individual departments are issued detailed safety reports which outline all safety hazards and provide recommendations for corrective action. Also, with the continuing rise in workers compensation and tort liability loss costs, the Division of Risk Management will expand its loss control program in an effort to mitigate the growth in these areas.

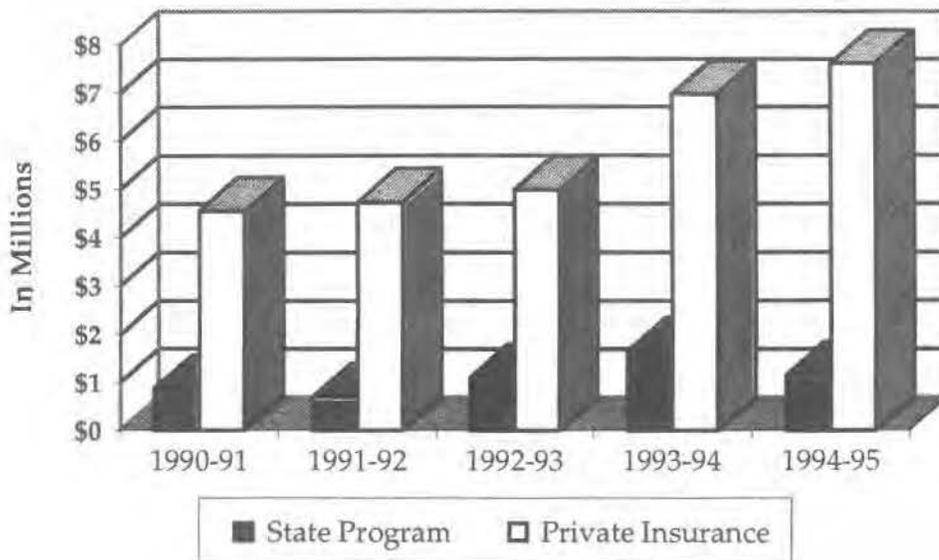
**Cost of Property/Casualty Program versus Private Insurance
Fiscal Year 1995-96**

¹ Premium - Excess Property & Bond Coverage	\$ 492,940
Premium - Boiler Insurance Coverage	<u>52,191</u>
Total Premium	545,131
Net Incurred Losses	1,492,292
Total Cost of State Program	2,037,423
² Private Insurance Premium Cost at Manual Rates with No State Retention	8,202,655
Net Savings to State	\$ 6,165,232

¹ Based on July 1, 1995 values totaling \$7,812,051,900

² Estimated based on July 1, 1995 values at .105 cents per \$100 of coverage.
Rates provided by Royal Insurance Company.

Fiscal Years 1991-92 through 1995-96



Unclaimed Property

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 operations in 1979, \$113.8 million in unclaimed property has been reported to the Treasurer and \$31.6 million (27%) has been returned to owners or heirs.

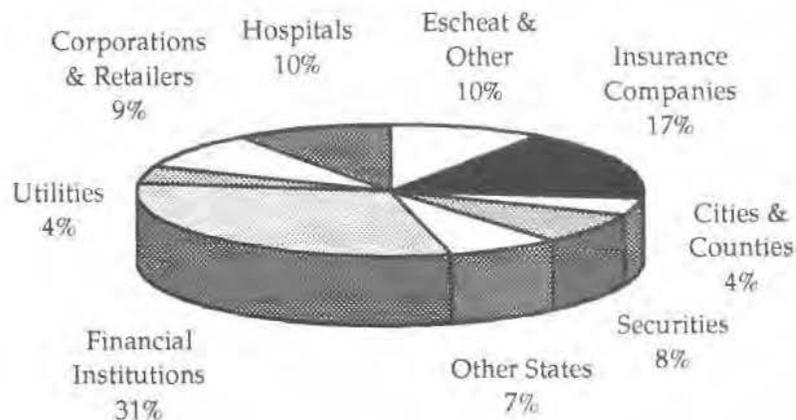
During the period July 1, 1995 through June 30, 1996, \$15,872,175 of cash property was turned over to the Treasurer. This includes \$3,251,557 in cash and stock remitted by third

party audit organizations from out-of-state non-reporting holders for Tennessee residents. The chart below illustrates the sources of cash collections for fiscal year 1995-96.

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, drivers' license 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, 1995 through June 30, 1996, \$5,624,130 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.

Sources of Unclaimed Property



Methods Used To Return Property
July 1, 1995 - June 30, 1996

Location Method	Number of Accounts	Value of Claims	Percentage of Claim Value
Postcards	2,458	\$ 941,133	24%
Advertisement	2,401	891,321	23
Independent Locator	367	647,700	16
Employment Security Match	1,759	396,745	10
Other	347	363,666	9
Holder Referral	500	280,783	7
Telephone Directory	58	210,029	5
Credit Bureau	124	107,012	3
Legislator Listings	156	76,217	2
Dept. of Safety Match	32	45,644	1
Total Claim Payments	8,202	\$ 3,960,250	100%
Refunds to Local Governments	18	\$ 1,062,411	
Interstate Exchanges	31	601,469	
Total Payments	8,251	\$ 5,624,130	

Any local government in Tennessee which turns over unclaimed property to the state may request that the property be returned to the local government for safekeeping after it has been held by the state for 18 months. This fiscal year, \$1,062,411 was refunded to 18 local governments.

Tennessee has reciprocal agreements with other states' unclaimed property programs to

exchange property held by one state for owners with a last known address in the other state. During this fiscal year, Tennessee exchanged unclaimed property with 31 states. Tennessee received \$1,163,218 for residents or former residents and paid \$601,469 to other states' unclaimed property offices.

Chairs of Excellence

The Chairs of Excellence (COE) Trust provides funds with which state colleges and universities are able to contract with persons of regional or national prominence to teach in specified academic areas. The program is open to all state four-year colleges and universities, and the UT Space Institute.

The funding of the program is provided through contributions made by a private donor and a matching amount by the state, thus, creating a chair. Income from the fixed income

portion of the trust is used to fund required expenditures for the chair. All other funds, including equity income and profit/loss, become part of the corpus of the fund for use in supporting the trust in future years.

Since the start of the program in 1984, there have been 93 chairs created, with state appropriations totaling \$44,000,000 and matching contributions totaling \$51,771,206. For the year ending June 30, 1996, investment income totaled \$12,707,779 with expenditures of \$5,931,812.

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
Hunger COE in Environmental Studies

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/James and Bourne COE in Business
The Foundation Chair of Free Enterprise
Reuther COE 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
Quillen COE in Teaching and Learning
Basler COE for Integration of Arts, Rhetoric,
and Sciences
* Leeanne Brown and Universities Physicians
Group COE in General Pediatrics

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
Miller COE in Equine Health
Miller COE in Equine Reproductive
Physiology

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
Hardin COE in Economics/Managerial Journalism

Tennessee Technological University

Owen Chair of Business Administration
Mayberry Chair of Business Administration

* Chair established during fiscal year 1995-96.

Careers Now Internship Program

The Careers Now Program was created by the 99th General Assembly to enable Tennessee college students to learn more about the operation of state government and the various career opportunities in state government. Students in the internship program work in one of the three constitutional offices for a semester. The Treasurer, the Comptroller of the Treasury, and the Secretary of State work together to match internship opportunities with students' interests.

The Careers Now Program's first class of twelve students began on January 16, 1996. The students receive hands on work experience and

the participating institutions and constitutional offices jointly facilitate the development of a detailed curriculum to meet the academic commitment made to higher education institutions.

Careers Now is designed to offer students a combination of practical work experience and formal training, while giving them the opportunity to see the challenges of public service. In addition to their daily work responsibilities, students attend seminars, visit other state agencies, complete written work assignments or special projects, and engage in other opportunities to increase their overall understanding and knowledge of Tennessee state government.



Fisk University Jubilee Hall, 1875



Vanderbilt University, 1916



Fisk Jubilee Singers, 1880

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
Staff Assistant to the Treasurer	Diana Collins	(615) 532-2992

Investments

Chief Investment Officer	Tom Milne, CFA	(615) 532-1157
Senior Fixed Income Portfolio Manager	Jeff Bronnenburg, CFA, CPA	(615) 532-1182
Fixed Income Portfolio Manager	Leighton Shantz	(615) 532-1183
Senior Short-Term Portfolio Manager	Randy Graves, CPA	(615) 532-1154
Senior Equity Portfolio Manager	Jeremy Conlin	(615) 532-1152
Senior Equity Portfolio Manager	Jim Robinson, CFA	(615) 532-1177
Director of Equities	Michael Keeler, CFA	(615) 532-1165
Senior Portfolio Manager	Roy Wellington, CFA	(615) 532-1151

Retirement Administration

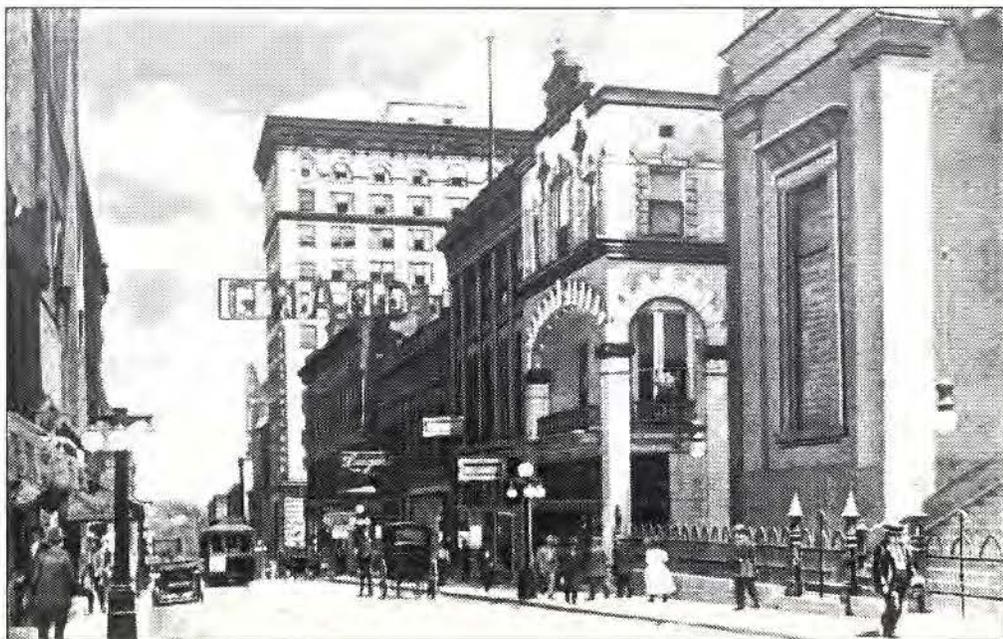
Director of TCRS	Steve Curry, CEBS, CPA	(615) 741-7063
Assistant Director of TCRS	Ed Hennessee	(615) 741-7063
Director of Deferred Compensation, Research and Publications	Deana Reed Hannah	(615) 741-7063
Publications Officer	Janice Reilly	(615) 741-7063
General Counsel	Mary Roberts-Krause, JD	(615) 741-7063
Director of Old Age and Survivors Insurance	Mary E. Smith	(615) 741-7902
Manager of Counseling Services	Donna Finley	(615) 741-1971
Manager of Member Services	Velva Booker	(615) 741-1971
Manager of Financial Services	Connie Gibson, CPA	(615) 741-4913

Other Divisions

Director of Accounting	Rick DuBray, CPA	(615) 741-5220
Director of Baccalaureate Education System Trust	Jill Bachus, CPA	(615) 532-8045
Director of Claims Administration and Unclaimed Property	Susan Clayton	(615) 741-2734
Director of Computer Operations	Sam Baker, CCP, CDP	(615) 532-8026
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
Director of Risk Management	Steve Gregory	(615) 741-9076
Budget Officer	Wendy Padgett	(615) 741-4985

*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.*

HISTORICAL VIEW OF THE TREASURER'S OFFICE



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 1835-1836 repealed the authorization for Regional Treasurers and provided for one Treasurer for the state.

Information about some of the individuals who have served as State Treasurer since 1836 is included in the following pages.

Miller Francis 1836-1843

In 1836, the salary for the State Treasurer was \$1,500 per year. The Treasurer was responsible for posting his own security in the amount of \$100,000.

Matthew Nelson 1843-1845

Robert B. Turner 1845-1847

Anthony Dibrell 1847-1855

G.C. Torbett 1855-1857

W.Z. McGregor 1857-1865

R.L. Stanford 1865-1866

John R. Henry 1866-1868

W.H. Stilwell 1868-1869

J.E. Rust 1869-1871

William Morrow 1871-1877

M.T. Polk 1877-1883

Atha Thomas 1883-1885

J.W. Thomas 1885-1886

Atha Thomas 1886-1889

M.F. House 1889-1893

E.B. Craig 1893-1901

Reau Folk 1901-1911

G.T. Taylor 1911-1913

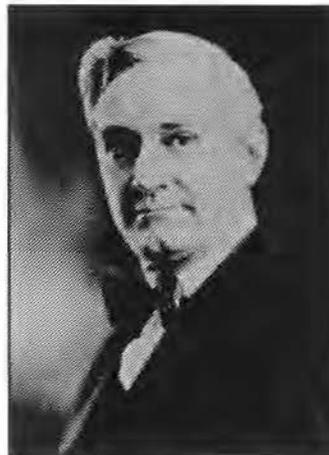
W.P. Hickerson 1913-1915

Porter Dunlap 1915-1919

According to *Thompson's Shannon's Code of Tennessee of 1917*, Mr. Dunlap received an annual salary of \$3,500 for his service as State Treasurer.



E.B. Craig



Porter Dunlap

1836 Oath of Office
 "I do solemnly swear that
 I will faithfully execute
 the office of Treasurer
 agreeable to law and according
 to the best of my skill and ability,
 so help me God."

Past State Treasurers

Hill McAlister (1919-27 and 1931-33)

Hill McAlister was born in Nashville, July 15, 1875 and educated in Nashville public schools and Vanderbilt University. He began practicing law in Nashville in 1897. His public career included service as City Attorney from 1905 to 1909, State Senator from Davidson County in 1911 and 1913, elector from the state at large on the Wilson-Marshall ticket in 1916, Chairman of the State Democratic Executive Committee from 1918 to 1920, State Treasurer from 1919 to 1927 and from 1931 to 1933, candidate for the Democratic nomination for Governor in the Democratic primaries of 1926 and 1928, and Governor from 1933 to 1937.



John F. Nolan (1927-31)

John Nolan was born in Paris, Tennessee, August 3, 1885 and received his education in a private school taught by his great aunt, Mrs. Emma McAnulty. He attended public school for only three years, after which he entered into an apprenticeship under his father to learn the marble, stone and granite business, a skill he practiced until 1915. Mr. Nolan entered public service in August 1915 as clerk to the Warden at the Penitentiary at Nashville. He was elected State Treasurer, January 3, 1927. He was reelected without opposition in January 1929.



J. J. Bean (1933-37)

J. J. Bean, born in Franklin County, Tennessee, was educated at the public schools of Moore County, Winchester Normal and the University of Tennessee. He was a member of the Lynchburg Bar. His public career included service as elector for Bryan in 1896, member of the State Democratic Executive Committee, delegate to several Democratic National Conventions, member of the state Senate for four terms, member of the House for four terms, and State Treasurer for two terms, 1933-34 and 1935-37.



Grover Keaton (1937-39)

Grover Keaton was born in Greenfield, Tennessee, October 5, 1885. He was raised in Milan, Tennessee and graduated from Vanderbilt School of Law in Nashville. From 1908 to 1927, he was engaged in the manufacturing business, and from 1927 to 1937, he was engaged in the wholesale oil business. In Milan, he served as President of the Chamber of Commerce, was a member of the School Board from 1918 to 1937 and was mayor for two terms. He also served as the Tennessee State Legislature in 1919, 1921 and 1927. Keaton was an appointed member of Tennessee Aeronautic Commission in 1935 and chairman of the Roosevelt Electors Eighth Congressional District in 1936. He was elected State Treasurer in January 1937.



John W. Harton (1939-45)

John Harton was born in Tullahoma, Tennessee, and served as mayor there for many years. When first elected mayor, he was the youngest mayor in the state. He was secretary of the Tullahoma Chamber of Commerce for 15 years and a member of the school board. He was engaged in the real estate, hotel and manufacturing business in Tullahoma and Monteagle. He was campaign manager for the successful coalition ticket of Tom Stewart for U.S. Senator, Prentice Cooper for Governor, and W.D. Hudson for Railroad and Public Utilities Commissioner in 1938. He was elected State Treasurer in 1939, 1941 and 1943.



Cecil C. Wallace (1945-48)

Cecil Wallace was born on a farm near Lewisburg, Tennessee, on January 20, 1879. He served as City Judge and Clerk of the Town of Lewisburg, Tennessee. He served continuously for more than 33 years as chairman of the Democratic Executive Committee of Marshall County. He was also chairman of the Democratic Primary Board, a charter member of the Lewisburg Rotary Club and the Chamber of Commerce. He was elected State Treasurer in January 1945 and January 1947.



J. Floyd Murray (1948-1949)

W. N. Estes (1949-53)

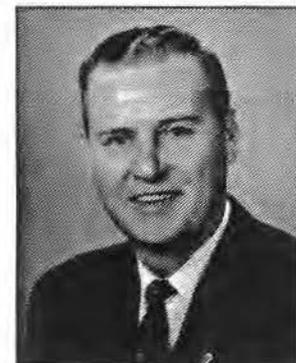
W. N. Estes was born near Dresden in the small community of Liberty, October 5, 1891, and later moved to Martin, Tennessee. After completing two years in Vanderbilt University, he accepted a teaching position with the McFerrin Training School. He later entered the insurance and investment fields, until he formed his own investment business. In 1937, Governor Browning asked him to organize the Department of Local Finance and to assist in the mechanics of his Debt Reorganization Program. Estes stayed in this department until 1939. He was elected State Treasurer in 1949 and 1951.



J.B. Walker, Sr. (1953-1955)

Ramon T. Davis (1955-63)

Ramon Davis was born February 12, 1920, in Watertown, Tennessee. He attended Cumberland University in Lebanon. In 1945, he became a casualty field representative for Travelers Insurance Company. He formed Davis Insurance Agency, and later became a partner in Dodson-Davis Company at Lebanon, Tennessee. He was a member of the Lebanon Chamber of Commerce, the Elks, the Tennessee Association of Insurance Agents, the American Legion and Kiwanis Club. He was appointed State Personnel Director in 1953. He was elected State Treasurer in 1957, 1959 and 1961.



Past State Treasurers

James H. Alexander (1963-64 and 1965-67)

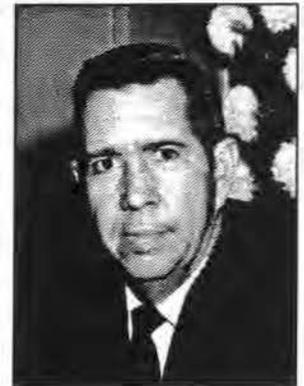
James Alexander was born January 2, 1922 in McKenzie, Tennessee and attended Bethel College and the University of Tennessee. He served in the United States Navy for three years and was commanding officer of LCI. He opened the Jim Alexander Insurance Agency in McKenzie in 1946. He was a member of numerous organizations: the Board of Education; Tennessee School Board Association; State Board of Elections; Insurors of Tennessee; Tennessee Education Loan Corporation; Elks Club; VFW Post; and the American Legion. He also served as the state campaign manager for Frank Clement's 1962 gubernatorial race and his 1964 senatorial race. Alexander was elected State Treasurer in 1963 and 1965.



Nobel Caudill (1964-1964)

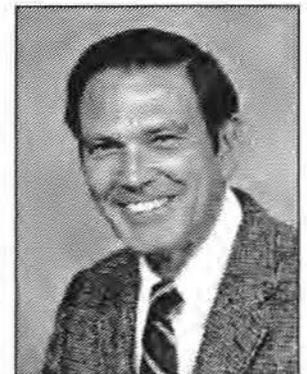
Charlie Worley (1967-71)

Charlie Worley was born in Bluff City, Tennessee, June 28, 1916. He graduated from Emory & Henry College in 1938, and from the University of Tennessee College of Law in 1941 and was admitted to the Tennessee and Federal Bar the same year. After a brief stint in the United States Army Air Corps, he assumed management of the family business, Bluff City Mills, manufacturers of flour, corn meal and feed. He served as director of Bristol Memorial Hospital, director of Carter County Bank, chairman of Sullivan County Democratic Executive Committee, chairman of the Tennessee Electoral College, member of the 84th General Assembly, member of State Democratic Executive Committee, co-manager for Governor Buford Ellington in 1966, and co-manager of the fall Democratic State Campaign. He was elected State Treasurer in 1967 and 1969.



Thomas A. Wiseman Jr. (1971-74)

Thomas Wiseman was born in Tullahoma, November 3, 1930. After graduating from Vanderbilt University, he was admitted to the Tennessee and Federal Bars in 1954. He was a member of the Coffee County, Tennessee, and American Bar Associations. He served in the United States Army from 1954-56. He formed the law firm of Haynes, Wiseman & Hull in 1963. He was a member of the Tennessee Legislature, 84th and 85th General Assembly, where he served as Chairman of Democratic Caucus and Co-chairman of Railroad and Public Utilities Committee, and a member of the Coffee County Democratic Executive Committee. Wiseman was elected State Treasurer in 1971 and 1973. He was appointed as a federal judge following his service as State Treasurer.



Harlan Mathews (1974-87)

Born in Alabama, Harlan Mathews served in the U.S. Navy from 1944-46. He graduated from Jacksonville State College in 1949. He was awarded a scholarship to Vanderbilt University, where he received an M.A. in Public Administration. He attended Law School from 1958-62 and became affiliated with the Tennessee Bar Association. He first entered state government in 1950. He served as a member of the Budget Staff, Deputy Commissioner of Finance and Administration, and Commissioner of Finance and Administration. He was also associated with Amcon, International, Inc. of Memphis, from 1971-74. He was first elected State Treasurer on March 21, 1974 and was reelected five times. He was appointed Deputy Governor and U.S. Senator following his service as State Treasurer.



Steve Adams (1987-Present)

Steve Adams was born May 27, 1951 in Marshall County, Tennessee and graduated from Austin Peay State University in 1973 with a B.S. in accounting. He received his CPA designation in 1979. He first entered state government in 1973 with the Department of Conservation. He transferred to the Treasury Department and served as director of the Tennessee Consolidated Retirement System from 1980-1987. His memberships include the National Association of Governmental Accountants, National Association of State Treasurers, and the executive committee of the Nashville Thermal Transfer Corporation Board of Directors. He was elected State Treasurer in January 1987 and has consecutively been reelected.



1997 Oath of Office

*"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 per-
form with fidelity and
faithfully execute the duties of this office to
the best of my ability,
so help me God."*

Statutory Duties of the State Treasurer

Boards and Commissions - 1996

	<i>Tennessee Code Annotated Section</i>
Baccalaureate Education System Trust	49-7-801, et seq.
Board of Equalization	4-3-5101
Board of Trustees of the Tennessee Consolidated Retirement System	8-34-301 - 8-34-319
Commission to Purchase Federal Property	12-1-103
Funding Board	9-9-101
National Resources Trust Fund	11-14-304
Public Records Commission	10-7-302
Sick Leave Bank Board	8-50-903
State Building Commission	4-15-101
State Capitol Commission	4-8-301, et seq.
State Insurance Committee	8-27-101
State Library and Archives Management Board	10-1-101, et seq.
State School Bond Authority	49-3-1204
State Teacher Insurance Comm.	8-27-301
State Trust of Tennessee	9-4-801, et seq.
Tennessee Bicentennial Commission	4-44-101 - 4-44-109
Tennessee Child Care Loan Guarantee Board	4-37-101, et seq.
Tennessee Competitive Export Corp.	13-27-104
Tennessee Higher Education Commission	49-7-201, et seq.
Tennessee Housing Development Agency	13-23-106
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

Boards and Commissions - 1836

None

Administration - 1996

	<i>Tennessee Code Annotated Section</i>
Board of Claims	9-8-101, et seq.
Chairs of Excellence Trust	49-7-501 - 49-7-502
Collateral Pool	9-4-501 - 9-4-523
Collateral Program	9-4-101 - 9-4-105
Council on Pensions and Insurance	3-9-101
Criminal Injury Compensation Fund	29-13-101, et seq.
Defense Counsel Commission	9-8-107
Deferred Compensation	8-25-101, et seq.
Escheat	31-6-101, et seq.
Flexible Benefits Plan	8-25-305
Investment Advisory Council	8-37-108
Investment of State Idle Cash Funds	9-4-602
Local Government Investment Pool	9-4-704
Old Age and Survivors Insurance Agency	8-38-101, et seq.
Pooled Investment Fund	9-4-704
Receipt and Disbursement of Public Funds	8-5-106 - 8-5-111; 9-4-301, et seq.
State Cash Management	9-4-106 - 9-4-108; 9-4-401 - 9-4-409
State Treasurer's Office	8-5-101, et seq.
Tennessee Consolidated Retirement System and Miscellaneous Systems	Title 8, Chptrs. 34, 35, 36, 37 & 39
Unclaimed Property	66-29-101, et seq.
Victims of Drunk Drivers Compensation Fund	40-24-107

Administration - 1836

Investment of State Cash Funds;
Receipt and Disbursement
of Public Funds

*Shannon's Code
of Tennessee*

Title 2,
Chapter 2,
Article IV

INVESTMENT PORTFOLIOS



State Cash Portfolio

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
U S TREASURY & AGENCY OBLIGATIONS					
FEDERAL HOME LOAN BANK NOTES	AAA	7/3/96	8.41	\$58,750,000	\$58,708,875
FEDERAL HOME LOAN BANK NOTES	AAA	7/17/96	5.95	40,000,000	39,888,000
FEDERAL HOME LOAN BANK NOTES	AAA	7/1/96	14.41	22,000,000	21,991,200
FEDERAL HOME LOAN BANK NOTES	AAA	7/8/96	6.76	10,300,000	10,284,550
FEDERAL HOME LOAN BANK NOTES	AAA	7/10/96	6.49	30,000,000	29,946,000
FEDERAL HOME LOAN BANK NOTES	AAA	7/29/96	5.74	25,000,000	24,885,000
FEDERAL HOME LOAN MORTGAGE ASSOC. NOTES	AAA	7/5/96	22.39	53,900,000	53,732,910
FEDERAL HOME LOAN MORTGAGE ASSOC. NOTES	AAA	7/31/96	5.72	35,000,000	34,828,500
FEDERAL HOME LOAN MORTGAGE ASSOC. NOTES	AAA	7/19/96	5.89	30,000,000	29,907,000
FEDERAL HOME LOAN MORTGAGE ASSOC. NOTES	AAA	7/3/96	8.41	50,000,000	49,965,000
FEDERAL HOME LOAN MORTGAGE ASSOC. NOTES	AAA	8/6/96	5.68	20,095,000	19,978,449
FEDERAL HOME LOAN MORTGAGE ASSOC. NOTES	AAA	7/9/96	5.28	30,000,000	29,964,867
FEDERAL HOME LOAN MORTGAGE ASSOC. NOTES	AAA	3/24/97	5.92	10,800,000	10,741,680
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	10/9/96	5.54	20,000,000	19,694,000
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	7/12/96	6.31	30,000,000	29,937,000
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	8/15/96	5.60	30,000,000	29,787,000
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	7/9/96	6.41	10,400,000	10,383,360
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	8/9/96	5.33	30,000,000	29,828,400
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	7/15/96	5.28	7,000,000	6,985,654
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	7/2/96	10.81	50,000,000	49,970,000
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	9/30/98	6.45	20,000,000	19,380,000
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	7/2/96	5.47	8,950,000	8,950,000
FEDERAL NATIONAL MORTGAGE ASSOC. NOTES	AAA	7/10/96	5.62	5,860,000	5,863,516
UNITED STATES TREASURY NOTES	AAA	2/28/98	6.08	30,000,000	29,550,000
UNITED STATES TREASURY NOTES	AAA	8/15/96	5.09	60,000,000	59,940,000
UNITED STATES TREASURY NOTES	AAA	11/30/97	6.01	30,000,000	29,745,000
UNITED STATES TREASURY NOTES	AAA	4/30/97	5.75	30,000,000	30,177,000
UNITED STATES TREASURY NOTES	AAA	12/31/97	6.01	30,000,000	29,679,000
UNITED STATES TREASURY NOTES	AAA	5/31/98	6.14	30,000,000	29,925,000
UNITED STATES TREASURY NOTES	AAA	7/15/97	5.86	30,000,000	30,786,000
TOTAL U S TREASURY OBLIGATIONS				\$868,055,000	\$865,402,961
CERTIFICATES OF DEPOSIT					
BANK OF ALAMO		12/6/96	5.400	\$2,000,000	\$2,000,000
BANK OF ALAMO		12/12/96	5.250	1,000,000	1,000,000
BANK OF ALAMO		12/2/96	4.950	2,000,000	2,000,000
BANK OF CROCKETT, BELLS		1/9/97	5.450	200,000	200,000
BENTON BANKING COMPANY		4/8/97	5.400	500,000	500,000
PEOPLES BANK, BENTON		5/9/97	5.350	100,000	100,000
PEOPLES BANK, BENTON		2/21/97	5.399	200,000	200,000
BANK OF BRADFORD		9/30/97	5.900	100,000	100,000
TWIN CITIES FEDERAL, BRISTOL		7/25/97	5.500	500,000	500,000
TWIN CITIES FEDERAL, BRISTOL		1/27/97	5.500	500,000	500,000
BANK OF BULLS GAP		9/19/96	5.750	100,000	100,000
PEOPLE'S BANK AND TRUST CO OF BYRDSTOWN		2/21/97	5.400	100,000	100,000
PEOPLE'S BANK AND TRUST CO OF BYRDSTOWN		12/30/96	5.300	100,000	100,000
PEOPLE'S BANK AND TRUST CO OF BYRDSTOWN		1/10/97	5.450	100,000	100,000
PEOPLE'S BANK AND TRUST CO OF BYRDSTOWN		3/7/97	5.600	100,000	100,000
PEOPLE'S BANK AND TRUST CO OF BYRDSTOWN		3/18/97	5.500	200,000	200,000
PEOPLE'S BANK AND TRUST CO OF BYRDSTOWN		3/21/97	5.500	200,000	200,000
PEOPLE'S BANK AND TRUST CO OF BYRDSTOWN		1/27/97	5.500	100,000	100,000
CUMBERLAND BANK, CARTHAGE		12/6/96	5.500	90,000	90,000
CUMBERLAND BANK, CARTHAGE		12/13/96	5.500	500,000	500,000
CUMBERLAND BANK, CARTHAGE		7/14/97	5.500	1,000,000	1,000,000
FIRST STATE BANK, CHAPEL HILL		2/19/97	5.400	200,000	200,000
SUNTRUST BANK, CHATTANOOGA		1/17/97	5.300	20,000,000	20,000,000

Note: Please see explanation of ratings on page 60.

(Continued)

State Cash Portfolio

	Maturity	Coupon	Par Value	Market Value
SUNTRUST BANK, CHATTANOOGA	2/14/97	5.400	20,000,000	20,000,000
VOLUNTEER BANK AND TRUST, CHATTANOOGA	10/4/96	5.350	500,000	500,000
VOLUNTEER BANK AND TRUST, CHATTANOOGA	10/4/96	5.350	80,000	80,000
FARMERS & MERCHANTS BANK, CLARKSVILLE	6/27/97	5.900	100,000	100,000
FIRST FEDERAL, CLARKSVILLE	8/22/97	5.800	100,000	100,000
FIRST CITIZENS BANK, CLEVELAND	11/8/96	5.300	5,500,000	5,500,000
FIRST FARMERS & MERCHANTS, COLUMBIA	8/8/96	5.300	5,000,000	5,000,000
FIRST BANK POLK COUNTY, COPPERHILL	12/18/96	5.250	4,300,000	4,300,000
FIRST STATE BANK, COVINGTON	10/4/96	5.300	2,000,000	2,000,000
UNION SAVINGS BANK, COVINGTON	9/20/96	5.300	5,000,000	5,000,000
RHEA COUNTY NATL BANK, DAYTON	3/14/97	5.649	600,000	600,000
RHEA COUNTY NATL BANK, DAYTON	3/17/97	5.650	600,000	600,000
PEOPLES BANK, DICKSON	10/16/97	5.750	500,000	500,000
PEOPLES BANK, DICKSON	10/16/97	5.750	500,000	500,000
FIRST CITIZENS, DYERSBURG	2/21/97	5.250	2,000,000	2,000,000
FIRST CITIZENS, DYERSBURG	4/30/97	5.500	2,000,000	2,000,000
FIRST CITIZENS, DYERSBURG	1/31/97	5.500	1,000,000	1,000,000
CITIZENS BANK, GAINESBORO	10/3/97	5.900	300,000	300,000
JACKSON BANK & TRUST, GAINESBORO	2/27/97	5.000	2,500,000	2,500,000
JACKSON BANK & TRUST, GAINESBORO	12/20/96	5.250	250,000	250,000
JACKSON BANK & TRUST, GAINESBORO	2/11/97	5.250	500,000	500,000
JACKSON BANK & TRUST, GAINESBORO	4/8/97	5.400	500,000	500,000
JACKSON BANK & TRUST, GAINESBORO	2/18/97	5.250	1,000,000	1,000,000
GATES BANKING AND TRUST	10/25/97	5.750	450,000	450,000
FIRST NATL BANK, GATLINBURG	2/21/97	5.250	4,000,000	4,000,000
FIRST NATL BANK, GATLINBURG	1/17/97	5.250	5,000,000	5,000,000
FIRST NATL BANK, GATLINBURG	12/24/96	5.250	4,000,000	4,000,000
TRUST ONE BANK, GERMANTOWN	12/23/96	5.500	2,000,000	2,000,000
TRUST ONE BANK, GERMANTOWN	5/13/97	5.350	2,000,000	2,000,000
TRUST ONE BANK, GERMANTOWN	5/23/97	5.350	1,500,000	1,500,000
TRUST ONE BANK, GERMANTOWN	1/21/97	5.600	2,000,000	2,000,000
TRUST ONE BANK, GERMANTOWN	2/24/97	5.400	2,000,000	2,000,000
TRUST ONE BANK, GERMANTOWN	3/24/97	5.500	2,000,000	2,000,000
TRUST ONE BANK, GERMANTOWN	4/25/97	5.400	2,000,000	2,000,000
BANK OF GLEASON	2/20/97	5.150	350,000	350,000
BANK OF GLEASON	7/18/97	5.500	300,000	300,000
BANK OF GLEASON	8/8/97	5.500	200,000	200,000
BANK OF HALLS	8/15/97	5.800	300,000	300,000
BANK OF HALLS	2/14/97	4.950	200,000	200,000
BANK OF HALLS	5/1/97	5.750	200,000	200,000
BANK OF HALLS	1/13/97	5.250	700,000	700,000
BANK OF HALLS	2/28/97	5.650	400,000	400,000
CHESTER CO BANK, HENDERSON	4/25/97	5.400	100,000	100,000
FIRST CITIZENS, HOHENWALD	1/23/97	5.250	1,000,000	1,000,000
FIRST CITIZENS, HOHENWALD	2/14/97	4.950	1,000,000	1,000,000
VOLUNTEER BANK, JACKSON	12/23/96	5.500	2,500,000	2,500,000
VOLUNTEER BANK, JACKSON	3/21/97	5.650	2,500,000	2,500,000
FENTRESS COUNTY BANK, JAMESTOWN	7/7/97	5.500	500,000	500,000
FENTRESS COUNTY BANK, JAMESTOWN	4/1/97	5.500	200,000	200,000
FENTRESS COUNTY BANK, JAMESTOWN	3/18/97	5.500	500,000	500,000
FENTRESS COUNTY BANK, JAMESTOWN	1/21/97	5.250	450,000	450,000
FENTRESS COUNTY BANK, JAMESTOWN	10/25/97	5.750	300,000	300,000
FENTRESS COUNTY BANK, JAMESTOWN	5/30/97	5.350	500,000	500,000
PROGRESSIVE SAVINGS, JAMESTOWN	6/9/97	5.850	300,000	300,000
CITIZENS STATE BANK, JASPER	4/15/97	5.400	100,000	100,000
CITIZENS STATE BANK, JASPER	4/18/97	5.400	200,000	200,000
CITIZENS STATE BANK, JASPER	1/31/97	5.500	200,000	200,000
MARION BANK & TRUST, JASPER	12/23/96	5.250	300,000	300,000

(Continued)

State Cash Portfolio

	Maturity	Coupon	Par Value	Market Value
MARION BANK & TRUST, JASPER	12/23/96	5.500	1,200,000	1,200,000
MARION BANK & TRUST, JASPER	12/23/96	5.250	1,000,000	1,000,000
FIRST STATE BANK, KENTON	1/13/97	5.250	5,000,000	5,000,000
FIRST STATE BANK, KENTON	1/13/97	5.250	3,000,000	3,000,000
FIRST UNION BANK, KINGSPORT	2/21/97	5.150	1,050,000	1,050,000
CHARTER FED SAVINGS, KNOXVILLE	7/11/96	5.600	5,000,000	5,000,000
CHARTER FED SAVINGS, KNOXVILLE	9/6/96	5.850	100,000	100,000
NATL BANK OF COMMERCE, KNOXVILLE	6/26/97	6.000	2,000,000	2,000,000
NATL BANK OF COMMERCE, KNOXVILLE	4/30/97	5.500	10,000,000	10,000,000
NATL BANK OF COMMERCE, KNOXVILLE	2/12/97	4.950	10,000,000	10,000,000
SUNTRUST BANK, KNOXVILLE	1/24/97	5.250	10,000,000	10,000,000
SUNTRUST BANK, KNOXVILLE	2/4/97	5.250	15,000,000	15,000,000
SUNTRUST BANK, KNOXVILLE	2/4/97	5.250	5,000,000	5,000,000
SUNTRUST BANK, KNOXVILLE	2/4/97	5.250	5,000,000	5,000,000
SUNTRUST BANK, KNOXVILLE	1/24/97	5.500	10,000,000	10,000,000
SUNTRUST BANK, KNOXVILLE	2/11/97	5.250	10,000,000	10,000,000
FIRST BANK EAST TN, LA FOLLETTE	4/18/97	5.750	100,000	100,000
CITIZENS BANK, LAFAYETTE	2/11/97	5.100	500,000	500,000
CITIZENS BANK, LAFAYETTE	3/21/97	5.650	100,000	100,000
CITIZENS BANK, LAFAYETTE	1/3/97	5.650	250,000	250,000
CITIZENS BANK, LAFAYETTE	5/9/97	5.350	100,000	100,000
NATIONSBANK, LAWRENCEBURG	5/23/97	5.750	200,000	200,000
FIRST CENTRAL BK, LENOIR CITY	1/30/97	5.500	500,000	500,000
FIRST CENTRAL BK, LENOIR CITY	5/12/97	5.650	500,000	500,000
FIRST NATL BANK LOUDON COUNTY, LENOIR CITY	1/8/97	5.250	300,000	300,000
FIRST NATL BANK LOUDON COUNTY, LENOIR CITY	1/3/97	5.500	200,000	200,000
FIRST NATL BANK LOUDON COUNTY, LENOIR CITY	12/26/96	5.300	100,000	100,000
CENTRAL STATE BANK, LEXINGTON	12/30/96	5.300	500,000	500,000
COFFEE CO BANK, MANCHESTER	6/25/97	5.900	280,000	280,000
COFFEE CO BANK, MANCHESTER	8/8/97	5.900	350,000	350,000
PLANTERS BANK, MAURY CITY	7/18/97	6.000	200,000	200,000
BOATMAN'S BANK, MEMPHIS	12/13/96	5.250	10,000,000	10,000,000
BOATMAN'S BANK, MEMPHIS	5/23/97	5.350	10,000,000	10,000,000
BOATMAN'S BANK, MEMPHIS	12/24/96	5.250	5,000,000	5,000,000
ENTERPRISE NATL BANK, MEMPHIS	10/4/96	5.600	500,000	500,000
ENTERPRISE NATL BANK, MEMPHIS	9/20/96	5.750	500,000	500,000
ENTERPRISE NATL BANK, MEMPHIS	1/3/97	5.450	500,000	500,000
ENTERPRISE NATL BANK, MEMPHIS	3/14/97	5.600	500,000	500,000
ENTERPRISE NATL BANK, MEMPHIS	5/2/97	5.750	500,000	500,000
ENTERPRISE NATL BANK, MEMPHIS	1/24/97	5.250	500,000	500,000
FIRST COMMERCIAL BANK, MEMPHIS	9/18/96	5.750	2,000,000	2,000,000
FIRST COMMERCIAL BANK, MEMPHIS	2/7/97	5.500	1,000,000	1,000,000
FIRST COMMERCIAL BANK, MEMPHIS	3/28/97	5.750	1,000,000	1,000,000
FIRST COMMERCIAL BANK, MEMPHIS	2/25/97	5.400	1,000,000	1,000,000
FIRST COMMERCIAL BANK, MEMPHIS	4/11/97	5.300	1,000,000	1,000,000
FIRST COMMERCIAL BANK, MEMPHIS	5/13/97	5.350	1,000,000	1,000,000
FIRST COMMERCIAL BANK, MEMPHIS	3/5/97	5.350	1,000,000	1,000,000
FIRST COMMERCIAL BANK, MEMPHIS	4/25/97	5.500	1,000,000	1,000,000
NATL BANK OF COMMERCE, MEMPHIS	2/14/97	4.950	20,000,000	20,000,000
NATL BANK OF COMMERCE, MEMPHIS	10/18/96	5.750	15,000,000	15,000,000
NATL BANK OF COMMERCE, MEMPHIS	4/18/97	5.500	25,000,000	25,000,000
NATL BANK OF COMMERCE, MEMPHIS	1/22/97	5.250	25,000,000	25,000,000
NATL BANK OF COMMERCE, MEMPHIS	12/12/96	5.500	20,000,000	20,000,000
NATL BANK OF COMMERCE, MEMPHIS	1/7/97	5.650	25,000,000	25,000,000
NATL BANK OF COMMERCE, MEMPHIS	6/26/97	6.000	30,000,000	30,000,000
NATL BANK OF COMMERCE, MEMPHIS	4/30/97	5.500	25,000,000	25,000,000
NATL BANK OF COMMERCE, MEMPHIS	8/8/96	5.300	25,000,000	25,000,000
NATL BANK OF COMMERCE, MEMPHIS	8/23/96	5.850	10,000,000	10,000,000

(Continued)

State Cash Portfolio

	Maturity	Coupon	Par Value	Market Value
NATL BANK OF COMMERCE, MEMPHIS	1/3/97	5.500	10,000,000	10,000,000
NATL BANK OF COMMERCE, MEMPHIS	12/16/96	5.250	25,000,000	25,000,000
NATL BANK OF COMMERCE, MEMPHIS	12/6/96	5.250	15,000,000	15,000,000
NATL BANK OF COMMERCE, MEMPHIS	3/18/97	5.750	25,000,000	25,000,000
NATL BANK OF COMMERCE, MEMPHIS	9/27/96	5.750	10,000,000	10,000,000
NATL BANK OF COMMERCE, MEMPHIS	7/19/96	5.750	20,000,000	20,000,000
NATL BANK OF COMMERCE, MEMPHIS	3/24/97	5.650	15,000,000	15,000,000
SOUTHTRUST BANK, MEMPHIS	12/26/96	5.300	1,000,000	1,000,000
SOUTHTRUST BANK, MEMPHIS	4/1/97	5.500	1,000,000	1,000,000
SOUTHTRUST BANK, MEMPHIS	2/7/97	5.500	2,000,000	2,000,000
TENNESSEE BANK & TRUST, MEMPHIS	12/27/96	5.250	1,900,000	1,900,000
UNITED AMERICAN BANK, MEMPHIS	12/20/96	5.250	5,000,000	5,000,000
TENNESSEE BANK & TRUST, MILLINGTON	12/6/96	5.250	1,200,000	1,200,000
TENNESSEE BANK & TRUST, MILLINGTON	12/17/96	5.250	1,000,000	1,000,000
TENNESSEE BANK & TRUST, MILLINGTON	12/13/96	5.250	500,000	500,000
TENNESSEE BANK & TRUST, MILLINGTON	12/10/96	5.250	2,000,000	2,000,000
BANK OF GREEN HILLS, NASHVILLE	4/11/97	5.300	95,000	95,000
FIRST AMERICAN NATL BANK, NASHVILLE	11/8/96	5.300	25,000,000	25,000,000
FIRST AMERICAN NATL BANK, NASHVILLE	11/26/96	5.300	25,000,000	25,000,000
FIRST AMERICAN NATL BANK, NASHVILLE	4/24/97	5.500	20,000,000	20,000,000
FIRST AMERICAN NATL BANK, NASHVILLE	10/8/96	5.300	50,000,000	50,000,000
FIRST AMERICAN NATL BANK, NASHVILLE	1/24/97	5.500	30,000,000	30,000,000
NATL BANK OF COMMERCE, NASHVILLE	6/26/97	6.000	5,000,000	5,000,000
NATL BANK OF COMMERCE, NASHVILLE	2/12/97	4.950	10,000,000	10,000,000
SOUTHTRUST BANK, NASHVILLE	2/27/97	5.650	3,000,000	3,000,000
SOUTHTRUST BANK, NASHVILLE	2/27/97	5.650	2,800,000	2,800,000
SOUTHTRUST BANK, NASHVILLE	3/21/97	5.500	4,000,000	4,000,000
SOUTHTRUST BANK, NASHVILLE	5/2/97	5.350	6,000,000	6,000,000
SOUTHTRUST BANK, NASHVILLE	1/29/97	5.500	3,500,000	3,500,000
THE BANK OF NASHVILLE	7/2/96	5.800	1,000,000	1,000,000
THE BANK OF NASHVILLE	7/2/96	5.800	1,000,000	1,000,000
THE BANK OF NASHVILLE	12/30/96	5.300	2,500,000	2,500,000
SECURITY BANK, NEWBERN	7/9/97	6.100	350,000	350,000
SECURITY BANK, NEWBERN	7/11/97	6.100	300,000	300,000
SECURITY BANK, NEWBERN	1/21/97	5.250	500,000	500,000
NEWPORT FEDERAL S & L	6/24/97	5.900	95,000	95,000
NEWPORT FEDERAL S & L	9/30/97	5.900	500,000	500,000
NEWPORT FEDERAL S & L	6/24/97	5.900	300,000	300,000
OAKLAND DEPOSIT BANK, OAKLAND	4/11/97	5.750	100,000	100,000
UNION PLANTERS BANK, OBION	9/26/97	5.900	200,000	200,000
FIRST NATL BANK, ONEIDA	1/10/97	5.450	500,000	500,000
FIRST NATL BANK, ONEIDA	12/6/96	5.600	500,000	500,000
FIRST NATIONAL BANK, PIKEVILLE	6/16/97	5.750	300,000	300,000
COMMUNITY BANK, PULASKI	10/17/97	5.750	750,000	750,000
COMMUNITY BANK, PULASKI	2/19/97	4.950	1,000,000	1,000,000
FIRST NATIONAL BANK, PULASKI	8/14/97	5.800	300,000	300,000
FIRST NATIONAL BANK, PULASKI	2/6/97	5.100	300,000	300,000
FIRST NATIONAL BANK, PULASKI	2/12/97	4.950	300,000	300,000
FIRST NATIONAL BANK, PULASKI	2/12/97	4.950	500,000	500,000
FIRST NATIONAL BANK, PULASKI	2/7/97	5.100	700,000	700,000
FIRST NATIONAL BANK, PULASKI	1/21/97	5.250	1,000,000	1,000,000
BANK OF RIPLEY	2/21/97	5.400	100,000	100,000
BANK OF RIPLEY	1/17/97	5.250	100,000	100,000
BANK OF RIPLEY	5/23/97	5.350	150,000	150,000
BANK OF RIPLEY	4/4/97	5.500	200,000	200,000
BANK OF RIPLEY	1/28/97	5.250	100,000	100,000
FIRST UNION BANK, ROGERSVILLE	3/17/97	5.650	1,650,000	1,650,000
FIRST UNION BANK, ROGERSVILLE	12/18/96	5.250	1,600,000	1,600,000

(Continued)

State Cash Portfolio

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
CHARTER FED SAV BK, SEVIERVILLE		10/10/96	5.750	85,000	85,000
SOMERVILLE BANK AND TRUST		8/22/97	5.800	200,000	200,000
FIRST BANK RHEA CO, SPRING CITY		11/15/96	5.300	900,000	900,000
MERCHANTS & PLANTERS, TOONE		8/28/97	5.800	100,000	100,000
MERCHANTS & PLANTERS, TOONE		9/26/97	5.900	100,000	100,000
MERCHANTS & PLANTERS, TOONE		8/15/97	5.800	200,000	200,000
MERCHANTS & PLANTERS, TOONE		2/14/97	4.950	200,000	200,000
BANK OF COMMERCE, TRENTON		11/27/96	5.300	750,000	750,000
BANK OF COMMERCE, TRENTON		8/1/96	5.300	950,000	950,000
BANK OF COMMERCE, TRENTON		10/15/96	5.750	1,000,000	1,000,000
BANK OF COMMERCE, TRENTON		11/26/96	5.600	2,500,000	2,500,000
FIRST STATE BANK, UNION CITY		2/24/97	5.250	3,000,000	3,000,000
FIRST STATE BANK, UNION CITY		2/24/97	5.250	2,000,000	2,000,000
WAYNE COUNTY BANK, WAYNESBORO		3/11/97	5.600	900,000	900,000
THE WHITEVILLE BANK		8/22/97	5.800	500,000	500,000
THE WHITEVILLE BANK		5/15/97	5.750	350,000	350,000
THE WHITEVILLE BANK		9/26/97	5.900	400,000	400,000
THE WHITEVILLE BANK		5/16/97	5.750	500,000	500,000
THE WHITEVILLE BANK		6/20/97	5.900	600,000	600,000
THE WHITEVILLE BANK		7/3/97	5.900	700,000	700,000
THE WHITEVILLE BANK		7/25/97	6.000	300,000	300,000
THE WHITEVILLE BANK		8/15/97	5.800	300,000	300,000
BANK OF COMMERCE, WOODBURY		12/27/96	5.450	2,000,000	2,000,000
TOTAL CERTIFICATES OF DEPOSIT				\$834,925,000	\$834,925,000
REPURCHASE AGREEMENTS					
SUNTRUST BANK		7/1/96	5.250	\$15,000,000	\$15,000,000
TSSBA BA SECURITIES		7/1/96	5.250	4,500,000	4,500,000
SWISS BANK		7/1/96	5.350	40,000,000	40,000,000
TOTAL REPURCHASE AGREEMENTS				\$59,500,000	\$59,500,000
COMMERCIAL PAPER					
ALLIANZ OF AMERICA FINANCE CORP	A1+	7/8/96	5.360	\$12,500,000	\$12,487,045
ASSOCIATES CORP OF NORTH AMERICA	A1+	7/10/96	5.319	50,000,000	49,934,000
CORP ASSET SECUR AUSTRALIA	A1+	7/1/96	5.410	14,500,000	14,500,000
CORP ASSET SECUR AUSTRALIA	A1+	7/2/96	5.327	35,000,000	34,994,847
CORPORATE RECEIVABLES CORP	A1	7/8/96	5.317	30,000,000	29,969,200
CSW CREDIT INC.	A1	8/6/96	5.459	36,100,000	35,904,338
FALCON ASSET SECURITIZATION CORP	A1	8/6/96	5.424	27,200,000	27,053,664
FORD MOTOR CREDIT CORP	A1	8/1/96	5.399	50,000,000	49,769,222
GENERAL ELECTRIC CAP SERVICES	A1+	7/11/96	5.340	50,000,000	49,926,250
INT'L NEDERLANDEN U.S.	A1+	8/6/96	5.452	20,000,000	19,891,600
MERRILL LYNCH & CO., INC.	A1+	7/8/96	5.376	50,000,000	49,947,889
MITSUBISHI ELECTRIC FINAN AMER	A1	7/16/96	5.402	15,000,000	14,966,688
NOMURA HOLDING AMERICA	A1+	7/8/96	5.353	30,000,000	29,969,025
PRUDENTIAL FUNDING CORP	A1+	7/30/96	5.363	50,000,000	49,785,722
RECEIVABLES CAPITAL CORP	A1+	7/31/96	5.433	50,000,000	49,775,000
REXAM, PLC.	A1	8/12/96	5.429	17,897,000	17,784,667
SUMITOMO CORP OF AMERICA	A1	7/15/96	5.442	25,000,000	24,947,306
SUMITOMO CORP OF AMERICA	A1	8/7/96	5.459	25,000,000	24,860,736
TOSHIBA INTERNATIONAL FINANCE	A1	7/19/96	5.385	16,800,000	16,755,480
TOSHIBA INTERNATIONAL FINANCE	A1	8/20/96	5.395	11,000,000	10,919,028
USL CAPITAL CORP	A1	7/12/96	5.325	29,000,000	28,953,125
USL CAPITAL CORP	A1	7/8/96	5.331	16,000,000	15,983,511
TOTAL COMMERCIAL PAPER				\$660,997,000	\$659,078,342
TOTAL PORTFOLIO				\$695,797,000	\$693,803,342

TCRS Portfolio

Domestic Fixed Income Portfolio

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
GOVERNMENTS:					
BONDS AND NOTES:					
CERTIFICATE OF ACCRUAL TREASURY - SER T	AAA	0.000	11/15/96	\$9,404,000	\$9,218,835
COUPON TREASURY RECEIPT	AAA	0.000	2/15/98	39,720,000	36,073,704
COUPON TREASURY RECEIPT	AAA	0.000	8/15/97	30,000,000	28,131,300
COUPON TREASURY RECEIPT	AAA	0.000	8/15/98	49,140,000	43,226,984
COUPON TREASURY RECEIPT	AAA	0.000	8/15/2004	23,075,400	13,429,652
COUPON TREASURY RECEIPT	AAA	0.000	11/15/2003	74,236,964	45,701,017
PRINCIPLE TREASURY RECEIPT	AAA	0.000	8/15/2004	10,134,000	5,897,887
PRINCIPLE TREASURY RECEIPT	AAA	0.000	8/15/2003	100,000,000	62,685,000
SBA GTD PARTN CTFS SBIC 90-10D	AAA	8.700	12/10/2000	8,282,609	8,729,538
TENNESSEE VALLEY AUTH 1992 S-A	AAA	6.000	1/15/97	40,336,000	40,348,504
TIGER SER 2	AAA	0.000	5/15/2000	4,723,875	3,701,156
TIGER SER 8	AAA	0.000	5/15/2000	15,513,500	12,154,827
TIGRS SER 1	AAA	0.000	5/15/2000	13,678,000	10,716,713
U S TREAS BD CORPUS	AAA	0.000	11/15/2001	76,000,000	52,481,040
U S TREAS BD STRIPPED PRIN PMT	AAA	0.000	8/15/2005	43,000,000	23,238,490
U S TREAS BD STRIPPED PRIN PMT	AAA	0.000	11/15/2004	102,000,000	58,224,660
U S TREAS NTS STRIPPED PRIN PMT	AAA	0.000	8/15/99	82,363,000	67,671,088
U S TREAS NTS STRIPPED PRIN PMT	AAA	0.000	11/15/97	35,000,000	32,285,750
U S TREAS NTS STRIPPED PRIN PMT	AAA	0.000	2/15/98	33,500,000	30,390,865
U S TREAS STRIP GENERIC TINT	AAA	0.000	5/15/2003	39,900,000	25,486,125
U S TREAS STRIP GENERIC TINT	AAA	0.000	2/15/2005	38,000,000	21,338,520
U S TREAS STRIP GENERIC TINT	AAA	0.000	5/15/2006	28,100,000	14,417,548
U S TREAS STRIP GENERIC TINT	AAA	0.000	5/15/2000	24,485,000	19,170,286
U S TREASURY BILLS	AAA	0.000	9/19/96	97,620,000	95,750,101
U S TREASURY BONDS	AAA	7.500	11/15/2016	72,825,000	76,511,402
U S TREASURY BONDS	AAA	12.000	8/15/2013	220,035,000	310,181,139
U S TREASURY BONDS	AAA	8.875	8/15/2017	120,015,000	144,092,409
U S TREASURY BONDS	AAA	7.125	2/15/2023	177,000,000	178,908,060
U S TREASURY BONDS	AAA	7.250	5/15/2016	266,800,000	273,053,792
U S TREASURY BONDS	AAA	8.125	5/15/2021	47,175,000	53,130,844
U S TREASURY BONDS	AAA	8.750	5/15/2017	129,900,000	154,114,659
U S TREASURY NOTES	AAA	6.875	8/31/99	166,225,000	168,588,719

(Continued)

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

Domestic Fixed Income Portfolio

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
U S TREASURY NOTES	AAA	6.875	5/15/2006	100,000,000	101,109,000
U S TREASURY NOTES	AAA	6.375	5/15/99	82,200,000	82,380,018
U S TREASURY NOTES	AAA	6.750	5/31/99	325,000,000	328,757,000
U S TREASURY NOTES	AAA	6.125	3/31/98	321,700,000	321,950,926
U S TREASURY NOTES	AAA	6.375	3/31/2001	61,500,000	61,230,630
TOTAL BONDS AND NOTES					\$3,014,478,188

AGENCIES:

FARM CR SYS FINL ASSIST CORP	AAA	8.800	6/10/2005	\$10,000,000	\$11,182,800
FARMERS HOME ADMIN CTF BEN INT	AAA	5.750	6/29/2001	10,189	95,048
FARMERS HOME ADMIN INSD NT	AAA	5.750	6/30/99	11,020	10,550
FED NATL MTG ASSN MTN 00641	AAA	5.230	11/25/98	60,005,000	58,626,685
FEDERAL HOME LN BK CONS BDS	AAA	5.580	2/23/2001	38,385,000	36,603,552
FEDERAL HOME LN MTG CORP DEBS	AAA	7.290	9/7/2005	35,000,000	34,458,550
FEDERAL HOME LN MTG CORP DEBS	AAA	6.280	3/6/2006	23,960,000	22,810,639
FEDERAL HOME LN MTG CORP DEBS	AAA	6.750	5/30/2006	20,000,000	19,987,400
FEDERAL NATL MORTGAGE ASSN	AAA	0.000	7/5/2014	148,500,000	39,444,570
FEDERAL NATL MTG ASSN MTN	AAA	6.840	10/3/97	20,000,000	20,196,000
FEDERAL NATL MTG ASSN MTN	AAA	6.220	3/13/2006	20,000,000	18,875,000
FEDERAL NATL MTG ASSN MTN	AAA	5.840	3/29/99	40,225,000	39,696,846
FEDERAL NATL MTG ASSN MTN	AAA	6.410	3/8/2006	30,000,000	28,725,000
FEDERAL NATL MTG ASSN MTN	AAA	5.800	2/22/2006	20,000,000	18,404,000
FEDERAL NATL MTG ASSN MTN	AAA	5.200	7/10/98	30,000,000	29,241,000
FHA & VA MORTGAGE LNS	AAA	6.000	10/1/97	5,616	5,603
FHLMC GROUP #22-0010	AAA	8.750	8/1/2001	3,105,419	3,195,662
FHLMC GROUP #E0-0425	AAA	6.000	4/1/2011	28,356,007	26,831,872
FHLMC GROUP #E0-0426	AAA	6.500	4/1/2011	30,988,689	29,991,163
FHLMC GROUP #E2-0235	AAA	6.500	4/1/2011	18,859,614	18,252,523
FHLMC GROUP #E6-3476	AAA	6.000	3/1/2011	22,229,729	21,034,881
FHLMC GROUP #E6-3774	AAA	6.500	4/1/2011	805,686	785,286
FHLMC GROUP #G1-0399	AAA	6.500	7/1/2009	18,834,516	18,357,626
FHLMC GROUP #G1-0504	AAA	6.000	4/1/2011	50,584,554	47,865,634
FHLMC GROUP #G1-0511	AAA	6.500	5/15/2011	50,659,891	49,029,149
FHLMC GROUP #G4-0040	AAA	6.000	1/1/2001	35,508,679	34,221,489
FHLMC GROUP #G4-0045	AAA	6.000	12/1/2000	17,733,018	17,090,196
FHLMC GROUP #G4-0055	AAA	6.000	1/1/2001	38,290,443	36,902,414
FHLMC MULTICLS P/C SER 125 CL-A	AAA	8.750	3/15/2000	38,432,098	39,758,105
FHLMC MULTICLASS MTG P/C 1141F	AAA	8.500	10/15/2020	39,119,856	40,269,197
FHLMC MULTICLASS MTG P/C 1398F	AAA	6.000	12/15/2005	15,890,000	15,103,512
FHLMC MULTICLASS MTG P/C 1409G	AAA	6.750	2/15/2006	10,000,000	9,936,100
FHLMC MULTICLASS MTG P/C 1414G	AAA	6.250	7/15/2006	10,000,000	9,704,000
FHLMC MULTICLASS MTG P/C 1415M	AAA	6.750	2/15/2006	20,000,000	19,865,200
FHLMC MULTICLASS MTG P/C 1546H	AAA	7.000	12/15/2022	10,000,000	9,391,022
FHLMC MULTICLASS MTG P/C 1564E	AAA	6.000	4/15/2005	27,662,500	27,167,895
FHLMC MULTICLASS MTG PC 1166PG	AAA	8.000	2/15/2020	9,802,189	9,975,491
FHLMC MULTICLASS MTG PC 1560PE	AAA	6.000	11/15/2016	30,000,000	29,418,000
FHLMC MULTICLASS MTG PC G-13PH	AAA	6.000	3/25/2018	20,000,000	19,088,400
FNMA POOL #0073345	AAA	6.320	1/1/2006	17,530,859	17,576,012
FNMA POOL #0109011	AAA	6.350	1/1/2004	17,562,577	18,371,861
FNMA POOL #0109031	AAA	6.695	8/1/2005	70,000,000	71,256,732
FNMA POOL #0160159	AAA	7.516	7/1/99	10,000,000	10,084,000
FNMA POOL #0160160	AAA	7.778	7/1/2001	40,000,000	41,074,800
FNMA POOL #0303495	AAA	6.000	12/1/2000	48,692,903	46,912,569
FNMA POOL #0303528	AAA	6.000	8/1/2001	22,302,443	21,486,843
FNMA GTD REMIC P/T CTF 89-81-E	AAA	9.000	3/25/2019	21,000,000	21,839,370
FNMA GTD REMIC P/T CTF 90-69-Z	AAA	9.500	6/25/2020	36,697,498	39,100,083
FNMA GTD REMIC P/T CTF 91-116Z	AAA	8.500	9/25/2021	2,162,569	2,150,329
FNMA GTD REMIC P/T CTF 92-186G	AAA	6.000	1/25/2006	8,605,000	8,268,717

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Domestic Fixed Income Portfolio

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
FNMA GTD REMIC P/T CTF 93-17-Z	AAA	6.500	1/25/2016	17,672,264	17,216,143
FNMA GTD REMIC P/T CTF G-27H	AAA	8.500	9/25/2020	30,377,500	31,477,554
FNMA GTD REMIC P/T CTF RT94M1B	AAA	6.500	10/25/2003	47,477,000	45,384,689
FNMA GTD REMIC P/T CTF88-8 Z	AAA	9.500	4/25/2018	23,823,529	25,553,832
FNMA GTD REMIC P/T CTF91-141PX	AAA	8.000	7/25/2018	21,580,202	21,994,542
FNMA GTD REMIC PT CTF 91-113ZG	AAA	8.750	12/25/2004	8,460,887	8,818,275
FNMA GTD REMIC PT CTF 91-160ZB	AAA	8.000	11/25/2020	31,887,975	31,126,248
FNMA GTD REMIC PT CTF 91-81 PL	AAA	7.000	12/25/2020	30,000,000	29,832,900
FNMA GTD REMIC PT CTF 91-86 Z	AAA	6.500	7/25/2021	19,121,946	16,416,000
FNMA GTD REMIC PT CTF 92-10 ZA	AAA	8.000	9/25/2019	30,945,704	31,387,299
FNMA GTD REMIC PT CTF 92-171ZA	AAA	7.350	2/25/2019	20,696,664	19,933,291
FNMA GTD REMIC PT CTF 92-193GA	AAA	6.500	1/25/2006	10,000,000	9,784,600
GOVERNMENT TR CTFS CURRENT 1-C	AAA	9.250	11/15/2001	50,000,000	53,402,500
GOVERNMENT TR CTFS CURRENT 2-E	AAA	9.400	5/15/2002	20,000,000	21,442,400
NATIONAL ARCHIVES FAC TR CTF	AAA	8.500	9/1/2019	53,785,724	59,004,553
SMALL BUSINESS ADMIN GTD 86-A	AAA	8.750	9/1/96	6,405,715	6,428,712
SMALL BUSINESS ADMIN SER 87 A	AAA	7.950	2/1/97	2,480,195	2,499,541
TENN VALLEY AUTH PWR 1995 SERB	AAA	6.235	7/15/2045	25,000,000	24,615,750
TENNESSE VALLEY AUTH PWR BD C	AAA	8.250	9/15/2034	10,000,000	9,972,000
TENNESSEE VALLEY AUTH PWR 89-C	AAA	8.625	11/15/2029	88,100,000	93,716,375
TENNESSEE VALLEY AUTH PWR BD E	AAA	4.600	12/15/96	80,500,000	80,133,725
TENNESSEE VALLEY AUTH-SER A	AAA	7.850	6/15/2044	13,210,000	13,049,366
TENNESSEE VALLEY AUTHORITY	AAA	6.875	12/15/2043	20,000,000	17,830,800
TENNESSEE VALLEY AUTHORITY	AAA	6.125	7/15/2003	8,000,000	7,732,480
TOTAL AGENCIES					\$1,888,472,951
TOTAL GOVERNMENTS					\$4,902,951,139
CORPORATES:					
AIR PRODS & CHEM MTN TR 00034	A2	7.250	4/15/2016	\$10,000,000	\$9,656,200
ALLSTATE CORP NTS	A2	5.875	6/15/98	22,000,000	21,721,040
ALLTEL CORP DEBS	A2	7.000	3/15/2016	15,000,000	14,193,750
AMERICA SOUTHWEST FINL 37-C	AAA	9.200	12/1/2006	0	0
AMERICAN GEN FIN CORP SR NT	A1	6.875	1/15/2000	25,000,000	24,942,000
AMERICAN HOME PRODS CORP NT	A2	7.900	2/15/2005	25,000,000	26,142,000
AMERICAN HOME PRODS CORP NT	A2	6.500	10/15/2002	30,500,000	29,736,890
ANHEUSER BUSCH COS INC NT	A1	7.000	9/1/2005	10,000,000	9,821,700
ARCHER DANIELS MIDLAND CO DEB	AA2	7.125	3/1/2013	24,500,000	23,775,535
ARCHER DANIELS MIDLAND CO DEB	AA2	8.875	4/15/2011	20,000,000	22,772,400
ARKLA INC SUB DEB	BAA3	8.900	12/15/2006	14,000,000	15,240,260
ASSOCIATES CORP NORTH AMER NT	AA3	6.250	3/15/99	20,000,000	19,834,800
ASSOCIATES CORP NORTH AMER NT	AA3	5.750	11/15/98	25,000,000	24,602,500
ASSOCIATES CORP NORTH AMERICA	AA3	6.625	11/15/97	16,755,000	16,827,046
AT & T CAP CORP MTN TR # 00341	A3	7.030	8/12/2002	10,000,000	9,927,600
AT&T CAP CORP MTN	A3	7.240	7/29/2002	8,500,000	8,525,160
AT&T CAP CORP MTN # TR 00575	BAA3	6.260	4/30/98	40,000,000	39,906,000
AT&T UNVL CD MSTR TR 96-1 CL A	AAA	0.100	4/17/2003	15,000,000	14,995,200
BANC ONE CR CARD MTR 94-C A	AAA	7.800	11/15/98	50,000,000	51,555,000
BEAR STEARNS COS MTN TR 00467	A2	6.300	3/15/99	35,000,000	34,677,300
BEAR STEARNS COS MTN TR 00477	A2	5.665	4/6/99	50,000,000	50,078,000
BELL TEL CO PA	AA1	7.700	1/15/2023	15,000,000	14,709,300
BELLSOUTH TELECOM INC	AAA	7.625	5/15/2035	20,000,000	19,506,600
BELLSOUTH TELECOMMUNICATIONS	AAA	7.000	10/1/2025	45,000,000	42,462,900
BENEFICIAL CORP MTN TR # 00019	A2	6.740	7/15/2005	10,000,000	9,661,900
BOEING CO	A1	7.950	8/15/2024	20,000,000	21,187,000
BP NORTH AMER INC GTD NT	AA3	10.000	7/1/2018	13,000,000	14,279,850
BRITISH GAS FIN INC GTD NT	A3	8.750	3/15/98	10,000,000	10,346,000
CASE EQUIP LN TR 94-A CL A-2	AAA	4.650	8/15/99	8,458,463	8,371,340
CASE EQUIP LN TR 96-A CL A-2	AAA	5.500	2/15/2003	20,000,000	19,728,988
CENTRAL ILL LT CO 1ST MTG	AA2	8.200	1/15/2022	15,000,000	15,525,000

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TCRS Portfolio

Domestic Fixed Income Portfolio

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
CENTRAL ILL LT CO 1ST MTG	AA2	7.500	1/15/2007	10,000,000	10,222,500
CHRYSLER FINL CORP NTS	A3	5.875	2/7/2001	20,000,000	19,196,800
CO-OP UTIL TR CAJUN ELEC PWR	AAA	9.520	3/15/2019	47,265,000	51,439,917
CONSOLIDATED NAT GAS CO DEB	A1	8.625	12/1/2011	9,555,000	10,084,347
COOPERATIVE UTIL TR BIG ELEC	AAA	9.500	2/15/2017	54,600,000	59,425,002
COOPERATIVE UTIL TR CAJN88-A12	AAA	8.920	3/15/2019	7,500,000	8,148,000
DEERE JOHN CAP MTN # TR 00128	A2	7.520	3/6/2000	15,000,000	15,278,550
DEERE JOHN CAP MTN TR # 00134	A2	6.250	6/12/2000	10,000,000	9,815,600
DOVER CORP NT	A2	6.450	11/15/2005	20,000,000	18,926,200
DUKE PWR CO 1ST & REF	AA2	8.750	3/1/2021	28,000,000	29,120,000
FIRST DEP MASTER TR ABC 93-1	AAA	5.750	6/15/2001	20,500,000	20,288,440
FORD CR AUTO LN 95-1 CL A	AAA	6.500	8/15/2002	25,000,000	24,828,250
FORD CR AUTO LN MASTR 96-1 CLA	AAA	5.500	2/15/2003	25,000,000	23,750,000
FORD HLDGS INC DEB	A1	9.250	3/1/2000	40,000,000	43,099,200
FORD MOTOR CR CO NTS	A1	6.125	1/9/2006	35,000,000	31,993,500
FORD MTR CO P/T CTF SER 93 A6	AAA	5.930	1/1/2000	30,016,000	29,221,777
FORD MTR CR CO NT	A1	8.000	6/15/2002	23,500,000	24,566,900
FORD MTR CR CO NTS	A1	6.375	10/6/2000	41,000,000	40,253,800
FORD MTR CR CO UNSUBORDINATED	A1	6.250	11/8/2000	23,700,000	23,117,928
FORD MTR CR MTN # TR 00633	A1	6.570	3/15/2001	25,000,000	24,653,500
FORD MTR CR MTN # TR 00673	A1	6.840	6/5/2000	25,000,000	25,051,500
GENERAL ELEC CAP CORP MTN	AAA	8.875	5/15/2009	21,500,000	24,773,805
GENERAL ELEC CAP REMKTD	AAA	6.660	5/1/2018	40,000,000	39,835,200
GENERAL ELEC CO UNSECD NTS	AAA	7.875	9/15/98	65,000,000	66,837,550
GENERAL MTRS ACCEP CORP MTN	A3	7.250	7/20/98	12,500,000	12,692,875
GENERAL MTRS ACCEP CORP MTN	A3	8.375	1/30/98	33,000,000	33,994,950
GENERAL MTRS ACCEP CORP NT	A3	7.000	8/15/97	44,800,000	45,151,232
GENERAL MTRS MTN # TR 00083	A3	5.750	1/5/2000	25,000,000	24,191,250
GENERAL MTRS MTN TR 00163	A3	6.400	5/24/99	25,000,000	24,856,250
GENERAL TEL CO N.WEST MTG-BB	A2	8.750	4/15/2016	2,957,000	3,068,804
GENERALS MLS INC MTN # TR00039	A2	9.050	12/15/2000	14,125,000	15,277,883
GMAC 92-F GRANTOR TR ABS CL A	AAA	4.500	9/15/97	3,129,097	3,110,948
GMAC 94-A GRANTOR TR CTF CL A	AAA	6.300	6/15/99	15,468,879	15,519,771
GTE CORP DEB	A3	10.250	11/1/2020	20,000,000	22,825,000
GTE FIN CORP MTN	-	9.680	2/18/99	10,000,000	10,665,500
GTE FLA INC DEB	A2	6.310	12/15/2002	15,000,000	14,404,800
GTE NORTH INC DEB	A1	9.190	1/1/2022	25,385,000	27,196,474
GTE NORTH INC DEB SER A	A1	6.000	1/15/2004	10,250,000	9,619,830
GULF PERU CO 1ST MTG	A1	5.550	4/1/98	11,400,000	11,236,068
HALLIBURTON CO DEB	A2	8.750	2/15/2021	8,000,000	8,941,760
HOUSEHOLD FIN CORP NTS	A2	6.450	3/15/2001	25,000,000	24,524,000
IBM CR RECEIVABLES 93-1 CL A	AAA	4.550	11/15/2000	9,423,054	9,402,788
ILLINOIS BELL TEL CO 1ST SER K	AAA	7.625	4/1/2006	17,500,000	17,682,175
ILLINOIS BELL TEL CO DEB	AA1	7.250	3/15/2024	33,700,000	32,109,697
INGERSOLL RAND CO BD	A2	6.480	6/1/2025	15,250,000	14,566,495
INGERSOLL RAND CO DEB	A2	7.200	6/1/2025	10,000,000	9,492,100
KENTUCKY UTILS CO	AA2	7.550	6/1/2025	15,000,000	14,535,900
KENTUCKY UTILS CO 1ST MTG	AA2	5.990	1/15/2006	8,000,000	7,356,880
KFW INTL FIN INC	AAA	8.000	2/15/2010	30,000,000	31,794,600
MCI COMMN CORP SHELF 6	A2	7.125	6/15/2027	20,000,000	20,619,000
MERRILL LYNCH & CO INC NTS	A1	7.375	5/15/2006	10,000,000	9,989,700
MERRILL LYNCH & CO MTN TR00125	A1	7.780	11/18/97	25,050,000	25,585,569
MERRILL LYNCH & CO MTN TR00282	A1	6.750	4/30/2001	40,000,000	39,757,600
MERRILL LYNCH CO MTN #TR 00086	A1	5.750	4/29/99	28,250,000	28,226,270
MERRILL LYNCH CO MTN TR 00269	A1	5.615	4/6/99	25,000,000	25,019,500
MICHIGAN BELL TEL CO DEB	AA1	7.500	2/15/2023	19,000,000	18,453,370
MICHIGAN BELL TEL CO DEB	AA1	7.850	1/15/2022	33,200,000	34,667,772
MOTOROLA INC	AA3	7.500	5/15/2025	48,050,000	48,285,926

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TCRS Portfolio

Domestic Fixed Income Portfolio

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
NORTHERN GAS CO 1ST MTG	AA1	9.000	7/1/2019	9,000,000	9,090,540
NORTHERN STS PWR CO MINN SHF 8	A1	7.125	7/1/2025	5,000,000	4,775,450
NORWEST CORP MTN # TR 00190	AA3	7.750	3/1/2002	20,000,000	20,775,000
NORWEST FINL INC SHELF 47	AA3	6.750	6/1/2005	27,000,000	26,023,680
OHIO BELL TELL CO SR UNSECD	AAA	7.850	12/15/2022	35,000,000	36,086,750
OLYMPIC AUTO REC TR 1995E CLA3	AAA	5.800	1/15/2000	50,500,000	50,234,850
OLYMPIC AUTOMOBILE 95-C CL A-2	AAA	6.200	1/15/2002	15,046,766	15,040,145
PACIFIC BELL DEB	AA3	7.500	2/1/2033	16,000,000	15,206,880
PACIFIC BELL DEB	AA3	7.750	9/15/2032	8,000,000	7,766,880
PENNSYLVANIA PWR & LT CO	A3	9.250	10/1/2019	26,800,000	28,417,380
POTOMAC CAP INV CO MED TERM NT	-	9.800	1/20/98	10,000,000	10,447,300
POTOMAC CAP INVT CORP MTN	-	9.870	7/30/98	10,000,000	10,545,900
POTOMAC CAP INVT CORP MTN	-	9.690	8/11/97	10,000,000	10,333,700
PPG INDUSTRIES NTS	A1	7.375	6/1/2016	15,000,000	14,770,200
PREMIER AUTO TR 1993-3 CL A	AAA	4.900	12/15/98	13,703,276	13,596,116
PREMIER AUTO TR 1993-6 CL A-2	AAA	4.650	11/2/99	3,787,106	3,725,830
PREMIER AUTO TR 1995-1 CL A-4	AAA	7.850	9/4/98	27,150,000	27,585,758
PREMIER AUTO TR 1995-3 CL A-3	AAA	5.950	12/6/98	20,000,000	19,996,800
PREMIER AUTO TR 93-5 CL A-2	AAA	4.220	3/2/99	6,066,704	5,982,984
PREMIER AUTO TR 95-2 CL A-4	AAA	7.050	3/4/98	22,050,000	22,246,686
PREMIER AUTO TR ABS 93-2 CL A3	AAA	4.900	10/15/98	3,860,247	3,833,689
PREMIER AUTO TR NT 96-3 CL A-3	AAA	6.500	3/6/2000	20,000,000	20,019,600
PROCTER & GAMBLE CO DEBS	AA2	6.450	1/15/2026	50,200,000	44,312,544
PROCTER & GAMBLE ESOP DEB SR-A	AA2	9.360	1/1/2021	42,745,000	50,633,590
RURAL ELEC COOP GRANTOR 87 A3	AAA	9.200	9/30/2001	20,000,000	20,199,000
SEARS ROEBUCK MTN # TR 00098	A2	6.540	5/6/99	22,000,000	21,958,200
SOUTH CENTRAL BELL TEL CO DEB	AAA	7.375	8/1/2012	25,500,000	24,390,495
SOUTHERN BELL TEL & TELEG CO	AAA	7.375	7/15/2010	27,500,000	25,486,175
SOUTHERN CALIF EDISON CO 1ST	A2	8.875	6/1/2024	10,000,000	10,256,400
SOUTHERN CALIF EDISON SER 86 K	A2	8.375	12/1/2017	10,000,000	10,259,600
SOUTHERN CALIF GAS CO 1ST MTG	A2	7.500	6/15/2023	10,000,000	9,464,600
SOUTHERN CALIF GAS CO 1ST MTG	A2	6.875	11/1/2025	21,000,000	18,689,160
SOUTHWESTERN BELL TEL CO DEB	A1	6.875	2/1/2011	10,000,000	9,479,700
SOUTHWESTERN BELL TEL CO DEB	A1	7.625	3/1/2023	32,000,000	31,349,440
SOUTHWESTERN BELL TEL CO NT	A1	7.200	10/15/2026	20,000,000	18,838,800
SOUTHWESTERNBELL TEL CO DEB	A1	7.000	7/1/2015	14,500,000	13,933,340
STANDARD CR CARD MST TR 91-4 A	AAA	8.000	10/7/97	10,000,000	10,052,541
STANDARD CR CARD MT 1994-1 CLA	AAA	4.650	3/7/99	20,000,000	19,764,000
STANDARD CR CARD SER 95-2 CL A	AAA	8.625	1/7/2002	25,000,000	25,304,500
STANDARD OIL CO GTD DEB	AA3	9.000	6/1/2019	15,000,000	15,688,050
TECO FIN INC MTN	-	6.450	11/5/97	20,000,000	20,058,600
TRAVELERS GROUP INC SR NT	A1	6.625	9/15/2005	20,000,000	19,081,000
U S WEST COMMUNICATIONS DEB	AA3	8.875	6/1/2031	19,220,000	20,405,682
UNION ELEC CO 1ST MTG	A1	7.375	12/15/2004	10,500,000	10,636,815
UNITED PARCEL SVC AMER INC DEB	AAA	8.375	4/1/2020	20,000,000	22,072,800
US WEST COMMUNICATIONS INC DEB	AA3	7.200	11/10/2026	10,000,000	9,211,900
USAA CAP CORP MTN # TR 00014	-	6.300	2/13/98	25,000,000	25,000,000
USAA CAP CORP MTN # TR 00035	-	5.560	1/23/2001	25,000,000	25,000,000
USAA CAP CORP MTN 144A #00037	AA1	6.600	6/15/98	25,000,000	25,000,000
WASHINGTON GAS LT CO 1ST MTG	AA2	8.750	7/1/2019	15,000,000	15,583,050
WESTVACO CORP DEB	A1	8.300	8/1/2022	5,000,000	5,021,550
WFS FINL GRANTOR TR 95-5 CL A1	AAA	5.875	3/1/2002	25,082,808	24,835,592
WFS FINL OWNER TR 96-B CL A-3	AAA	6.650	8/20/2000	15,000,000	15,058,500
WISCONSIN ELEC PWR 1ST MTG	AA2	7.700	12/15/2027	15,000,000	14,814,750
WISCONSIN ELEC PWR CO 1ST MTG	AA2	8.375	12/1/2026	27,500,000	28,162,475
WISCONSIN GAS CO NT	AA3	6.375	11/1/2005	13,000,000	12,305,800
ZIONS AUTO TR AB NT SER93-1A2	AAA	4.650	6/15/99	1,242,350	1,226,572
SUBTOTAL CORPORATES					\$3,063,497,601

(Continued)

Domestic Fixed Income Portfolio and International Fixed Income Portfolio

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
CONVERTIBLE CORPORATES:					
3COM CORP SR NT CONV 144A	BA3	10.250	11/1/2001	\$3,000,000	\$4,597,500
AIRBORNE FGHT CORP SUB CONV	BA1	6.750	8/15/2001	3,000,000	2,988,750
ALZA CORP SUB DEB CONV	BAA3	5.000	5/1/2006	4,000,000	3,860,000
APPLE COMPUTER INC SUB NT CONV	B3	6.000	6/1/2001	4,000,000	3,925,000
COMCAST CORP SUB NT CONV STEP	B1	3.375	9/9/2005	5,000,000	4,675,000
COOPER INDS INC SUB DEB CONV	A3	7.050	1/1/2015	4,500,000	4,916,250
EQUITABLE COS INC SUB DEB CONV	A3	6.125	12/15/2024	5,000,000	5,712,500
FEDERATED DEPT STORES CONV DEL	BA3	5.000	10/1/2003	3,500,000	4,060,000
FIRST FINL MGMT CORP SR DEB	BAA2	5.000	12/15/99	2,750,000	5,121,875
GENCORP INC SUB DEB CNV	B1	8.000	8/1/2002	3,000,000	3,210,000
GRANCARE INC CONV BD	B2	6.500	1/15/2003	2,500,000	2,387,500
GRAND MET PUB LTD NT CONV 144A	A2	6.500	1/31/2000	4,000,000	4,340,000
MAGNETEK INC SUB NT CONV	B2	8.000	9/15/2001	5,000,000	4,762,500
MARRIOTT INTL INC LIQUID 144A	BAA2	0.000	3/25/2011	8,000,000	4,460,000
MEDICAL CARE INTL INC SUB 144A	BAA1	6.750	10/1/2006	4,000,000	4,120,000
MOTOROLA INC SUB LIQUID YIELD	A1	0.000	9/27/2013	6,000,000	4,717,500
NATIONAL SEMICONDUCT CONV 144A	BA2	6.500	10/1/2002	3,500,000	3,115,000
NOABORS INDS INC SUB NT CONV	BA2	5.000	5/15/2006	3,100,000	3,456,500
PROFFITTS INC SUB DER CONV	B1	4.750	11/1/2003	3,500,000	3,395,000
SCI SYS INC SUB NT CONV 144A	NR	5.000	5/1/2006	4,000,000	4,380,000
SOFTKEY INTEL INC CONV 144 A	NR	5.500	11/1/2000	3,500,000	2,808,750
SOLECTRON CORP SUB NT CV 144A	BA3	6.000	3/1/2006	4,500,000	4,128,750
SPORTS & REC INC SUB NT CONV	B3	4.250	11/1/2000	3,500,000	2,458,750
TENET HEALTHCARE CORP SUB NT	B1	6.000	12/1/2005	2,750,000	2,798,125
THERMO ELECTRON CORP SUB CONV	BA2	4.250	1/1/2003	2,000,000	2,475,000
TRINOVA CORP CNV SUB DEB	BAA3	6.000	10/15/2002	3,000,000	2,820,000
UNISYS CORP CONV SUB NTS	B3	8.250	3/15/2006	1,750,000	2,170,000
UNITED STATES CELLULAR CORP	BA3	0.000	6/15/2015	7,500,000	2,475,000
VLSI TECH SUB NTS	NR	8.250	10/1/2005	4,000,000	3,550,000
WMX TECHNOLOGIES SUB NT CONV	A2	2.000	1/24/2005	4,000,000	3,600,000
XILINX INC SUB NT CONV 144A	B2	5.250	11/1/2002	2,750,000	2,530,000
SUBTOTAL CONVERTIBLE CORPORATES					\$114,015,250
TOTAL CORPORATES					\$3,177,512,851
TOTAL DOMESTIC FIXED INCOME PORTFOLIO					\$8,080,463,990

International Fixed Income Portfolio

GOVERNMENTS:					
CANADA GLOBAL DEB	AA2	6.375	7/21/2005	\$15,000,000	\$14,343,750
CANADA(GOVT OF)	AA2	9.000	12/1/2004	24,500,000	19,542,575
DUTCH (GOVT)	AAA	7.000	2/15/2003	4,600,000	2,856,289
EUROPEAN INVESTMENT BANK	AAA	8.800	4/13/2000	50,000,000	10,817,904
EUROPEAN INVESTMENT BANK	AAA	9.875	2/9/2000	100,000,000	22,257,861
EUROPEAN INVESTMENT BANK	AAA	8.750	8/25/2017	5,000,000	7,800,894
EUROPEAN INVESTMENT BANK BDS	NR	6.750	5/10/2001	1,800,000,000	19,622,606
EUROPEAN INVESTMENT BANK NTS	AAA	6.625	3/15/2000	2,700,000,000	28,681,408
FRANCE (GOVT OF) BDS	AAA	8.500	4/25/2003	19,400,000	4,268,999
FRANCE (GOVT OF) BTAN BDS	AAA	5.750	3/12/98	45,340,000	8,989,999
FRANCE(GOVT OF)	AAA	6.000	10/25/2025	65,800,000	10,686,864
FRANCE(GOVT OF) BDS	AAA	7.000	11/12/99	72,580,000	14,900,469
FRANCE(GOVT OF) BDS	AAA	6.750	10/25/2003	78,864,000	15,761,302
FRANCE(GOVT OF)	AAA	7.000	10/12/2000	7,150,000	1,470,516
FRANCE(GOVT OF) BDS	AAA	8.500	11/25/2002	108,540,000	23,882,281
GERMANY (FEDERAL REPUBLIC) BDS	AAA	7.125	12/20/2002	37,600,000	26,051,596
GERMANY(FEDERAL REP) SER'114'	AAA	6.500	3/15/2000	70,810,000	48,614,500
GERMANY(FEDERAL REPUBLIC)	AAA	7.750	10/1/2004	25,000,000	17,643,771
GERMANY(FEDERAL REPUBLIC)	AAA	7.375	1/3/2005	44,863,000	31,169,408

(Continued)

TCRS Portfolio**International Fixed Income Portfolio**

	Rating	Maturity	Yield to Maturity	Par Value	Market Value
GERMANY(FEDERAL REPUBLIC) BDS	AAA	8.000	7/22/2002	6,700,000	4,849,696
GERMANY(FEDERAL REPUBLIC) BDS	AAA	6.875	5/12/2005	78,695,000	52,972,217
INDONESIA REP PROM NT	-	9.300	7/1/2020	25,000,000	25,000,000
INTER-AMERICAN DEV BANK NTS	NR	6.750	2/20/2001	2,050,000,000	22,291,770
INTER-AMERICAN DEVELOPMENT BK	AAA	7.000	9/13/2000	37,700,000	7,727,025
INTERNATIONAL BANK FOR REC&DEV	AAA	11.500	11/9/2003	15,000,000	27,663,544
INTERNATIONAL BANK OF REC&DEV	NR	4.500	6/20/2000	3,910,000,000	39,100,713
INTERNATIONAL BK FOR REC & DEV	AAA	9.320	10/29/2003	10,000,000	11,288,000
INTL BK FOR RECON & DEV COLTS	AAA	9.570	11/1/2018	10,000,000	12,188,000
INTL BK RECON & DEV WASH D C	AAA	8.875	3/1/2026	12,000,000	14,113,080
INTL BK RECON & DEV WASH DC	AAA	8.625	10/15/2016	58,000,000	65,925,120
MANITOBA PROV CDA DEB	A1	7.750	2/1/2002	30,000,000	31,145,700
MANITOBA PROV CDA DEB	A1	6.125	1/19/2004	15,000,000	14,133,000
MANITOBA PRV CDA	A1	7.750	7/17/2016	15,000,000	15,369,600
NEW SOUTH WALES TREASURY CORP	AA2	12.000	12/1/2001	10,125,000	9,039,245
QUEBEC PROV CDA BD	A2	9.375	1/16/2023	45,000,000	35,396,154
TREUHANDANSTALT	AAA	7.500	9/9/2004	31,000,000	21,737,612
U K TREASURY	AAA	8.000	12/7/2000	42,000,000	67,241,181
U K TREASURY 10% STK	AAA	10.000	9/8/2003	30,000,000	52,532,056
U K TREASURY STK	-	8.000	6/7/2021	11,200,000	17,033,214
VICTORIAN FINANCE AUTHORITY	AA2	12.500	7/15/2000	7,000,000	6,218,714
WESTERN AUSTRALIA TREAS CORP	AA2	8.000	7/15/2003	10,000,000	7,454,337
NON-BASE CURRENCY	-	-	-	33,637,500	307,374
TOTAL GOVERNMENTS					\$890,090,344
CORPORATES:					
ALPINE ELECTRONICSCNV BDS	-	2.800	3/30/2001	\$26,000,000	\$432,403
AMOCO CDA PETE CO GTD DEB	AA1	6.750	9/1/2023	67,900,000	59,584,287
AMOCO CDA PETE CO NT	AA1	6.750	2/15/2005	12,000,000	11,764,800
APACHE CORP CNV SUB DEB	-	6.000	1/15/2002	1,500,000	1,762,500
BRITISH TELECOM FIN INC GTD NT	AAA	9.375	2/15/99	15,000,000	15,987,600
BTM CAYMAN FINANCE	-	-	-	230,000,000	3,157,811
CAR MATE MFG CO CNV BDS	-	1.400	9/28/2001	40,000,000	389,272
COMMERCE ASSET-HLDGS BERHAD	-	1.750	9/26/2004	435,000	522,000
CREDIT SAISON CO CNV BDS NO.2	-	0.600	3/31/2005	50,000,000	503,495
DAIDO HOXAN INC	-	1.600	3/29/2002	25,000,000	256,317
DIAWA INTERN FINANCE	-	1.750	3/31/98	80,000,000	767,579
FORD CAP B V GTD NT	A1	9.875	5/15/2002	30,000,000	33,915,900
FUJI CO CNV BDS	-	0.900	8/31/2001	50,000,000	455,522
HYDRO QUEBEC MTN	-	9.640	12/29/97	12,000,000	12,545,640
IMPERIAL OIL LTD DEB	AA2	8.750	10/15/2019	23,500,000	25,329,710
INTERNATIONAL LEASE FIN CORP	A2	5.500	1/15/99	25,000,000	24,383,000
IZUMIYA CO	-	0.800	8/31/99	50,000,000	703,614
JAPAN DEVELOPMENT BANK BDS	AAA	5.000	10/1/99	1,600,000,000	15,994,882
JAPAN DEVELOPMENT BK BD	AAA	6.500	9/20/2001	2,600,000,000	28,480,375
MATSUSHITA ELEC WKS CNV BDS	-	2.700	5/31/2002	25,000,000	292,411
NEC CORP CNV BDS NO'9	-	1.900	3/30/2001	40,000,000	444,830
QUEENSLAND TREASURY CORP BDS	NR	8.000	5/14/2003	22,000,000	16,476,131
RHOM CO CNV BDS	-	1.100	3/31/2003	5,000,000	108,101
ROCHE HLDGS INC LIQ YD 144A	NR	0.000	4/20/2010	12,000,000	5,070,000
RYOBI CNV BDS	-	2.800	3/28/2002	20,000,000	214,191
SEKISUI HOUSE CNV BDS	-	2.500	1/31/2002	40,000,000	494,540
TELEKOM MALAYSIA BHD CNV BDS	-	4.000	10/3/2004	440,000	462,550
TOYOTA MOTOR CO CNV BDS	-	1.200	1/28/98	267,000,000	3,505,999
YAMANOUCI PHARMACEUTICAL CO	-	1.250	3/31/2014	30,000,000	328,962
YAMATO TRANSPORT CO CNV BDS	-	3.900	3/30/2001	17,000,000	211,267
TOTAL CORPORATES					\$264,545,689
TOTAL INTERNATIONAL FIXED INCOME PORTFOLIO					\$1,154,636,033
GRAND TOTAL FIXED INCOME PORTFOLIO					\$1,154,636,033

TCRS Portfolio
Domestic Stock Portfolio

	Shares	Book Value	Market Value
360 COMMUNICATIONS CO	74,033	\$1,295,589	\$1,776,792
3COM CORP	156,000	7,868,015	7,137,000
ABBOTT LABS	380,000	13,982,446	16,530,000
ABBOTT LABS	285,000	10,083,349	12,397,500
ADAPTEC INC	100,000	4,225,278	4,737,500
ADC TELECOMMUNICATIONS INC	100,000	4,356,875	4,500,000
ADT LTD NEW	125,000	2,385,575	2,375,000
ADTRAN INC	25,000	1,605,000	1,771,875
AES CORP	100,000	2,455,656	2,825,000
AFLAC INC COM	103,500	2,522,300	3,092,063
AGCO CORP	60,000	1,348,775	1,665,000
AHMANSON HF & CO CNV PFD	55,000	2,818,950	3,265,625
AIR PRODS & CHEMS INC	55,000	2,998,125	3,169,375
AIR PRODS & CHEMS INC	25,000	1,348,037	1,440,625
AIRTOUCH COMMUNICATIONS INC	233,000	4,901,853	6,582,250
AIRTOUCH COMMUNICATIONS INC	247,000	5,517,508	6,977,750
ALBERTSONS INC	160,000	5,086,151	6,620,000
ALCO STD CORP	68,000	2,009,913	3,077,000
ALEXANDER & BALDWIN INC	150,000	4,185,386	3,618,750
ALLEGHENY PWR SYS INC	81,000	2,426,348	2,500,875
ALLERGAN INC	50,000	1,970,887	1,975,000
ALLIEDSIGNAL INC	155,000	6,005,242	8,854,375
ALLIEDSIGNAL INC	260,000	8,775,531	14,852,500
ALLSTATE CORP	250,000	7,508,372	11,406,250
ALLSTATE CORP	349,000	9,770,844	15,923,125
ALLTEL CORP	110,000	3,144,552	3,382,500
ALUMINUM CO AMER	346,000	15,027,957	19,851,750
ALUMINUM CO AMER	85,000	3,096,092	4,876,875
ALZA CORP COM	100,000	2,819,131	2,737,500
AMERADA HESS CORP	47,000	2,164,240	2,520,375
AMERICAN ELEC PWR INC	100,000	3,635,912	4,262,500
AMERICAN ELEC PWR INC	38,000	1,537,100	1,619,750
AMERICAN EXPRESS CO	260,000	9,385,694	11,602,500
AMERICAN EXPRESS CO	178,000	6,175,696	7,943,250
AMERICAN EXPRESS CO	60,000	2,205,000	3,937,500
AMERICAN FED BK FSB GREENVILLE	50,000	437,500	837,500
AMERICAN GEN CORP	100,000	3,685,940	3,637,500
AMERICAN GEN CORP	52,000	1,862,900	1,891,500
AMERICAN HOME PRODS CORP	300,000	14,374,421	18,037,500
AMERICAN HOME PRODS CORP	350,000	17,899,825	21,043,750
AMERICAN INTL GROUP INC	220,000	19,661,444	21,697,500
AMERICAN INTL GROUP INC	234,000	16,016,756	23,078,250
AMERICAN MGMT SYS INC	225,000	2,725,404	6,581,250
AMERICAN STORES CO NEW	86,000	2,956,925	3,504,500
AMERITECH CORP NEW	225,000	7,611,634	13,359,375
AMERITECH CORP NEW	259,000	10,364,607	15,378,125
AMGEN INC	175,000	4,299,808	9,450,000
AMGEN INC	140,000	3,858,873	7,560,000
AMOCO CORP	243,000	11,381,133	17,526,375
AMOCO CORP	303,000	18,540,879	21,853,875
AMR CORP DEL	71,000	5,277,238	6,461,000
AMR CORP DEL	40,000	3,249,675	3,640,000
AMRESCO INC	40,000	748,124	685,000
ANDREW CORP	51,000	1,703,366	2,741,250
ANHEUSER BUSCH COS INC	175,000	8,955,179	13,125,000
AON CORP	103,000	5,381,338	5,227,250
APACHE CORP	50,000	1,655,250	1,643,750
APPLIED MATLS INC	163,000	5,050,351	4,971,500

(Continued)

TCRS Portfolio

Domestic Stock Portfolio

	Shares	Book Value	Market Value
ARCHER DANIELS MIDLAND CO	251,000	4,925,724	4,800,375
ARCHER DANIELS MIDLAND CO	64,000	1,229,696	1,224,000
ASHLAND INC	31,000	1,053,060	1,228,375
ASHLAND INC PFD CONV	65,000	3,959,306	4,151,875
ASPECT TELECOMMUNICATIONS CORP	50,000	1,898,126	2,475,000
ASSOCIATES FIRST CAP CORP CL A	100,000	2,900,000	3,825,000
ASSOCIATES FIRST CAP CORP CL A	100,000	2,900,000	3,825,000
AT & T CORP	623,000	31,859,932	38,626,000
AT & T CORP	725,000	41,292,606	44,950,000
ATLANTIC RICHFIELD CO	84,000	8,070,381	9,933,000
ATLANTIC RICHFIELD CO	79,000	8,480,353	9,341,750
ATLANTIC RICHFIELD CO NTS	150,000	3,724,500	3,656,250
ATLANTIC SOUTHEAST AIRLS INC	50,000	1,091,051	1,412,500
AUTODESK INC	25,000	1,037,050	746,875
AVERY DENNISON CORP	30,000	1,134,135	1,646,250
AVIATION SALES CO	50,000	981,000	1,025,000
AVON PRODS INC	72,000	2,605,674	3,249,000
BAKER HUGHES INC	71,000	1,412,019	2,334,125
BALLY ENTERTAINMENT CORP	150,000	1,668,750	3,918,750
BALTIMORE GAS & ELEC CO	30,000	831,000	851,250
BANC ONE CORP	52,000	1,599,779	1,768,000
BANK OF BOSTON CORP COM	113,000	4,434,170	5,593,500
BANKAMERICA CORP	240,000	13,103,927	18,180,000
BANKAMERICA CORP	276,000	14,202,291	20,907,000
BANKERS TR N Y CORP	40,000	2,778,225	2,955,000
BANKERS TR N Y CORP	10,000	738,250	738,750
BARNETT BKS INC	54,000	3,150,206	3,294,000
BAXTER INTL INC	145,000	5,145,645	6,851,250
BECKMAN INSTRS INC NEW	50,000	2,043,237	1,887,500
BECTON DICKINSON & CO	46,000	2,879,328	3,691,500
BED BATH & BEYOND INC	100,000	2,121,574	2,675,000
BELL ATLANTIC CORP	277,000	14,884,845	17,658,750
BELL ATLANTIC CORP	208,000	11,067,025	13,260,000
BELLSOUTH CORP	480,000	14,240,996	20,160,000
BELLSOUTH CORP	488,000	14,591,202	20,496,000
BELO A H CORP SER A	100,000	2,958,841	3,725,000
BEMIS INC	35,000	1,077,791	1,225,000
BERKSHIRE HATHAWAY INC DEL CLA	160	2,202,044	4,912,000
BETZDEARBORN INC. COM	50,000	2,329,650	2,193,750
BLACK & DECKER CORP	43,000	1,025,216	1,660,875
BLACK & DECKER CORP	153,000	5,314,638	5,909,625
BMC SOFTWARE INC	100,000	3,055,000	5,975,000
BOEING CO	200,000	8,015,709	17,425,000
BOEING CO	89,000	3,973,614	7,754,125
BOISE CASCADE CORP	30,000	1,186,079	1,098,750
BORG WARNER AUTOMOTIVE INC COM	50,000	2,036,852	1,975,000
BOSTON SCIENTIFIC CORP	173,000	7,018,398	7,785,000
BRISTOL MYERS SQUIBB	289,000	16,536,716	26,010,000
BRISTOL MYERS SQUIBB	291,000	18,480,862	26,190,000
BROOKLYN UN GAS CO	160,000	4,161,817	4,360,000
BROWNING FERRIS INDS INC	100,000	3,280,641	2,900,000
BROWNING FERRIS INDS INC	91,000	3,069,323	2,639,000
BROWNING-FERRIS 7.25% CONV PFD	100,000	3,519,120	3,175,000
BURLINGTON NORTH SANTA FE CORP	64,000	4,493,915	5,176,000
BURLINGTON RES INC	63,000	2,586,336	2,709,000
CABLEVISION SYS CORP DEP SHS	125,000	3,201,330	3,250,000
CAMPBELL SOUP CO	120,000	7,144,852	8,460,000
CAMPBELL SOUP CO	162,000	8,123,059	11,421,000

(Continued)

TCRS Portfolio
Domestic Stock Portfolio

	Shares	Book Value	Market Value
CAPITAL ONE FINL CORP	70,000	1,987,790	1,995,000
CARBIDE GRAPHITE CORP GROUP	60,000	935,000	1,125,000
CARNIVAL CORP CL A	70,000	1,665,875	2,021,250
CAROLINA PWR & LT CO	70,000	2,419,258	2,660,000
CAROLINA PWR & LT CO	32,000	943,366	1,216,000
CASA OLE RESTAURANTS INC	50,000	597,813	684,400
CASCADE COMMUNICATIONS CORP	60,000	1,975,769	4,080,000
CASE CORP	127,000	4,482,338	6,096,000
CASE CORP PFD CONV SER A	22,500	1,381,406	2,660,625
CATERPILLAR INC	100,000	6,918,574	6,775,000
CATERPILLAR INC	122,000	6,575,460	8,265,500
CAVALIER HOMES INC	120,000	2,346,188	2,775,000
CENTRAL & SOUTH WEST CORP	100,000	2,523,929	2,887,500
CENTRAL PKG CORP	165,000	2,241,938	4,888,125
CERIDIAN CORP	60,000	2,919,900	3,030,000
CHAMPION INTL CORP	114,000	4,949,032	4,759,500
CHASE MANHATTAN CORP NEW COM	120,600	6,890,593	8,517,375
CHASE MANHATTAN CORP NEW COM	331,840	15,188,309	23,436,200
CHEVRON CORP	330,000	14,579,805	19,470,000
CHEVRON CORP	259,000	11,181,728	15,281,000
CHRYSLER CORP	190,000	10,152,922	11,875,000
CHRYSLER CORP	173,000	11,776,975	10,812,500
CHRYSLER CORP DEP SHS REPSTG	25,000	1,775,345	4,375,000
CIGNA CORP	101,000	9,818,001	11,905,375
CINCINNATI BELL INC	100,000	3,315,125	5,212,500
CINCINNATI FINL CORP	36,750	2,313,220	2,108,531
CINERGY CORP	32,000	966,400	1,024,000
CIRCUIT CITY STORES INC	70,000	2,219,851	2,528,750
CIRCUS CIRCUS ENTERPRISES INC	100,000	3,516,553	4,100,000
CISCO SYS INC	300,000	7,907,035	16,987,500
CISCO SYS INC	349,000	7,960,975	19,762,125
CITICORP	228,000	9,307,755	18,867,000
CITICORP	276,000	12,779,665	22,839,000
CLEAR CHANNEL COMMUNICATIONS	65,000	4,131,320	5,354,375
CLOROX CO	20,000	1,710,064	1,772,500
CMS ENERGY CORP	150,000	3,401,657	4,631,250
COACH USA INC	50,000	745,000	1,112,500
COASTAL CORP	75,000	2,498,323	3,131,250
COASTAL CORP	50,000	1,664,795	2,087,500
COCA COLA CO	1,290,000	32,459,647	63,210,000
COCA COLA CO	1,690,000	47,326,428	82,810,000
COHERENT COMMUNICATIONS SYS	100,000	2,654,377	2,125,000
COLGATE PALMOLIVE CO	100,000	7,884,481	8,475,000
COLUMBIA GAS SYS INC	40,000	1,610,695	2,075,000
COLUMBIA GAS SYS INC	68,000	2,504,049	3,527,500
COLUMBIA/HCA HEALTHCARE CORP	215,000	9,450,488	11,529,375
COLUMBIA/HCA HEALTHCARE CORP	258,000	9,593,378	13,835,250
COMCAST CORP CL A SPL	100,000	1,545,630	1,850,000
COMERICA INC	55,000	2,366,425	2,454,375
COMPAQ COMPUTER CORP	20,000	750,922	982,500
COMPUSA INC	50,000	910,424	1,706,250
COMPUTER ASSOC INTL INC	125,000	7,128,433	8,875,000
COMPUTER ASSOC INTL INC	138,000	6,901,600	9,798,000
COMPUTER SCIENCES CORP	25,000	821,804	1,871,875
COMPUWARE CORP	100,000	3,901,250	3,950,000
COMSAT CORP SER 1	100,000	2,510,250	2,600,000
CONAGRA INC	115,000	3,796,523	5,218,125
CONAGRA INC	160,000	5,038,842	7,260,000

(Continued)

TCRS Portfolio**Domestic Stock Portfolio**

	Shares	Book Value	Market Value
CONRAIL INC	43,000	2,453,297	2,854,125
CONSECO INC 7% CONV PFD	40,000	2,445,000	3,100,000
CONSOLIDATED EDISON CO NY INC	115,000	3,978,897	3,363,750
CONSOLIDATED NAT GAS CO	75,000	3,248,375	3,918,750
CONSOLIDATED STORES CORP	100,000	2,525,963	3,675,000
COOPER INDS INC	100,000	4,383,424	4,150,000
COOPER INDS INC	200,000	2,700,000	3,350,000
CORNING INC	118,000	3,652,805	4,528,250
CORRECTIONS CORP AMER	75,000	5,625,000	5,250,000
CPC INTL INC	54,000	3,236,323	3,888,000
CPC INTL INC	100,000	5,180,887	7,200,000
CRACKER BARREL OLD CTRY STORE	100,000	2,575,000	2,425,000
CRANE CO	37,000	1,357,399	1,517,000
CROMPTON & KNOWLES CORP	220,000	3,555,849	3,685,000
CSG SYS INTL INC	10,000	150,000	260,000
CSX CORP	250,000	10,217,829	12,062,500
CUC INTL INC	184,000	6,189,774	6,532,000
CYPRUS AMAX MINERALS CO	48,000	1,353,159	1,098,000
CYPRUS AMAX MINERALS CO PFD	100,000	6,010,624	5,450,000
DANA CORP	47,000	1,460,982	1,457,000
DANA CORP	38,000	1,181,219	1,178,000
DAYTON HUDSON CORP	35,000	2,628,872	3,609,375
DAYTON HUDSON CORP	13,000	1,224,153	1,340,625
DEAN WITTER DISCOVER & CO	80,000	3,976,027	4,570,000
DEAN WITTER DISCOVER & CO	62,000	2,570,882	3,541,750
DECISIN ONE HOLDINGS CORP	50,000	942,500	1,187,500
DEERE & CO	239,000	6,656,700	9,560,000
DEERE & CO	120,000	3,008,354	4,800,000
DELL COMPUTER CORP	60,000	1,820,820	3,052,500
DELTA AIR LINES INC DEL	40,000	3,318,743	3,320,000
DELTA AIR LINES INC DEL	37,000	2,959,012	3,071,000
DENTSPLY INTL INC NEW COM	100,000	4,345,000	4,250,000
DIAL CORP ARIZ	45,000	1,422,024	1,288,125
DIAMOND OFFSHORE DRILLING	100,000	3,043,564	5,700,000
DIEBOLD INC	50,000	1,935,500	2,412,500
DILLARD DEPT STORES INC CL A	55,000	1,713,227	2,007,500
DISNEY WALT	316,000	16,883,236	19,868,500
DISNEY WALT	177,000	10,355,217	11,128,875
DOLE FOOD INC	100,000	2,840,233	4,300,000
DOMINION RES INC VA	97,000	3,856,014	3,880,000
DONNA KARAN INTL INC	35,000	898,000	980,000
DONNELLEY R R & SONS CO	93,000	3,231,434	3,243,375
DOVER CORP	130,000	5,050,762	5,980,000
DOW CHEM CO	227,000	15,730,685	17,252,000
DOW CHEM CO	135,000	8,828,652	10,260,000
DQE INC	16,000	435,200	440,000
DRESSER INDS INC	51,000	1,524,052	1,504,500
DRESSER INDS INC	92,000	2,035,600	2,714,000
DTE ENERGY CO	134,000	4,776,564	4,137,250
DU PONT E I DE NEMOURS & CO	401,000	25,260,820	31,729,125
DU PONT E I DE NEMOURS & CO	300,000	21,216,925	23,737,500
DUKE PWR CO	110,000	4,547,631	5,637,500
DUKE PWR CO	120,000	5,659,322	6,150,000
DUN & BRADSTREET CORP	102,000	6,237,239	6,375,000
EASTMAN CHEM CO	78,000	4,712,715	4,748,250
EASTMAN KODAK CO	240,000	14,393,015	18,660,000
EASTMAN KODAK CO	228,000	14,635,781	17,727,000
EATON CORP	36,000	1,724,596	2,110,500

(Continued)

TCRS Portfolio
Domestic Stock Portfolio

	Shares	Book Value	Market Value
ECKERD CORP DEL	70,000	961,285	1,583,750
EDISON INTL	272,000	4,418,500	4,794,000
ELECTRONIC DATA SYS CORP NEW	75,000	2,747,089	4,031,250
ELECTRONIC DATA SYS CORP NEW	27,000	1,119,365	1,451,250
ELECTRONICS FOR IMAGING INC	50,000	2,512,500	3,468,750
EMERSON ELEC CO	130,000	5,265,571	11,748,750
EMERSON ELEC CO	76,000	3,190,691	6,868,500
ENGELHARD CORP	50,000	1,270,575	1,150,000
ENRON CORP	122,000	4,306,623	4,986,750
ENRON CORP	99,000	3,473,391	4,046,625
ENRON CORP CONV PFD 6.250%	85,000	1,891,500	2,199,375
ENSCO INTERNATIONAL INC	75,000	2,367,950	2,437,500
EQK RLTY INVS	1,250,000	5,781,250	1,875,000
EQUIFAX INC	150,000	2,023,745	3,937,500
EXXON CORP	630,000	42,176,544	54,731,250
EXXON CORP	606,000	41,333,140	52,646,250
FACTSET RESH SYS INC	50,000	881,000	1,000,000
FEDERAL EXPRESS CORP	28,000	2,107,317	2,296,000
FEDERAL HOME LN MTG CORP	85,000	5,828,125	7,267,500
FEDERAL HOME LN MTG CORP	66,000	3,326,697	5,643,000
FEDERAL NATL MTG ASSN	600,000	14,564,363	20,100,000
FEDERAL NATL MTG ASSN	406,000	10,893,093	13,601,000
FEDERATED DEPT STORES INC DEL	120,000	2,730,427	4,095,000
FHP INTL CORP	75,000	2,425,347	2,053,125
FHP INTL CORP PFD CONV SER A	140,000	3,299,326	3,570,000
FIFTH THIRD BANCORP	37,000	2,017,573	1,998,000
FIRST BK SYS INC	71,000	4,089,245	4,118,000
FIRST CHICAGO NBD CORP	248,000	9,555,588	9,703,000
FIRST CHICAGO NBD CORP DEP SH	70,000	3,596,950	4,663,750
FIRST DATA CORP	105,000	8,353,734	8,373,750
FIRST DATA CORP	114,000	7,550,009	9,091,500
FIRST UN CORP	154,000	9,944,850	9,374,750
FIRST UN CORP	186,000	10,366,221	11,322,750
FIRST USA INC	75,000	4,472,125	4,125,000
FIRSTAR CORP	60,000	2,671,026	2,767,500
FLEET FINL GROUP INC NEW	100,000	4,495,000	4,350,000
FLEET FINL GROUP INC NEW	32,000	1,438,400	1,392,000
FLOWERS INDS INC	270,000	3,851,219	4,353,750
FLUOR CORP	40,000	2,107,028	2,615,000
FLUOR CORP	123,000	6,678,223	8,041,125
FORD MTR CO DEL	550,000	15,955,283	17,806,250
FORD MTR CO DEL	609,000	15,983,894	19,716,375
FORD MTR CO DEL DEPOSITARY SHS	45,000	3,445,819	4,781,250
FORE SYS INC	100,000	3,451,875	3,612,500
FOSTER WHEELER CORP	34,000	1,001,976	1,521,500
FOSTER WHEELER CORP	40,000	1,810,975	1,790,000
FPL GROUP INC	197,000	7,054,619	9,062,000
FPL GROUP INC	348,000	12,292,550	16,008,000
FREEMPORT MCMORAN COPPER B	120,750	2,439,460	3,848,906
FREEMPORT MCMORAN COPPER B	122,000	4,299,036	3,888,750
FREEMPORT-MCMORAN COPPER & GOLD	110,000	2,716,814	2,997,500
FRIEDMANS INC CL A	150,000	3,115,134	3,825,000
GANNETT INC	109,000	5,831,292	7,711,750
GANNETT INC	105,000	5,583,604	7,428,750
GAP INC	277,000	9,139,989	8,898,625
GAP INC	200,000	4,117,768	6,425,000
GATEWAY 2000 INC	125,000	4,443,125	4,250,000
GATEWAY 2000 INC	100,000	3,284,428	3,400,000

(Continued)

TCRS Portfolio

Domestic Stock Portfolio

	Shares	Book Value	Market Value
GENERAL DYNAMICS CORP	29,000	1,802,637	1,798,000
GENERAL DYNAMICS CORP	35,000	2,236,427	2,170,000
GENERAL ELEC CO	802,000	34,667,122	69,573,500
GENERAL ELEC CO	850,000	54,618,528	73,737,500
GENERAL INSTR CORP NEW	50,000	1,610,475	1,443,750
GENERAL MLS INC	36,000	1,870,794	1,966,500
GENERAL MTRS CORP	385,000	18,594,892	20,164,375
GENERAL MTRS CORP	510,000	23,583,138	26,711,250
GENERAL MTRS CORP CL H	190,000	7,533,079	11,423,750
GENERAL NUTRITION COS INC	98,000	1,880,228	1,715,000
GENERAL PUB UTILS CORP	75,000	2,033,750	2,643,750
GENERAL PUB UTILS CORP	75,000	2,033,750	2,643,750
GENERAL RE CORP	35,000	5,301,183	5,328,750
GENERAL RE CORP	58,000	8,598,338	8,830,500
GENZYME CORP	23,000	1,264,000	1,155,750
GEORGIA PAC CORP	33,000	2,463,675	2,343,000
GEORGIA PAC CORP	40,000	2,978,362	2,840,000
GIANT FOOD INC CL A	100,000	3,410,851	3,587,500
GILLETTE CO	439,000	15,843,998	27,382,625
GILLETTE CO	250,000	5,694,180	15,593,750
GOLDEN WEST FINL CORP DEL	35,000	1,526,916	1,960,000
GOODRICH B F CO	40,000	1,084,926	1,495,000
GOODRICH B F CO	67,000	2,610,738	2,504,125
GOODYEAR TIRE & RUBR CO	85,000	3,905,628	4,080,000
GOODYEAR TIRE & RUBR CO	87,000	3,426,093	4,176,000
GREAT ATLANTIC & PAC TEA INC	21,000	757,525	690,375
GREAT FINL CORP	190,000	2,761,460	4,916,250
GREEN TREE FINANCIAL CORP	140,000	3,115,233	4,375,000
GTE CORP	525,000	17,080,739	23,493,750
GTE CORP	444,000	15,357,735	19,869,000
HALLIBURTON CO	58,000	1,849,056	3,219,000
HALLIBURTON CO	136,000	4,587,813	7,548,000
HARCOURT GEN INC	52,000	2,237,938	2,600,000
HASBRO INC	45,000	1,590,600	1,608,750
HEALTH MGMT ASSOC INC NEW CL A	285,000	2,137,397	5,806,875
HEALTH MGMT ASSOC INC NEW CL A	63,000	1,462,763	1,283,625
HEALTH MGMT ASSOC INC NEW CL A	150,000	2,562,650	3,056,250
HEALTHCARE COMPARE CORP	20,000	940,000	975,000
HEALTHCARE COMPARE CORP	125,000	6,226,661	6,093,750
HEALTHSOUTH CORP	25,000	930,000	900,000
HEALTHSOUTH CORP	150,000	2,432,948	5,400,000
HEINZ H J CO	175,000	4,391,424	5,381,250
HERCULES INC	78,000	2,960,029	4,319,250
HEWLETT PACKARD CO	332,000	17,942,770	33,075,500
HEWLETT PACKARD CO	209,000	16,912,580	20,821,625
HFS INC	35,000	2,170,000	2,450,000
HIBERNIA CORP	175,000	1,858,249	1,881,250
HILTON HOTELS CORP	42,000	4,365,900	4,730,250
HOME DEPOT INC	293,000	12,706,292	15,822,000
HOME DEPOT INC	250,000	11,283,298	13,500,000
HOMESTAKE MNG CO	60,000	1,235,373	1,027,500
HONEYWELL INC	64,000	2,881,581	3,488,000
HONEYWELL INC	65,000	3,578,906	3,542,500
HORMEL FOODS CORPORATION	100,000	2,604,640	2,675,000
HOUSEHOLD INTL INC	25,000	1,260,901	1,900,000
HOUSTON INDS INC	104,000	2,324,236	2,561,000
I B P INC	110,000	1,465,354	3,038,750
IDAHO PWR CO	100,000	3,019,237	3,112,500

(Continued)

TCRS Portfolio
Domestic Stock Portfolio

	Shares	Book Value	Market Value
ILLINOIS TOOL WKS INC	135,000	7,294,802	9,129,375
ILLINOVA CORP	100,000	2,045,514	2,875,000
ILLINOVA CORP	98,000	2,044,518	2,817,500
IMC GLOBAL INC	50,000	1,222,980	1,881,250
INFINITY BROADCASTING CORP CL	100,000	1,441,948	3,000,000
INGERSOLL RAND CO	104,000	4,152,954	4,550,000
INGERSOLL RAND CO	75,000	2,926,015	3,281,250
INTEL CORP	482,000	29,419,730	35,397,116
INTEL CORP	400,000	26,954,116	29,375,200
INTERNATIONAL PAPER CAP TR PFD	15,000	693,750	667,500
INTERNATIONAL PAPER CO	126,000	4,649,772	4,646,250
INTERNATIONAL PAPER CO	140,000	5,392,294	5,162,500
INTERPUBLIC GROUP COS INC	150,000	6,300,872	7,031,250
INTERSTATE BAKERIES CORP DEL	200,000	3,325,625	5,350,000
INTL BUSINESS MACHS CORP	267,000	15,746,283	26,433,000
INTL BUSINESS MACHS CORP	263,000	16,707,601	26,037,000
INTL FLAVORS & FRAGRANCES INC	50,000	2,166,881	2,381,250
INTL FLAVORS & FRAGRANCES INC	28,000	1,377,600	1,333,500
INTL PAPER 5.25% SER 144A PFD	75,000	3,750,000	3,300,000
IRON MOUNTAIN INC DEL	100,000	1,602,500	2,100,000
ITT CORP NEW	85,000	3,230,088	5,631,250
ITT HARTFORD GROUP INC	86,000	3,298,426	4,579,500
ITT INDUSTRIES INC	90,000	1,726,838	2,261,250
JEFFERSON PILOT CORP CONV PFD	45,000	3,268,575	3,667,500
JOHNSON & JOHNSON	690,000	22,550,214	34,155,000
JOHNSON & JOHNSON	860,000	24,762,356	42,570,000
JOHNSON CTLS INC	50,000	2,604,844	3,475,000
JOHNSON CTLS INC	20,000	1,249,120	1,390,000
JP FOODSERVICE INC	180,000	2,131,250	4,500,000
KELLOGG CO	30,000	2,173,500	2,197,500
KELLOGG CO	110,000	7,946,021	8,057,500
KENNAMETAL INC	110,000	3,020,637	3,740,000
KERR MCGEE CORP	25,000	1,402,599	1,521,875
KEYCORP NEW	115,000	4,172,730	4,456,250
KEYCORP NEW	29,000	1,158,550	1,123,750
KIMBERLY CLARK CORP	150,000	7,276,626	11,587,500
KIMBERLY CLARK CORP	139,000	9,763,198	10,737,750
KMART FING I TR CONV PFD SECS	40,000	2,021,640	2,170,000
KROGER CO	60,000	1,415,710	2,370,000
KU ENERGY CORP	160,000	4,302,185	4,780,000
KU ENERGY CORP	100,000	3,041,475	2,987,500
LCI INTERNATIONAL INC	200,000	2,823,179	6,275,000
LENNAR CORP	55,000	1,423,975	1,375,000
LIFE BANCORP INC	210,000	2,815,030	2,966,250
LILLY ELI & CO	270,000	10,214,079	17,550,000
LILLY ELI & CO	267,000	13,079,581	17,355,000
LINCARE HOLDINGS INC	100,000	3,809,902	3,925,000
LINCOLN NATL CORP IND	50,000	2,081,170	2,312,500
LINCOLN NATL CORP IND	38,000	2,132,974	1,757,500
LIZ CLAIBORNE INC	50,000	1,505,850	1,731,250
LOCKHEED MARTIN CORP	97,000	5,016,533	8,148,000
LOCKHEED MARTIN CORP	95,000	7,723,046	7,980,000
LOEWS CORP	205,000	14,676,263	16,169,375
LOEWS CORP	55,000	4,237,874	4,338,125
LUCENT TECHNOLOGIES INC	76,000	2,052,000	2,878,500
LYONDELL PETROCHEMICAL CO	50,000	1,392,625	1,206,250
MANOR CARE INC	125,000	3,593,566	4,921,875
MARRIOTT INTL INC	65,000	3,007,326	3,493,750

(Continued)

TCRS Portfolio

Domestic Stock Portfolio

	Shares	Book Value	Market Value
MARRIOTT INTL INC	111,000	4,501,501	5,966,250
MARSH & MCLENNAN COS INC	40,000	3,917,552	3,860,000
MATTEL INC	105,000	2,474,395	3,005,625
MATTEL INC	241,000	5,073,533	6,898,625
MAVERICK TUBE CORP	100,000	1,175,625	1,175,000
MAY DEPT STORES CO	120,000	4,705,086	5,250,000
MAY DEPT STORES CO	92,000	3,447,995	4,025,000
MAYTAG CORP	50,000	682,497	1,056,250
MAYTAG CORP	157,000	3,519,966	3,316,625
MBIA INC	50,000	4,003,063	3,893,750
MBNA CORP	105,000	2,348,571	2,992,500
MBNA CORP	57,000	1,778,400	1,624,500
MCCORMICK & CO NON VOTING	100,000	2,270,013	2,212,500
MCDONALDS CORP	329,000	7,970,659	15,380,750
MCDONALDS CORP	300,000	8,778,277	14,025,000
MCDONNELL DOUGLAS CORP	270,000	11,918,255	13,162,500
MCGRAW HILL COS INC	132,000	5,588,083	6,039,000
MCI COMMUNICATIONS CORP	305,000	6,900,937	7,815,625
MCI COMMUNICATIONS CORP	553,000	12,667,813	14,170,625
MCN CORP	30,000	564,738	731,250
MCN CORP PFD INCREASED DIVD EQ	80,000	1,840,000	2,040,000
MEAD CORP	89,000	5,142,884	4,616,875
MEDAPHIS CORP	100,000	3,882,436	3,975,000
MEDTRONIC INC	222,000	8,615,404	12,432,000
MEDTRONIC INC	109,000	3,118,981	6,104,000
MERCANTILE STORES INC	45,000	2,004,010	2,638,125
MERCANTILE STORES INC	30,000	1,336,007	1,758,750
MERCK & CO INC	570,000	30,557,035	36,836,250
MERCK & CO INC	575,000	24,230,109	37,159,375
MERCURY INTERACTIVE CORP	100,000	1,886,875	1,375,000
MEREDITH CORP	57,000	2,758,800	2,379,750
MERIDIAN SPORTS INC	250,000	2,651,942	750,000
MERRILL LYNCH & CO INC	95,000	5,703,225	6,186,875
MERRILL LYNCH & CO INC	124,000	6,493,441	8,075,500
MERRILL LYNCH COX STRYPES DUE	125,000	2,859,375	2,765,625
MFS COMMUNICATIONS INC PFD	100,000	3,137,666	6,350,000
MICRON TECHNOLOGY INC	100,000	1,678,150	2,587,500
MICROSOFT CORP	330,000	25,556,053	39,641,250
MICROSOFT CORP	350,000	33,569,970	42,043,750
MICROWARE SYS CORP	50,000	525,000	900,000
MILLER INDS INC TENN	215,000	2,215,257	6,154,375
MINNESOTA MNG & MFG CO	205,000	12,240,412	14,145,000
MINNESOTA MNG & MFG CO	103,000	5,991,793	7,107,000
MIRAGE RESORTS INC	60,000	1,419,839	3,210,000
MOBIL CORP	184,000	9,363,892	20,677,000
MOBIL CORP	240,000	19,342,390	26,970,000
MOBILE TELECOMMUNICATION TELG	155,000	7,750,000	3,758,750
MOLTEN METAL TECHNOLOGY INC	115,000	2,345,988	3,392,500
MONSANTO CO	395,000	7,136,028	12,837,500
MONSANTO CO	225,000	3,290,758	7,312,500
MORGAN J P & CO INC	125,000	8,860,067	10,578,125
MORGAN J P & CO INC	113,000	8,770,441	9,562,625
MORGAN STANLEY GROUP INC	81,000	3,563,127	3,979,125
MORGAN STANLEY GROUP INC	88,600	3,056,205	4,352,475
MORTON INTL INC IND	80,000	2,299,250	2,980,000
MOTOROLA INC	200,000	12,901,850	12,550,000
MOTOROLA INC	333,000	20,124,396	20,895,750
NABORS INDS INC	75,000	1,026,750	1,218,750

(Continued)

TCRS Portfolio
Domestic Stock Portfolio

	Shares	Book Value	Market Value
NATIONSBANK CORP	175,000	10,425,428	14,459,375
NATIONSBANK CORP	181,000	9,522,166	14,955,125
NELLCOR PURITAN BENNETT INC	100,000	6,527,905	4,850,000
NEW YORK TIMES CO CL A	51,000	1,368,762	1,663,875
NEWELL CO	77,000	1,852,250	2,358,125
NICOR INC	48,000	1,345,392	1,362,000
NIKE INC CL B	70,000	2,133,690	7,192,500
NIKE INC CL B	149,000	6,281,483	15,309,750
NIPSCO INDS INC	125,000	4,071,660	5,031,250
NORAM FING I TR ORIGINATED PFD	80,000	4,000,000	4,340,000
NORDSTROM INC	70,000	2,938,281	3,115,000
NORFOLK SOUTHN CORP	47,000	3,478,899	3,983,250
NORFOLK SOUTHN CORP	71,000	4,596,493	6,017,250
NORWEST CORP	163,000	5,901,252	5,684,625
NUCOR CORP	43,000	2,345,980	2,176,875
NUCOR CORP	20,000	1,100,590	1,012,500
NYNEX CORP	289,000	12,549,998	13,727,500
NYNEX CORP	225,000	9,015,129	10,687,500
OCCIDENTAL PETE CORP	160,000	3,494,019	3,960,000
OCCIDENTAL PETE CORP	157,000	3,635,386	3,885,750
OCCIDENTAL PETE CORP PFD	100,000	5,064,712	5,937,500
OCTEL COMMUNICATIONS CORP	150,000	2,750,057	2,962,500
OLD REPUBLIC INTL CORP	42,000	917,473	903,000
ORACLE CORP	314,000	7,546,978	12,383,532
ORACLE CORP	407,000	8,363,382	16,051,266
ORNDA HEALTHCORP	125,000	2,384,275	3,000,000
OWENS CORNING	40,000	1,442,849	1,720,000
PACCAR INC	30,000	1,549,500	1,470,000
PACIFIC ENTERPRISES	30,000	759,126	888,750
PACIFIC GAS & ELEC CO	203,000	5,535,499	4,719,750
PACIFIC TELESIS GROUP	190,000	5,392,160	6,412,500
PACIFIC TELESIS GROUP	102,000	2,904,501	3,442,500
PACIFICORP	152,000	3,257,629	3,382,000
PACIFICORP	144,000	3,004,476	3,204,000
PANENERGY CORP	76,000	1,611,437	2,498,500
PANENERGY CORP	176,000	4,359,645	5,786,000
PARAMETRIC TECHNOLOGY CORP	100,000	3,340,838	4,337,500
PENNEY J C INC	102,000	4,185,616	5,355,000
PENNZOIL CO	23,000	892,666	1,063,750
PEOPLES ENERGY CORP	33,000	1,080,348	1,105,500
PEPSICO INC	910,000	19,708,188	32,305,000
PEPSICO INC	1,356,000	32,347,082	48,138,000
PETCO ANIMAL SUPPLIES INC	160,000	2,345,058	4,600,000
PFIZER INC	355,000	13,689,254	25,338,125
PFIZER INC	300,000	10,661,506	21,412,500
PHARMACIA & UPJOHN INC	165,000	6,170,899	7,321,875
PHELPS DODGE CORP	75,000	4,358,307	4,668,750
PHILIP MORRIS COS INC	400,000	29,354,331	41,600,000
PHILIP MORRIS COS INC	511,000	34,017,287	53,144,000
PHILLIPS PETE CO	130,000	3,536,852	5,443,750
PHILLIPS PETE CO	166,000	5,324,977	6,951,250
PHYCOR INC	100,000	3,707,800	3,800,000
PINNACLE WEST CAP CORP	83,000	1,775,902	2,521,125
PNC BK CORP	42,000	1,273,650	1,249,500
PORTLAND GEN CORP	150,000	2,937,314	4,631,250
PPG INDS INC	95,000	3,931,412	4,631,250
PRAXAIR INC	50,000	1,452,250	2,112,500
PREMARK INTL INC	25,000	340,547	462,500

(Continued)

TCRS Portfolio

Domestic Stock Portfolio

	Shares	Book Value	Market Value
PRICE/COSTCO INC	100,000	1,730,969	2,162,500
PROCTER & GAMBLE CO	375,000	24,343,768	33,984,375
PROCTER & GAMBLE CO	399,000	26,444,415	36,159,375
PROVIDIAN CORP	50,000	1,793,823	2,143,750
PUBLIC SVC CO N MEX	135,000	1,754,500	2,767,500
PUGET SOUND PWR & LT CO	125,000	2,635,058	3,031,250
QUALCOMM INC	50,000	2,418,210	2,656,250
RALSTON PURINA CO-RALSTON	55,000	2,785,571	3,526,875
RAYCHEM CORP	50,000	2,343,050	3,593,750
RENAL CARE GROUP INC	25,000	567,813	806,250
REYNOLDS METALS CO	35,000	2,030,088	1,824,375
RJR NABISCO HLDGS CORP COM NEW	59,000	1,826,050	1,873,250
ROCKWELL INTL CORP	187,000	8,392,387	10,729,125
ROCKWELL INTL CORP	105,000	4,422,403	6,024,375
ROHM & HAAS CO	30,000	2,110,575	1,882,500
SAFECO CORP	52,000	1,983,420	1,839,500
SAFEWAY INC NEW	124,000	2,081,777	4,092,000
SALMON DECS 7.625%	100,000	2,662,500	2,725,000
SARA LEE CORP	245,000	6,449,287	7,962,500
SARA LEE CORP	126,000	3,807,128	4,095,000
SBC COMMUNICATIONS INC	284,000	9,948,498	13,987,000
SBC COMMUNICATIONS INC	268,000	9,813,767	13,199,000
SCHERING PLOUGH CORP	231,000	8,879,249	14,495,250
SCHERING PLOUGH CORP	180,000	6,259,343	11,295,000
SCRIPPS E W CO CL A	100,000	4,253,875	4,662,500
SEALED AIR CORP	100,000	1,726,943	3,362,500
SEARS ROEBUCK & CO	180,000	5,726,077	8,752,500
SEARS ROEBUCK & CO	235,000	8,045,373	11,426,875
SECURITY CAP INDL TR PFD CV	150,000	3,726,998	3,468,750
SEGUE SOFTWARE INC	10,000	180,000	297,500
SERVICE CORP INTL	80,000	2,952,697	4,600,000
SHERWIN WILLIAMS CO	60,000	1,888,828	2,790,000
SHONEYS INC	210,000	2,011,274	2,283,750
SIGMA ALDRICH CORP	30,000	1,604,755	1,605,000
SIGNET BKG CORP	80,000	1,864,000	1,860,000
SIRROM CAP CORP	100,000	2,756,875	2,725,000
SKYWEST INC	110,000	1,988,750	2,048,750
SMITH INTL INC	195,000	3,030,462	5,874,375
SONAT INC	44,500	1,410,137	2,002,500
SOUTHERN CO	290,000	6,005,648	7,141,250
SOUTHERN CO	433,000	9,213,527	10,662,625
SOUTHERN NATL CORP NC	100,000	3,074,316	3,175,000
SOUTHERN NATL CORP NC	100,000	2,031,425	3,175,000
SOUTHWEST AIRLS CO	171,000	4,875,172	4,980,375
SOUTHWEST AIRLS CO	80,000	1,903,222	2,330,000
SOVEREIGN BANCORP INC PFD CONV	50,000	2,507,438	2,837,500
SPACEHAB INC	100,000	1,200,000	1,100,000
SPRINT CORP	190,000	5,245,695	7,980,000
SPRINT CORP	318,000	10,190,526	13,356,000
SPRINT CORP DECS	70,000	2,238,905	2,817,500
STANLEY WKS	40,000	1,305,187	1,190,000
STAPLES INC	150,000	2,891,273	2,925,000
STAPLES INC	94,000	1,856,500	1,833,000
STORAGE TECHNOLOGY CORP PAR	50,000	1,998,250	1,962,500
STORAGE USA INC	100,000	2,175,000	3,225,000
SUMMIT BANCORP	60,000	2,048,088	2,107,500
SUN INC	36,000	976,153	1,093,500
SUN MICROSYSTEMS INC	175,000	5,616,372	10,303,125

(Continued)

TCRS Portfolio
Domestic Stock Portfolio

	Shares	Book Value	Market Value
SUN MICROSYSTEMS INC	105,000	1,496,795	6,181,875
SUNGARD DATA SYS INC	125,000	3,425,694	5,015,625
SUNTRUST BKS INC	272,000	6,635,296	10,064,000
SUPERIOR SVCS INC	30,000	360,000	510,000
SYNOPSIS INC	50,000	2,273,125	1,987,500
SYSCO CORP	100,000	2,474,246	3,425,000
TANDY CORP	30,000	1,462,074	1,421,250
TCI COMMUNICATIONS INC PFD	60,000	2,935,630	2,647,500
TECH DATA CORP	100,000	1,707,208	2,175,000
TEKTRONIX INC	30,000	1,257,638	1,342,500
TELE COMMUNICATIONS INC NEW A	225,000	4,922,874	4,078,125
TELE COMMUNICATIONS INC NEW A	425,000	8,045,999	7,703,125
TELEPHONE & DATA SYS INC	50,000	2,423,000	2,250,000
TELLABS INC	125,000	5,860,036	8,359,375
TELLABS INC	90,000	3,403,343	6,018,750
TEMPLE INLAND INC	45,000	2,192,187	2,103,750
TENET HEALTHCARE CORP COM	184,500	2,882,813	3,943,688
TENNECO INC	31,000	1,742,200	1,584,875
TEXACO INC	135,000	9,051,756	11,323,125
TEXACO INC	148,000	9,868,965	12,413,500
TEXAS INSTRS INC	80,000	4,353,600	3,990,000
TEXAS INSTRS INC	49,000	2,018,213	2,443,875
TEXAS UTILS CO	116,000	4,894,702	4,959,000
TEXAS UTILS CO	147,000	6,211,788	6,284,250
TEXTRON INC	78,000	5,482,523	6,230,250
THE TRAVELERS GROUP INC	250,000	7,482,978	11,406,250
THE TRAVELERS GROUP INC	375,000	10,826,765	17,109,375
THRIFTY PAYLESS HLDGS INC CL B	225,000	3,150,000	3,881,250
TIFFANY & CO NEW	21,000	1,618,012	1,533,000
TIME WARNER INC	170,000	5,894,765	6,672,500
TJX COS INC NEW	100,000	1,861,555	3,375,000
TOTAL RENAL CARE HLDGS INC	110,000	3,643,750	4,647,500
TOYS R US INC	87,000	2,480,884	2,479,500
TOYS R US INC	130,000	3,749,398	3,705,000
TRANSAMERICA CORP	46,000	3,410,824	3,726,000
TRANSAMERICA CORP	61,000	4,563,925	4,941,000
TRANSITION SYS INC MASS	10,000	180,000	285,000
TRIBUNE CO NEW	41,000	2,474,250	2,977,625
TRIDENT INTL INC	50,000	852,500	1,087,500
TRW INC	30,000	2,536,451	2,696,250
TUPPERWARE CORP	29,000	1,159,247	1,225,250
TYCO INTL LTD	200,000	5,443,454	8,150,000
TYSON FOODS INC CL A	100,000	2,597,475	2,737,500
U S BANCORP ORE	80,000	2,502,000	2,890,000
U S HEALTHCARE INC	75,000	4,066,650	4,125,000
U S WEST COMMUNICATIONS GROUP	123,000	2,986,583	3,936,000
U S WEST COMMUNICATIONS GROUP	245,000	6,862,307	7,840,000
U S WEST INC COM-MEDIA GROUP	393,000	7,842,363	7,172,250
UAL CORP PAR \$0.01	50,000	1,543,526	2,687,500
UNICOM CORP	279,000	8,058,837	7,777,125
UNION CARBIDE CORP	104,000	4,200,977	4,134,000
UNION CARBIDE CORP	60,000	2,712,587	2,385,000
UNION PAC CORP	95,000	6,343,944	6,638,125
UNION PLANTER CORP PFD SER E	100,000	2,581,250	3,800,000
UNION PLANTERS CORP	61,000	1,851,014	1,852,875
UNITED HEALTHCARE CORP	114,000	5,598,862	5,757,000
UNITED TECHNOLOGIES CORP	110,000	8,916,990	12,650,000
UNITED TECHNOLOGIES CORP	70,000	5,303,443	8,050,000

(Continued)

TCRS Portfolio**Domestic Stock Portfolio**

	Shares	Book Value	Market Value
UNOCAL CORP	124,000	2,244,133	4,169,500
UNOCAL CORP PFD CONV 7%	65,000	3,300,630	3,664,375
US WEST INC PFD	125,000	3,000,000	3,421,875
USA WASTE SVCS INC	110,000	2,398,674	3,258,750
USLIFE CORP	30,000	909,300	986,250
UST INC	70,000	2,094,971	2,397,500
USX-MARATHON GROUP NEW	200,000	4,038,737	4,025,000
USX-MARATHON GROUP NEW	145,000	2,521,156	2,918,125
V F CORP	30,000	1,881,550	1,788,750
VARIAN ASSOC INC	50,000	2,700,900	2,587,500
VERIFONE INC	100,000	4,861,530	4,225,000
VETERINARY CTRS AMER INC	110,000	1,641,117	2,447,500
VIACOM INC CLASS A	263,000	10,558,950	10,026,875
VIVRA INC	170,000	3,065,527	5,588,750
WABAN INC	90,000	1,659,563	2,148,750
WAL MART STORES INC	1,294,000	31,832,961	32,835,250
WAL MART STORES INC	1,000,000	24,543,978	25,375,000
WALGREEN CO	551,000	14,374,294	18,458,500
WALGREEN CO	400,000	5,098,816	13,400,000
WARNACO GROUP INC CL A	130,000	3,035,706	3,347,500
WARNER LAMBERT CO	180,000	6,712,956	9,900,000
WAUSAU PAPER MILS CO	75,000	1,728,507	1,481,250
WELLS FARGO & CO	81,000	12,169,844	19,369,125
WENDYS INTL INC	43,000	879,307	800,875
WERNER ENTERPRISES INC	30,000	750,624	780,000
WESTERN ATLAS INC	26,000	1,194,779	1,514,500
WESTERN DIGITAL CORP	65,000	1,191,346	1,698,125
WESTVACO CORP	171,000	5,514,811	5,108,625
WESTVACO CORP	40,000	1,307,064	1,195,000
WEYERHAEUSER CO	73,000	3,304,844	3,102,500
WEYERHAEUSER CO	105,000	4,748,675	4,462,500
WHEELABRATOR TECHNOLOGIES INC	75,000	1,221,383	1,143,750
WHITMAN CORP	100,000	1,653,540	2,412,500
WILLAMETTE INDS INC	27,000	1,557,986	1,606,500
WILLAMETTE INDS INC	30,000	1,697,860	1,785,000
WILLIAMS COS INC	49,000	2,017,852	2,425,500
WILLIAMS COS INC	82,000	2,858,051	4,059,000
WILMAR INDS INC	25,000	275,000	650,000
WMX TECHNOLOGIES INC	336,000	9,412,698	11,004,000
WMX TECHNOLOGIES INC	240,000	7,057,396	7,860,000
WORLD COLOR PRESS INC DEL	125,000	2,401,250	3,171,875
WORLDCOM INC	146,000	7,269,194	8,084,750
WORLDCOM INC	100,000	2,415,593	5,537,500
WORTHINGTON INDS INC	40,000	878,000	835,000
WPL HLDGS INC	130,000	3,852,172	4,273,750
XEROX CORP	156,000	6,625,467	8,346,000
XEROX CORP	81,000	3,530,312	4,333,500
YORK INTL CORP NEW	50,000	2,297,183	2,587,500
TOTAL DOMESTIC STOCK PORTFOLIO		\$3,806,165,101	\$4,977,670,919

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
ABB AG	3,100	\$1,865,831	\$3,839,040
ABN AMRO HOLDINGS	83,149	3,306,973	4,465,816
ACER INC	37,000	408,500	277,500
ACERINOX SA	10,000	1,045,829	1,042,928
ADIDAS AG DEM5	36,000	1,962,337	3,000,690
ADVANCED INFO SERVICE PUBLIC	37,500	744,182	555,380
ADVANCED INFO SERVICE PUBLIC	14,000	236,919	207,342
ADVANCED SEMICONDUCTOR ENGINEE	43,000	420,362	376,250
ADVANTEST	18,000	828,686	715,493
AEGIS GROUP ORD	1,800,000	1,062,158	1,468,861
AEGON NV	70,600	2,731,981	3,253,685
AHOLD (KON) NV	46,920	1,482,256	2,544,767
AICHI CORP	20,000	156,386	215,653
AIRTOURS ORD	155,000	807,769	1,231,123
AKZO NOBEL NV	15,000	1,629,914	1,798,593
ALCAN ALUM LTD	89,000	2,373,948	2,714,500
ALCAN ALUM LTD	170,000	5,832,174	5,185,000
ALLIED COLLOIDS ORD	1,150,000	2,620,043	2,341,628
ALLIED IRISH BANKS	761,982	4,032,294	3,958,963
ALPHA CREDIT BANK	20,333	900,707	1,073,628
ALPS ELECTRIC	20,000	211,121	243,067
AMALGAMATED BANKS OF SOUTH	166,400	901,942	921,671
AMCOR LIMITED ORD	24,000	86,152	163,142
AMCOR LIMITED ORD	96,576	346,676	656,485
AMMB HOLDINGS BERHAD	62,000	709,397	869,914
AMMB HOLDINGS BERHAD	82,000	920,152	1,150,531
AMOY PROPERTIES	1,178,000	1,177,522	1,422,898
ANGLIAN WATER I ORD	400,000	3,340,514	3,686,918
APASCO SA COM STK NPV	490,000	1,747,948	2,693,869
ARGENTINA FD INC	8,300	107,277	107,900
ARGOS ORD	207,667	2,212,164	2,407,993
ASAHI BANK	130,000	1,544,092	1,508,658
ASAHI CHEMICAL INDUSTRY	112,000	833,160	800,329
ASAHI GLASS CO	74,000	839,836	885,823
ASAHIMAS FLAT GLASS CO	120,000	146,648	126,316
ASAS DUNIA	98,000	388,628	388,936
ASATSU CORP	35,000	1,298,571	1,519,167
ASATSU CORP	10,000	346,004	434,048
ASIA CEMENT GDS	20,592	409,250	416,988
ASIA PAC FD INC	26,200	350,585	340,600
ASIA SECURITIES PRINTING CO	12,100	414,692	311,802
ASSOCIATED BRITISH PORTS HLDGS	300,000	1,466,745	1,300,991
ASTRA AB	48,000	1,802,974	2,123,910
ATLAS YAT ORT	6,524,000	149,373	93,345
AUSTRALIAN & NEW ZEALAND BANK	46,500	194,904	219,983
AUSTRALIAN & NEW ZEALAND BANK	144,865	701,591	685,330
AUSTRIA MIKROSYSTEME INTL	14,000	2,155,890	1,307,983
AUTOLIV AB	128,600	3,532,057	3,923,011
AUTOLIV AB	64,000	1,811,373	1,952,354
AVESTA SHEFFIELD AB	97,000	956,229	915,543
AXA	598	30,988	32,735
AXA	29,142	1,615,374	1,595,254
AYALA LAND INC	229,000	297,508	410,802
B.A.T. INDUSTRIES ORD	507,800	3,665,674	3,954,388
BACNOTAN CONSOLIDATED INC	16,900	77,971	79,340
BAKRIE & BROS	75,000	131,624	106,337
BANCO BILBAO VIZCAYA S.A	25,749	804,981	1,044,001
BANCO COMMERCIAL PORTUGUESE	12,490	180,046	147,598
BANCO ITAU	2,400,000	986,611	972,763

(Continued)

TCRS Portfolio

International Stock Portfolio

	Shares	Book Value	Market Value
BANG & OLUFSEN HLDG	27,500	851,627	1,079,259
BANGKOK BANK PUBLIC CO	21,000	309,263	284,544
BANGKOK BANK PUBLIC CO	94,300	1,321,210	1,277,738
BANGKOK BANK PUBLIC CO	161,500	1,847,314	2,188,278
BANGKOK EXPRESSWAY	548,000	904,779	901,174
BANK BALI	225,000	433,652	483,352
BANK DAGANG NASNL INDONESIA	150,000	141,011	125,671
BANK INT INDONESIA	73,000	368,823	360,688
BANK INT INDONESIA	12,500	57,945	61,762
BANK OF EAST ASIA	443,400	1,543,238	1,621,060
BANK OF KYOTO	30,000	177,400	182,574
BANK OF TOKYO MITSUBISHI BANK	77,500	1,801,073	1,798,785
BANK OF TOKYO MITSUBISHI BANK	79,150	1,848,093	1,837,081
BANK TIARA	53,400	53,647	61,946
BANPU CO	12,000	315,930	345,990
BANQUE NATIONALE DE PARIS	34,000	1,437,090	1,194,304
BARCLAYS ORD	300,000	2,518,604	3,604,538
BARCLAYS ORD	200,000	1,679,070	2,403,025
BARING PUMA FUND	45,000	985,008	1,237,500
BARITO PACIFIC TIMBER ORD	100,000	89,879	65,521
BARLOW LIMITED	145,000	2,035,588	1,514,251
BARRICK GOLD CORP	160,000	4,066,508	4,340,000
BAYER AG DEM5	44,510	1,587,744	1,567,429
BAYER MOTOREN WERKE AG	5,860	3,356,638	3,400,815
BAYER MOTOREN WERKE AG	1,800	963,809	1,044,619
BEKAERT SA NPV	960	697,647	774,503
BERISFORD PLC ORD	350,000	830,049	984,681
BERJAYA SPORTS TOTO BERHAD	210,000	512,375	694,528
BERJAYA SPORTS TOTO BERHAD	219,000	449,419	724,293
BERTRAND FAURE	16,700	522,979	551,878
BIMANTARA CITRA	160,000	229,783	201,074
BOIRON	5,000	516,929	610,390
BORAL ORD	167,702	420,953	434,902
BOSKALIS WESTMINSTER GOEP NV	51,910	622,810	928,323
BRAZIL FD INC	49,750	1,099,513	1,187,781
BRIDGESTONE CO	55,000	678,252	1,050,395
BRIDGESTONE CO	89,000	1,192,548	1,699,730
BRIERLEY INVEST LTD ORD	200,000	172,779	189,888
BRITISH AEROSPACE ORD	115,000	1,294,020	1,746,390
BRITISH AIRWAYS PLC ADR	25,000	2,027,424	2,143,750
BRITISH PETE PLC ADR	100,000	8,115,604	10,687,500
BRITISH STL PLC ADR	100,000	2,832,225	2,537,500
BROKEN HILL PROP ORD	204,926	2,385,663	2,829,492
BROKEN HILL PROP ORD	72,200	829,833	996,893
BSES GDR-EACH REPR	28,000	493,500	539,000
BT INDUSTRIES AB	100,000	1,172,342	1,540,378
BUDERUS AG	2,200	950,535	933,154
BURMAH CASTROL ORD	240,433	3,771,028	3,808,177
C & P HOMES	130,000	104,416	112,882
C I A GROUP ORD	150,000	301,721	387,033
CABLE & WIRELESS ORD	343,000	2,342,520	2,271,185
CABLE & WIRELESS PUB LTD CO	126,000	2,994,050	2,488,500
CANON INC	23,000	467,882	479,189
CANON INC	65,000	1,137,114	1,354,228
CANON SALES	20,000	512,282	557,408
CANWEST GLOBAL COMMUNICATIONS	100,000	2,902,000	2,725,000
CARLSBERG BREWERY MALAYSIA BHD	197,000	992,608	1,342,554
CARREFOUR	4,500	1,226,618	2,522,817
CARREFOUR	3,000	817,745	1,681,878

(Continued)

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
CARTER HOLT HARVEY LIMITED ORD	80,000	160,915	183,283
CASTORAMA DUBOIS INVEST	12,600	2,077,126	2,483,627
CEMENT INDS OF MALAYSIA	200,000	670,893	673,482
CENTRAL PATTANA PUBLIC CO	122,000	424,648	567,040
CENTROS COM PRYCA	52,000	1,107,597	1,299,949
CHARGEURS	5,400	1,205,824	1,511,591
CHEUNG KONG(HLDGS)	348,000	2,572,077	2,506,346
CHEUNG KONG(HLDGS)	264,000	1,504,473	1,901,366
CHEUNG KONG(HLDGS)	177,000	1,000,462	1,274,780
CHINA LIGHT & POWER CO	305,000	1,475,965	1,383,006
CHINA STEEL GDS	15,500	419,250	399,125
CHO-HUNG BANK	9,770	132,143	102,975
CHUBB SECURITY ORD	275,000	1,457,120	1,380,651
CHUBU ELECTRIC PWR	53,800	1,267,346	1,219,208
CHUBU ELECTRIC PWR	41,000	1,005,411	929,136
CHUGAI PHARMACEUTL	80,000	731,887	782,199
CHUGOKU BANK	20,000	324,501	374,652
CIBA-GEIGY AG	4,250	2,617,731	5,185,000
CIE BANCAIRE SA	8,200	869,251	924,527
CITIC PACIFIC LTD	290,000	1,125,510	1,172,625
CITIC PACIFIC LTD	413,000	1,331,596	1,669,980
CITY DEVELOPMENTS STK	54,000	439,505	420,978
CLARINS	7,500	695,555	1,153,229
CLIPSAL INDUSTRIES(HLDGS)LTD	175,000	437,345	491,750
COLES MYER LTD ORD	132,911	420,954	482,550
COLOPLAST 'B'	2,250	182,791	222,677
COMFORT GROUP	100,000	93,559	99,220
COMMERCE ASSET-HLD BERHAD	71,000	392,833	432,632
COMMERCIAL BK OF KOREA	125,000	1,491,641	1,140,286
COMPANHIA ENERGETIVA DE MINAS	105,300	2,378,489	2,989,467
COSMO OIL	140,000	671,932	867,364
COSMO OIL	150,000	955,976	929,319
COWIE (T.) ORD	300,000	1,368,401	1,916,514
CRA LTD ORD	70,607	995,630	1,085,316
CREDIT LOCAL DE FRANCE	41,700	3,275,974	3,396,472
CRH ORD	404,751	2,970,819	3,998,801
CSL LIMITED ORD	324,000	828,751	1,362,192
CSR ORD	126,708	420,953	447,085
CSR ORD	142,000	445,496	501,042
CYCLE & CARRIAGE	39,000	437,449	417,364
CYCLE & CARRIAGE	100,000	903,678	1,070,163
CYCLE & CARRIAGE BINTANG	55,000	313,131	357,186
D.B.S. LAND ORD	140,000	531,765	480,227
DAI ICHI KANGYO BANK	80,000	1,579,726	1,491,296
DAI ICHI KANGYO BANK	90,000	1,777,192	1,677,708
DAI NIPPON PRINTING CO	49,000	845,282	949,239
DAI NIPPON PRINTING CO	78,000	1,345,203	1,511,034
DAI-TOKYO FIRE & MARINE INS CO	35,000	253,980	263,855
DAIDO STEEL CO	45,000	224,245	222,872
DAIEI INC	60,000	621,635	723,717
DAIICHI KOSHO CO	4,000	496,764	493,444
DAIICHI PHARMACEUTICAL CO	57,000	848,038	880,249
DAIKEN CORP	40,000	319,419	339,928
DAIKIN INDUSTRIES	50,000	405,626	548,271
DAIKIN INDUSTRIES	76,000	755,474	833,371
DAIWA BANK	110,000	656,919	761,913
DAIWA DANCHI CO	30,000	142,214	192,991
DAIWA HOUSE INDUSTRY CO	52,000	843,079	807,785
DAIWA KOSHO LEASE CO	25,000	228,470	267,282

(Continued)

TCRS Portfolio

International Stock Portfolio

	Shares	Book Value	Market Value
DAIWA SECURITIES CO	30,000	392,913	386,531
DAIWA SECURITIES CO	70,000	895,545	901,905
DAIWABO INFORMATION SYSTEMS CO	16,500	351,625	407,091
DANISCO	69,500	3,222,972	3,462,844
DB GROUP LIMITED ORD	150,000	91,067	87,720
DCB HLDGS BERHAD ORD	240,000	716,403	822,610
DDI CORP	150	1,120,132	1,310,367
DE LA RUE PLC ORD	124,000	1,883,015	1,146,799
DENKI KAGAKU KOGYO	70,000	228,519	253,301
DEVELOPMENT BANK OF SINGAPORE	48,000	672,242	598,724
DEVELOPMENT BANK OF SINGAPORE	114,000	1,362,116	1,421,970
DEVELOPMENT BANK OF SINGAPORE	21,000	248,177	261,942
DEVRO ORD	250,000	995,990	944,268
DHANA SIAM FIN & SEC PUBLIC CO	50,500	565,534	379,924
DHANA SIAM FIN & SECS	12,000	78,419	66,646
DHANA SIAM FIN & SECS	92,400	418,698	513,172
DICKSON CONCEPTS INTL	196,000	197,769	250,673
DOCKS DE FRANCE	12,000	1,811,042	2,542,645
DONG-AH CONSTRUCTION INDL CO	2,500	53,125	50,000
DONG-AH CONSTRUCTION INDL CO	7,166	284,046	245,580
DONGWON SECURITIES	10,500	245,594	178,624
DOWA MINING	80,000	367,902	386,714
DSM NV ORD	23,100	1,815,979	2,295,778
EAST JAPAN RAILWAY CO	160	752,810	840,682
EAST JAPAN RAILWAY CO	315	1,560,361	1,655,092
EAST JAPAN RAILWAY CO	169	844,567	887,970
EAST MIDLANDS ELECTRICITY ORD	128,600	1,416,764	1,041,424
EBARA	59,000	838,406	943,482
EBARA	58,000	826,174	927,491
EDARAN OTOMOBIL NASINONAL	102,000	845,441	977,270
ELECTROLUX AB	45,920	2,228,761	2,312,730
ELF EQUITAIN	41,548	2,911,702	3,057,797
EMERGING MEXICO FD INC	47,700	306,473	333,900
EMPIRE EAST LAND HLDGS	282,200	140,380	172,336
EMPIRE EAST LAND HLDGS	60,000	29,860	36,641
EMPRESA NACIONAL ELECTRICIDAD	85,000	1,752,598	1,827,500
ENGINEERING EQUIPMENT INC	5,000,000	457,713	438,931
ERICSSON(LM)(TELEFONAKTIEBOLAG	55,000	1,166,341	1,187,752
ERICSSON(LM)(TELEFONAKTIEBOLAG	110,000	2,402,253	2,375,505
EVREN YATIRIM ORTAKLIGI	15,671,000	287,825	185,101
F.C.C.	12,100	383,291	450,011
FAJAR SURYA WISESA	115,000	71,889	53,115
FAMILYMART	15,000	596,854	668,890
FAR EAST LEVINGSTON SHIPBLDG	157,000	876,241	867,895
FAR EAST LEVINGSTON SHIPBLDG	30,000	177,366	165,840
FIL-ESTATE LAND INC PHPI	79,800	103,373	102,034
FILINVEST LAND	125,000	22,453	51,288
FINANCE ONE	55,100	477,810	355,932
FIRST CAPITAL CORP	90,000	291,548	223,246
FIRST LEISURE CORP ORD	250,000	1,367,029	1,387,257
FIRST PACIFIC CO	719,164	848,971	1,105,584
FISCHER(GEORG)AG	700	969,629	809,200
FLETCHER CHALLENGE LIMITED	30,000	76,977	58,824
FLETCHER CHALLENGE LIMITED	60,000	129,212	116,410
FLETHCER CHALLENGE LIMITED	30,000	68,730	66,461
FORMOSA GROWTH FUND COM STK	31,000	454,460	434,000
FOSTERS BREWING GROUP LIMITED	414,984	701,590	714,192
FRASER & NEAVE ORD	31,200	350,164	322,835
FRESENIUS AG	7,000	1,093,406	1,277,414

(Continued)

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
FUJI ELECTRIC	135,000	657,455	731,530
FUJITSU LTD	31,000	339,997	283,273
FUJITSU LTD	120,000	1,081,996	1,096,541
FUKUI BANK	50,000	239,466	288,299
FUKUOKA CITY BANK	50,000	385,557	402,065
FUTABA CORP	22,000	900,139	995,111
GADEK CAPITAL	80,000	237,351	253,357
GADEK(MALAYSIA) BERHAD	34,000	216,776	200,361
GEA AG	7,500	2,698,171	2,658,403
GENCOR ORD	250,000	879,407	923,148
GENERAL ELECTRIC CO ORD	696,400	3,448,320	3,756,099
GETRONICS NV	72,800	876,186	1,613,509
GEWISS	71,000	892,823	1,066,101
GIORDANO INTERNATIONAL ORD	480,000	484,786	465,071
GLORY KOGYO	43,000	1,536,326	1,426,326
GOLD PEAK INDS(HLDGS)	925,000	508,156	522,801
GOLDEN HOPE PLANTATIONS BERHAD	84,000	139,026	130,655
GOLDLION HLDGS ORD	528,000	445,749	453,599
GOODMAN FIELDER LTD	438,605	420,953	444,634
GOODMAN FIELDER LTD	950,000	956,549	963,059
GRANADA GROUP ORD	130,000	1,389,391	1,741,805
GRAND METROPOLITAN ORD	238,000	1,594,288	1,579,624
GREATER KOREA TRUST UNITS	25,000	525,000	421,000
GREENCORE GROUP ORD	562,116	2,345,699	2,920,537
GRUPO CARSO SA DE CV SER 'A1'	55,000	266,175	390,837
GRUPO INDUSTRIAL BIMBO SA DE	430,000	1,926,196	1,967,172
GRUPO INDUSTRIAL MASECA SA DE	1,385,000	975,425	1,438,866
GT TAIWAN FUND-SPECIAL FUND T	415,527	4,150,000	5,073,583
GUANGDONG INVESTMENT LIMITED	1,100,000	755,381	696,315
GUDANG GARAM	148,000	554,334	634,286
GUINNESS ANCHOR BERHAD	244,000	494,949	503,748
GUINNESS ORD	271,162	2,097,435	1,972,529
GUJARAT AMBUJA CEMENTS	110,100	1,026,396	1,403,775
GUNZE	52,000	314,274	326,440
GUOCO GROUP	270,000	1,290,881	1,287,085
HAGEMEYER	36,500	1,811,962	2,602,404
HANG LUNG DEVELOPMENT CO	527,000	876,931	990,582
HANG LUNG DEVELOPMENT CO	169,000	330,178	317,663
HANG SENG BANK	19,000	193,374	191,454
HANKYU DEPARTMENT STORES	58,000	840,790	763,193
HANSON ORD	460,000	1,392,717	1,290,577
HEINEKEN NV	11,400	1,468,501	2,549,376
HEIWA REAL ESTATE	20,000	129,605	164,481
HELLENIC BOTTLING CO	20,000	585,556	664,394
HENDERSON LAND DEVELOPEMENT CO	77,000	467,736	576,947
HENDERSON LAND DEVELOPEMENT CO	228,000	1,682,333	1,708,362
HENNES & MAURITZ SWKR5 SER'B'	31,000	2,222,019	2,879,148
HENNES & MAURITZ SWKR5 SER'B'	14,000	886,997	1,300,260
HI-CEMENT	24,000	8,333	9,069
HICOM HOLDINGS	347,000	982,064	987,653
HIGHLAND GOLD LIMITED ORD	12,000	6,222	5,941
HINDALCO INDS GLBL DEP RECPT	11,100	496,725	421,800
HIROSE ELECTRONICS	23,000	1,464,213	1,422,854
HITACHI CABLE	110,000	831,921	922,739
HITACHI LTD	150,000	1,051,270	1,398,090
HITACHI LTD	130,000	887,622	1,211,678
HITACHI METALS	70,000	841,172	805,958
HITACHI PLANT ENGIN & CONSTR	50,000	329,388	399,781
HITACHI TRNSPT SYS	30,000	260,969	328,962

(Continued)

TCRS Portfolio

International Stock Portfolio

	Shares	Book Value	Market Value
HITACHI ZOSEN CORP	165,000	830,872	936,309
HM SAMPOERNA ORD	21,500	260,301	244,791
HOECHST AG	27,000	916,733	912,636
HOGANAS AG ORD	30,000	814,589	1,051,082
HOGY MEDICAL CO	9,100	415,712	494,769
HOKKAIDO TAKUSHOKU BANK	150,000	359,199	455,065
HOKKO CHEMICAL IND	15,000	69,347	98,003
HOKUETSU BANK	40,000	223,136	226,253
HOKURIKU ELEC PWR CO INC	43,000	990,129	974,460
HOME WIDE CORP	22,000	254,117	331,704
HONDA MOTOR CO	15,000	210,095	389,272
HONDA MOTOR CO	35,000	490,222	908,302
HONG KONG AIRCRAFT	191,600	594,499	575,487
HONG KONG ELECTRIC HLDGS	185,000	642,161	564,028
HONG KONG ELECTRIC HLDGS	515,000	1,799,581	1,570,132
HONG KONG LAND HLDG ORD	643,000	1,226,062	1,446,750
HONG KONG TELECOMM	400,000	702,872	718,277
HONG KONG TELECOMM	1,540,000	3,105,004	2,765,365
HONSHU PAPER CO	74,000	520,484	525,408
HOYA CORP	25,000	545,134	808,699
HSBC HLDGS ORD	48,000	708,545	725,511
HSBC HLDGS ORD	117,622	1,738,677	1,777,835
HSBC HLDGS ORD	120,000	1,958,185	1,813,778
HUME INDUSTRIES	50,000	238,127	244,538
HUTCHISON WHAMPOA	86,000	571,612	541,059
HUTCHISON WHAMPOA	386,000	2,493,086	2,428,473
HUTCHISON WHAMPOA	238,000	1,325,021	1,497,348
HYDER ORD	120,000	1,437,334	1,331,767
HYSAN DEVELOPMENT	150,000	464,353	459,258
HYSAN DEVELOPMENT WTS	7,500	0	3,972
HYUNDAI ENGR & CONSTR CO	10,000	536,635	415,434
HYUNDAI MOTOR CO	2,510	114,500	94,682
IHC CALAND NV	35,900	1,135,050	1,768,162
IHC CALAND NV	61,000	1,805,610	3,004,398
IJM CORP BERHAD	50,000	82,400	86,590
INCO LTD	65,000	2,102,600	2,096,250
INDAH KIAT PAPER & PULP	156,250	114,177	152,726
INDAH KIAT PULP & PAPER	18,750	0	9,466
INDIA CEMENT GDS	125,000	471,875	687,500
INDIA FD INC	36,000	342,475	333,000
INDIAN HOTELS CO(THE)	45,000	1,211,875	1,282,500
INDONESIAN CAPITAL FUND	75,000	900,000	870,000
INDORAMA SYNTHETICS	264,000	843,558	669,217
INDOSAT	65,000	250,537	218,529
INDUSTRIAL BK JAPAN	61,000	1,984,409	1,516,151
INDUSTRIAL FIN CORP THAILAND	210,000	495,259	479,754
INDUSTRIAL FINANCE OF THAILAND	294,000	870,534	1,320,151
INVALID CUSIP SEE DESC SAMSUNG	1,942	138,599	99,528
INVESCO MIM PLC	550,000	2,137,523	1,974,802
IOI CORP	362,000	496,640	502,113
ISCOR	2,000,000	1,774,268	1,564,736
ITO EN	10,000	191,840	221,136
ITO-YOKADO CO	35,000	1,956,235	2,114,040
ITOCHU CORP	100,000	717,905	699,959
ITOHAM FOOD	50,000	363,598	381,505
IZUMI CO	15,000	285,893	300,178
JAPAN AIRLINES	100,000	677,134	810,527
JAPAN AIRPORT TERMINAL CO	25,000	285,893	354,091
JAPAN ASSOCIATED FINANCE CO	4,000	433,849	467,858

(Continued)

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
JAPAN TOBACCO INC	62	525,997	475,899
JARDINE MATHESON HLDGS ORD	113,800	940,748	592,792
JARDINE MATHESON HLDGS ORD	100,000	831,664	978,638
JG SUMMIT HLDGS INC ORD	145,000	51,790	54,237
JONAS & CO	21,000	286,445	326,221
JULIUS BAER HOLDING	700	836,657	918,400
K.L.M.(KONINK LUCHTV MIJ)	110,554	3,727,999	3,539,284
KAKEN PHARMACEUTICAL	11,000	88,485	90,163
KALMAR INDUSTRIES AV ORD	32,000	482,296	676,558
KANAMOTO CO	20,000	330,136	332,618
KAO CORP	20,000	242,398	270,480
KAO CORP	115,000	1,419,773	1,555,261
KAO CORP	66,000	837,166	892,585
KAWASAKI HEAVY INDUSTRIES	60,000	251,000	304,290
KAWASAKI KISEN KAISHA	130,000	337,989	439,530
KAWASAN INDUSTRI JABABEKA	67,500	93,000	98,604
KAWASHO CORP	20,000	70,178	97,227
KEPPEL CORP ORD	71,000	668,817	593,763
KEYENCE CORP	6,500	731,495	885,000
KFC HLDGS(MALAYSIA)BERHAD	60,000	343,038	324,714
KIMBERLY CLARK DE MEXICO 'A'	174,000	2,139,590	3,165,722
KINDEN CORPORATION	13,200	200,252	209,878
KINKI NIPPON RAILWAY CO	57,680	423,523	415,859
KINNEVIK INVT	32,000	601,915	971,344
KISSEI PHARMACEUTICAL CO	16,500	420,776	462,877
KITAGAWA INDUSTRIES	5,000	180,066	213,826
KITANO CONST CORP	25,000	158,830	170,192
KITZ CORPORATION	50,000	221,384	260,429
KLOOF GOLD MINING CO	70,000	687,310	662,359
KOA	53,000	839,074	866,907
KOMORI CORPORATION	48,000	1,186,389	1,228,126
KONINKLIJKE NEDLLOYD NV	45,000	1,133,573	1,036,939
KONINKLIJKE PTT NEDERLAND	50,000	1,353,668	1,893,873
KOOK MIN BANK	55,630	1,260,215	1,028,662
KOREA ELEC POWER CORP	25,800	1,089,900	896,894
KOREA ELEC PWR CO ADR	80,500	1,992,975	1,952,125
KOREA EXCHANGE BANK	31,000	493,079	355,400
KOREA EXCHANGE BANK	40,000	584,863	458,580
KOREA MOBILE TELECOM	210	218,699	165,681
KOREAN AIR LINES CO	3,300	108,731	76,886
KRUNGTHAI BANK PUBLIC CO LTD	150,000	802,481	703,088
KRUNGTHAI THANAKIT CO	313,000	886,029	1,393,139
KUALA LUMPUR KEPONG BERHAD	97,500	186,097	246,242
KURABO INDUSTRIES	4,000	13,488	16,010
KURITA WATER INDUSTRIES	64,300	1,618,624	1,568,794
KYOCERA CORP	5,000	367,178	354,091
KYODO PRINTING CO	40,000	445,700	471,513
KYOWA HAKKO KOGYO	30,000	273,578	287,842
L G CHEMICAL	9,400	199,750	153,878
L G CHEMICALS	3,600	70,859	56,805
L G ELECTRONICS INC	19,000	198,550	152,000
L'OREAL	8,000	2,435,468	2,657,725
L.G.INFORMATION&COMMUNICATION	1,500	184,358	172,892
LADBROKE GROUP ORD	425,000	1,269,051	1,189,078
LAFARGE	59,472	4,076,742	3,601,211
LAIDLAW INC	190,000	1,536,500	1,923,750
LAND & GENERAL BERHAD ORD	80,000	187,093	197,234
LAND & HOUSE	17,900	335,961	225,618
LAND & HOUSE	27,700	426,016	349,141

(Continued)

TCRS Portfolio**International Stock Portfolio**

	Shares	Book Value	Market Value
LATIN AMERN DISCOVERY FD INC	66,650	818,295	841,456
LEADER UNIVERSAL HOLDINGS	50,000	116,073	141,311
LEADER UNIVERSAL HOLDINGS	200,000	516,353	565,244
LEND LEASE CORP ORD	56,454	841,904	865,105
LG INFORMATION & COMMUNICATION	152	14,512	17,183
LION CORP	50,000	274,653	300,635
LION NATHAN LIMITED	41,000	90,017	107,472
LIPPO BANK	132,750	0	102,664
LIPPO BANK	32,500	0	25,134
LIPPO BANK ORD	265,500	614,019	450,580
LIPPO BANK ORD	65,000	125,676	110,312
LVMH MOET-HENNESSY LOUIS	9,500	1,814,668	2,254,848
M.I.M. HOLDINGS ORD	60,000	90,829	77,328
M.I.M. HOLDINGS ORD	700,000	986,265	902,156
MAANSHAN IRON & STEELS CO	2,140,000	357,464	375,984
MACFARLANE GROUP ORD	500,000	2,002,641	1,865,220
MAEDA CORP	40,000	385,101	398,410
MAEZAWA KYUSO INDUSTRIES CO	15,000	385,261	387,901
MAGNUM CORP BERHAD	250,000	385,730	422,930
MALAYAN BANKING BERHAD	158,000	1,424,714	1,520,144
MALAYAN BANKING BERHAD	179,000	1,431,819	1,722,189
MALAYAN CEMENT BERHAD	86,000	203,435	206,855
MALAYSIA AIRLINE SYSTEM	121,000	387,390	385,628
MALAYSIA FD INC	21,250	398,000	398,438
MALAYSIA INTL SHIPPING CP	100,000	259,176	310,684
MALAYSIAN PACIFIC INDUSTRIES	110,000	394,482	458,609
MALAYSIAN RESOURCES CORP	370,000	907,247	904,791
MALBAK ORD NPV	140,000	960,907	694,669
MAN (E D&F)	500,000	1,221,431	1,352,285
MANCHESTER UNITED ORD	230,000	944,568	1,551,552
MANILA ELECTRIC CO	17,300	168,721	181,584
MANNESMANN AG	2,700	484,238	933,943
MAPFRE VIDA	34,260	1,920,311	1,927,050
MARS ENGINEERING CORP	6,000	422,646	474,254
MARUBENI CORP	80,000	386,274	438,617
MARUETSU INC	40,000	312,381	361,128
MARUI CO	70,000	1,391,033	1,554,347
MARUICHI MALAYSIA STEEL TUBE	227,000	851,476	846,302
MARUICHI STEEL TUBE	67,000	1,267,536	1,206,104
MATAHARI PUTRA PRIMA	35,000	77,242	63,910
MATAHARI PUTRA PRIMA	406,000	741,865	741,354
MATSUI CONST CO	20,000	148,567	160,095
MATSUSHITA ELECTRIC INDUSTRIAL	85,000	1,188,045	1,584,502
MATSUSHITA ELECTRIC INDUSTRIAL	70,000	1,154,942	1,304,884
MAYORA INDAH	70,000	56,611	39,098
MAYR MELNHOF KARTON	160,200	2,134,288	1,662,075
MCCARTHY GROUP ORD	125,000	653,311	504,847
MELCO INTERNATIONAL	50,000	17,849	13,888
MERITA LTD	630,000	1,570,505	1,319,144
METRO BANK & TRUST CO	24,100	509,922	676,088
MEXICO EQUITY & INCOME FD	33,800	333,365	338,000
MEXICO FD INC	88,100	1,312,030	1,343,525
MICHELIN (CIE GLE DES ETABL.)	21,400	882,673	1,046,652
MISAWA HOMES	20,000	156,386	195,550
MISUMI CORP	16,500	527,319	592,543
MITSUBISHI CHEMICAL	60,000	295,205	277,425
MITSUBISHI ELECTRIC CORP	50,000	263,338	349,066
MITSUBISHI ESTATE CO	101,000	1,242,588	1,393,613
MITSUBISHI GAS & CHEML CO	80,000	346,395	353,086

(Continued)

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
MITSUBISHI HEAVY IND	161,000	1,265,229	1,402,047
MITSUBISHI HEAVY IND	155,000	1,273,084	1,349,797
MITSUBISHI KAKOKI	35,000	293,175	272,171
MITSUBISHI TRUST & BANKING	99,000	1,623,976	1,673,596
MITSUI & CO	95,000	816,661	862,019
MITSUI & CO	160,000	1,278,234	1,451,821
MITSUI FUDOSAN CO	30,000	322,987	405,720
MITSUI HOME CO. LTD	73,000	1,137,397	1,187,371
MITSUI HOME CO. LTD	10,000	144,657	162,654
MITSUI MINING & SMELT CO	120,000	413,361	491,250
MITSUI PETROCHEMICAL INDS LTD	30,000	238,977	241,239
MITSUI TOATSU CHEMICALS INC	200,000	746,744	791,337
MITSUI TRUST & BANKING	100,000	1,168,845	1,169,644
MIZUNO CORP	70,000	584,982	658,839
MODERN PHOTO FILM	35,000	210,710	150,376
MODERN PHOTO FILM	146,000	802,029	627,283
MULIA INDUSTRINDO ORD	60,000	95,844	88,937
MULTI-PURPOSE HLDG	312,000	495,427	502,802
MUNCHENER RUCKVERSICHERUNGS-G	2,097	4,325,021	4,330,109
MURATA MANUFACTURING CO	7,000	251,350	265,454
MURATA MANUFACTURING CO	32,000	1,162,267	1,213,506
MURRAY & ROBERTS HLDGS	90,000	642,067	359,335
NAGASE & COMPANY	20,000	159,123	190,067
NATIONAL FIN & SECS	105,000	722,298	467,347
NATIONAL GRID GROUP ORD	1	4	3
NATIONAL MUTUAL ASIA LTD	598,000	576,263	525,324
NATL AUSTRALIA BK LTD ORD	139,686	1,292,173	1,289,824
NATL AUSTRALIA BK LTD ORD	3,731	32,304	34,451
NATL AUSTRALIA BK LTD ORD	75,000	640,701	692,530
NATSTEEL	65,000	130,052	128,987
NESTLE SA	3,500	2,723,880	4,001,200
NEW OJI PAPER CO	25,000	225,591	216,110
NEW STRAITS TIMES PRESS	106,000	387,935	552,415
NEW STRAITS TIMES PRESS	43,000	189,035	224,093
NEW WORLD DEVELOPMENT CO	236,176	1,178,803	1,095,336
NEW WORLD DEVELOPMENT CO	74,000	288,259	343,197
NEWBRIDGE NETWORKS CORP	50,000	1,926,113	3,275,000
NEWS CORP LTD ADR NEW	44,000	866,140	1,034,000
NICHICON CORP	61,000	896,409	886,279
NICHIREI	65,000	420,300	466,258
NICHIREKI CO	45,000	420,586	468,771
NIPPON DENSETSU	20,000	183,949	239,412
NIPPON DENSO	64,000	1,251,267	1,391,876
NIPPON ELECTRIC GLASS	22,000	316,806	375,931
NIPPON EXPRESS CO	104,000	1,003,338	1,016,859
NIPPON EXPRESS CO	40,000	324,501	391,100
NIPPON HODO CO	12,000	181,799	203,957
NIPPON PAPER INDS	124,000	837,318	776,168
NIPPON SHEET GLASS CO	120,000	707,914	588,843
NIPPON STEEL	726,000	2,533,301	2,494,412
NIPPON STEEL	250,000	841,649	858,957
NIPPON SUISAN KAISHA	29,000	117,632	123,754
NIPPON TEL & TEL CORP	200	1,575,244	1,483,986
NIPPON TEL & TEL CORP	25	199,040	185,498
NIPPON TELEVISION NETWORK CORP	2,890	766,465	897,885
NIPPON YUSEN	73,000	417,725	422,918
NIPPON ZEON	70,000	328,411	434,961
NISHIMATSU CONSTRUCTION CO	71,000	826,103	778,544
NISHIMATSU CONSTRUCTION CO	30,000	325,615	328,962

(Continued)

TCRS Portfolio**International Stock Portfolio**

	Shares	Book Value	Market Value
NISSAN DIESEL MTR	80,000	462,373	474,437
NISSAN MOTOR CO	200,000	1,573,400	1,778,224
NISSIN CO	18,800	410,591	283,456
NISSIN FOOD PRODUCTS CO	18,000	424,019	462,192
NOKIA AB FIM 5 SER "A" SHS	37,000	1,939,535	1,365,770
NOKIA AB FIM 5 SER "A" SHS	22,000	1,217,199	812,080
NOMURA SECURITIES CO	77,000	1,658,632	1,505,734
NOMURA SECURITIES CO	135,000	2,907,952	2,639,923
NORD-EST	25,000	680,051	689,605
NORTHERN TELECOM LTD	48,000	2,535,600	2,610,000
NORTHERN TELECOM LTD	150,000	4,968,332	8,156,250
NOW CUSIP FB6808497 SIAM CITY	762,000	901,803	817,886
NOW CUSIP FL6454852 INDOCEMENT	62,000	247,189	213,104
NYLEX(MALAYSIA)	60,000	193,194	230,908
OBAYASHI CORP	106,000	982,013	959,894
OKUMURA CORP	40,000	341,704	334,811
OLD MUTUAL SOUTH AFRICA TRUST	325,000	564,215	527,896
OLIVETTI C SPA ORD	2,375,000	1,611,048	1,282,275
OM GRUPPEN AB	57,400	808,326	1,577,649
OMRON CORP	65,000	1,299,537	1,383,926
ONO PHARMACEUTICAL CO	20,000	713,265	688,993
ONWARD KASHIYAMA CO	27,000	424,878	441,632
ONWARD KASHIYAMA CO	60,000	938,581	981,404
OSAKA SANZO KOGYO	20,000	64,314	84,068
OUTOKUMPU OY ORD	90,000	1,406,965	1,515,364
OVERSEA-CHINESE BKG CORP	67,000	921,884	783,487
OVERSEAS CHINESE BANKING	6,700	0	53,657
OVERSEAS UNION BK	66,000	507,820	453,721
PABRIK KERTAS TJIWI KIMIA	75,000	75,175	76,531
PACIFIC DUNLOP LTD ORD	116,246	280,635	261,266
PARAMOUNT BED CO	6,820	419,823	466,778
PEARSON ORD	63,200	631,687	652,280
PECHINEY ORD	43,255	1,935,532	1,748,110
PEREZ COMPANC SA	280,238	1,529,548	1,836,247
PERUSAHAAN OTOMOBIL NASIONAL	50,000	214,502	272,600
PERUSAHAAN PERKEBUNAN LONDON	416,000	835,770	838,739
PERUSAHAAN PERSEROAN PERSERO	30,000	1,084,524	1,005,000
PETROLEO BRASILEIRO-PETROBRAS	7,900,000	1,011,052	967,684
PETROLEUM GEO SERVICES	100,000	1,769,292	2,865,484
PETRON CORP ORD	750,000	327,967	343,511
PETRONAS DAGANGAN BERHAD ORD	220,000	539,870	595,310
PEUGEOT SA	26,900	3,745,986	3,602,877
PHARMACIA & UPJOHN INC	120,117	4,489,099	5,260,532
PHATRA THANAKIT CO	120,000	876,146	836,616
PHILIPINE COMM INTERN BK	38,000	519,402	475,000
PHILIPPINE LONG DISTANCE	4,900	316,482	291,756
PHILIPPINE LONG DISTANCE TEL	12,800	746,607	744,000
PHILIPS ELECTRONICS NV	105,856	4,232,639	3,444,742
PHILIPS ELECTRONICS NV	16,000	600,038	520,668
PHOENIX MECCANO	1,500	725,127	741,600
PICK'N PAY STORES ORD	370,000	1,369,508	1,285,137
PILIPINO TELEPHONE CORP	88,000	104,950	134,351
PLETTAC AG	9,000	2,301,696	2,095,157
POHANG IRON & STEEL CO	2,700	226,066	169,416
POHANG IRON & STEEL CO	5,740	501,718	360,165
POHANG IRON & STL LTD	40,000	975,025	975,000
POKKA CORPORATION	15,000	161,273	180,929
POLYGRAM NV	17,000	278,758	996,625
PORSCHE AG	2,200	1,015,798	1,323,776

(Continued)

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
PORTUGAL FD INC	14,150	166,636	176,875
PORTUGAL TELECOM S.A.	50,000	1,041,264	1,307,250
PRESIDENT ENTERPRISES CORP	21,000	405,563	443,625
PREUSSAG AG	12,300	2,790,255	3,114,129
PROPERTY PERFECT CO	29,100	172,922	124,937
PROSEGUR COMPANIA SEGURIDAD	27,000	645,476	949,182
PROVIDENT FINANCIAL ORD	100,000	614,741	715,001
PTT EXPLORATION & PRODUCTION	42,600	490,938	624,200
PUBLIC BANK BERHAD	216,000	380,723	597,474
PUBLICITAS SA HLDG	3,380	689,097	667,888
Q P CORP	30,000	249,837	290,583
QBE INS GROUP	205,000	912,424	1,216,299
QUALITY HOUSES	49,000	0	72,377
QUALITY HOUSES CO	98,000	424,591	202,655
QUILMES INDL QUINSA-SOCIETE AN	19,200	203,630	196,800
R J REYNOLDS BERHAD	150,000	360,893	441,972
RACAL ELECTRONICS ORD	250,000	1,027,350	1,185,192
RAILTRACK GROUP ORD	389,000	1,266,343	1,324,166
REDLAND ORD	390,000	2,423,063	2,430,848
RENONG BERHAD	613,000	970,600	978,048
REPSOL SA	117,400	3,501,860	4,085,911
REPUBLIC GLASS HLDGS CORP	126,000	44,652	48,092
RESORTS WORLD BERHAD	388,000	1,811,909	2,224,253
RESORTS WORLD BERHAD	100,000	563,443	573,261
REUTERS HLDGS ORD	200,000	1,391,228	2,421,677
RICOH	39,000	343,145	413,396
RICOH	77,000	677,491	816,192
RINNAI CORP	18,300	417,124	434,779
RMC GROUP ORD	150,000	2,361,716	2,361,835
ROHM CO	20,000	1,133,007	1,323,160
ROHM CO	7,000	421,389	463,106
ROTHMANS HOLDINGS LIMITED	55,000	205,530	306,874
ROTHMANS OF PALL MALL (MALAY)	57,000	476,246	599,820
ROYAL DUTCH PETE CO N Y REG SH	216,000	25,860,330	33,210,000
ROYAL DUTCH PETE CO N Y REG SH	255,000	30,817,011	39,206,250
ROYAL INSURANCE HLDGS	116,300	707,961	719,468
RTZ CORP ORD	100,000	1,427,139	1,481,296
RYOSHOKU	18,000	370,378	429,296
RYOYO ELECTRIC	10,000	233,095	215,653
S O P A F DI RISP	479,000	398,783	453,436
SAFEWAY ORD	359,639	1,700,653	1,939,747
SAGA PETROLEUM	179,000	2,297,333	2,633,549
SAGAMI RAILWAY CO	113,000	513,185	522,484
SAKURA BANK	306,000	3,844,779	3,411,340
SAMSUNG DISPLAY DEVICES CO	1,200	84,313	85,947
SAMSUNG ELECTRONICS CO	2,953	138,424	71,610
SAMSUNG ELECTRONICS CO	3,013	138,415	73,065
SAMSUNG ELECTRONICS CO GDR	6,444	460,638	330,255
SAMSUNG ELECTRONICS CO GLBL	9,800	459,376	237,650
SAMSUNG ELECTRONICS CO GLBL	10,000	459,348	242,500
SAMSUNG FIRE & MARINE	420	307,347	275,444
SAN MIGUEL CORP	59,800	206,837	206,561
SAN-IN GODO BANK	30,000	248,947	246,174
SANDEN	50,000	279,988	382,876
SANDOZ AG	2,000	1,289,251	2,289,600
SANDVIK AB	14,670	305,630	338,960
SANKEN ELECTRIC CO	20,000	186,099	169,050
SANKYO ALUMINUM INDUSTRY CO	70,000	361,252	410,655
SANKYO CO	35,000	847,848	908,302

(Continued)

TCRS Portfolio

International Stock Portfolio

	Shares	Book Value	Market Value
SANTEN PHARMACEUTICAL CO	1,500	31,277	34,952
SANTEN PHARMACEUTICAL CO	60,500	1,327,217	1,409,741
SANTOS	143,263	420,953	495,366
SANWA BK	60,000	1,068,666	1,112,989
SANWA BK	88,000	1,661,743	1,632,384
SANYO CHEMICAL INDUSTRIES	44,000	417,534	454,334
SANYO UNIVERSAL ELEC CO LTD	30,000	122,013	99,259
SAPPI ORD	50,000	753,399	552,735
SARNA KUNSTOFF HOL	500	550,800	528,000
SASOL NVP	200,000	1,599,375	2,169,398
SCHIBSTED A/S	148,000	1,641,843	1,915,253
SCHLUMBERGER LTD	159,000	10,152,352	13,395,750
SCHLUMBERGER LTD	118,000	7,181,070	9,941,500
SCHWEIZ-RUCKVERSICHERUNGS-G	2,826	2,444,779	2,905,128
SCOTTISH POWER ORD	349,210	2,042,087	1,650,095
SEAGRAM LTD	96,000	3,556,209	3,228,000
SEARS ORD	1,108,000	1,820,466	1,704,998
SEB 96 PROVISIONAL SH	184	25,053	25,181
SEB SA	15,000	1,822,409	2,612,626
SECOM CO	13,000	835,640	860,054
SECURICOR ORD	433,609	1,762,849	1,765,828
SEIYU	50,000	576,674	635,080
SEKISUI JYSHI	34,000	421,540	453,603
SEMBAWANG CORPORATION LTD	40,000	212,378	198,441
SEMEN GRESIK	150,000	498,918	436,628
SEMEN GRESIK	81,000	279,164	235,779
SEOUL CITY GAS CO	3,000	241,260	234,837
SEVEN-ELEVEN JAPAN NPV	13,200	814,849	843,131
SGL CARBON AG	24,000	1,743,019	2,801,434
SGS HOLDING	6,000	2,172,195	2,640,000
SGS HOLDING	5,100	1,748,406	2,244,000
SGS SOCIETE GEN DE SURVEILL	900	1,706,212	2,156,400
SGS-THOMSON MICROELECTRONICS	79,500	3,086,012	2,852,063
SHARP CORP	75,000	1,187,368	1,315,850
SHARP CORP	122,000	1,933,623	2,140,449
SHIKOKU BANK	25,000	175,934	175,675
SHIKOKU ELECTRIC POWER COINC	40,000	938,316	888,198
SHIMIZU CORPORATION	84,000	833,161	928,770
SHINAWATRA COMP & COMM PUBLIC	12,000	308,401	259,965
SHINKAWA	14,375	407,022	329,705
SHIZUOKA BANK	70,000	861,200	901,905
SHO-BOND CONSTRUCTION CO	25,200	829,155	944,122
SHOWA DENKO KK	200,000	573,972	617,718
SHUN TAK HLDGS	930,000	683,884	570,681
SIAM CEMENT CO	10,000	548,903	490,783
SIAM CEMENT CO	8,500	456,900	417,166
SIAM CITY CEMENT PUBLIC CO	33,200	515,310	418,465
SIAM COMM BK PUBLIC	50,000	804,624	724,752
SIAM COMM BK PUBLIC	103,000	1,372,871	1,492,989
SIME DARBY BERHAD	400,000	984,597	1,106,434
SIME UEP PROPERTIES ORD	75,000	128,103	150,331
SIMINT SPA	384,400	415,328	1,442,990
SINAPORE TECHNOLOGIES	35,000	86,116	92,771
SING TAO	460,000	267,927	271,873
SINGAPORE AIRLINES	86,000	905,499	908,150
SINGAPORE AIRLINES	43,000	397,042	454,075
SINGAPORE LAND	5,000	33,890	33,841
SINGAPORE PRESS HD	62,000	1,189,612	1,217,151
SINGAPORE TELECOMMUNICATIONS	474,000	1,203,844	1,263,104

(Continued)

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
SINGAPORE TELECOMMUNICATIONS	89,000	222,387	237,165
SKANDIA FORSAKRINGSAB	72,710	1,873,675	1,927,074
SKANDINAVISKA ENSKILDA BANKEN	170,000	1,168,446	1,360,667
SM PRIME ORD PHP1	794,000	202,849	206,076
SMC	10,000	714,293	774,889
SMH AG NEUENBURG	7,200	983,527	1,126,080
SNOW BRAND MILK PRODUCTS	50,000	328,899	340,385
SOCIEDAD QUIMICA MINERA DE	32,000	1,649,403	1,736,000
SOCIETE GENERALE ORD	30,600	3,729,349	3,366,788
SOLVAY NPV	3,244	1,687,277	2,008,228
SOMMER-ALLIBERT	6,800	1,768,004	1,728,998
SONY CORP	20,000	770,307	1,317,677
SONY MUSIC ENT	8,200	346,370	382,145
SOPHUS BERENDEN	18,000	2,348,332	2,408,508
SOUTH AFRICAN BREWERIES ORD	50,000	1,697,760	1,465,497
SOUTH EAST ASIA CEMENT HLDGS	3,628,000	532,147	470,809
SOUTHCORP HLDGS LTD	222,000	481,059	549,545
SOUTHERN AFRICA FD INC	20,500	355,463	343,375
SOUTHERN BANK BERHAD	230,000	448,991	562,437
SPIRAX-SARCO ENGINEERING ORD	216,000	2,401,759	2,571,765
STAGECOACH HLDGS ORD	169,000	947,267	1,142,680
STET ITL1000 DI RISP	420,000	910,924	1,103,640
SUMITOMO BAKELITE CO	112,000	859,864	828,985
SUMITOMO BANK	13,000	247,394	251,839
SUMITOMO BANK	84,000	1,634,276	1,627,267
SUMITOMO CHEMICAL	169,000	822,002	807,667
SUMITOMO FORESTRY CO	25,000	344,538	372,367
SUMITOMO LIGHT METAL	50,000	163,228	203,317
SUMITOMO MARINE & FIRE	102,000	843,403	890,117
SUMITOMO METAL INDUSTRIES	135,000	410,300	414,493
SUMITOMO METAL MNG	40,000	384,347	346,873
SUMITOMO OSAKA CEMENT CO	80,000	372,835	390,369
SUMITOMO REALTY & DEV CO	100,000	658,469	792,251
SUMITOMO WAREHOUSE CO	63,000	418,183	466,880
SUN HUNG KAI PROPERTIES	94,000	895,280	950,231
SUN HUNG KAI PROPERTIES	18,000	170,068	181,959
SUN HUNG KAI PROPERTIES	268,000	2,502,486	2,709,169
SUNGEI WAY HLDGS ORD	45,000	164,400	211,064
SUNGEI WAY HLDGS ORD	215,000	858,343	1,008,419
SUNWAVE CORP	10,000	125,109	143,464
SURUGA BANK	30,000	182,385	199,845
SVENSKA CELLULOSA	205,700	3,483,943	4,240,276
SWIRE PACIFIC	83,000	707,651	710,364
SWIRE PACIFIC	120,000	1,033,400	1,027,032
SWIRE PACIFIC	233,000	1,771,605	1,994,154
SYNTHELABO	29,000	1,770,108	2,452,253
TABACALERA SA	25,000	864,745	1,259,716
TABACALERA SA	94,500	3,637,163	4,761,728
TAIKISHA	49,000	841,172	1,034,313
TAIPEI FUND	12,000	1,024,094	1,044,000
TAKASAGO THERMAL ENGIN CO	61,000	935,738	986,613
TAKASHIMAYA CO	50,000	693,963	776,717
TATA ENGINEERING & LOCOMOTIVE	77,000	1,001,000	1,386,000
TATE & LYLE ORD	123,307	881,909	877,813
TAYLOR WOODROW ORD	650,000	1,107,785	1,576,111
TDK CORP	22,000	1,114,123	1,314,753
TECHNOLOGY RESOURCE INDUSTRIES	205,000	642,760	714,973
TELE DANMARK A/S SPONSORED ADR	134,600	3,540,954	3,415,475
TELECOM CORP OF NEW ZEALAND	150,000	649,987	631,584

(Continued)

TCRS Portfolio

International Stock Portfolio

	Shares	Book Value	Market Value
TELECOMUNICACOES BRASILEIRAS	16,800	765,973	1,169,700
TELEFONICA DE ARGENTINA S A	58,000	1,847,370	1,718,250
TELEFONOS DE MEXICO S A	125,000	4,526,248	4,187,500
TELEKOM MALAYSIA BERHAD	105,000	993,935	934,456
TELEKOM MALAYSIA BERHAD	165,000	1,408,312	1,468,431
TELEKOMUNIKASI INDONESIA	930,000	1,432,165	1,408,487
TELEKOMUNIKASI INDONESIA	315,000	475,055	477,068
TELEVISION BROADCAST ORD	77,000	310,257	288,971
TEMPLETON DRAGON FD INC	68,900	837,875	912,925
TENAGA NASIONAL BERHAD	270,000	1,049,627	1,136,500
THAI AIRWAY INTL PUBLIC CO LTD	241,800	459,431	514,306
THAI FARMERS BANK PUBLIC CO WT	8,000	22,372	21,427
THAI FARMERS BK PUBLIC CO	20,000	177,085	219,001
THAI FARMERS BK PUBLIC CO	53,000	618,558	580,353
THAI FARMERS BK PUBLIC CO	107,800	886,420	1,180,416
THAI MILITARY BANK	365,700	1,361,500	1,440,444
THE NEWS CORP ORD	233,365	1,077,728	1,322,241
THE NEWS CORP ORD	118,300	546,334	670,285
TIGER INVESTMENT CO LIMITED	800,000	273,111	264,046
TITAN CEMENT CO	9,660	461,303	477,538
TNT ORD	295,000	421,227	331,511
TOBU RAILWAY CO	70,000	383,146	459,908
TOENEC CORP	25,000	204,524	233,015
TOHO GAS	125,000	406,905	418,056
TOHOKU ELEC PWR	35,700	847,781	799,242
TOHOKU ELEC PWR	6,000	140,747	134,326
TOKIO MARINE & FIRE INS CO	151,000	1,779,929	2,014,529
TOKIO MARINE & FIRE INS CO	90,000	1,070,951	1,200,713
TOKYO ELECTRIC PWR CO	45,000	1,156,629	1,143,144
TOKYO ELECTRON	23,000	868,639	670,444
TOKYO GAS	220,000	778,418	804,130
TOKYO GAS	105,000	387,052	383,789
TOKYO OHKA KOGYO	29,400	855,191	781,779
TOKYU STORE CHAIN	10,000	67,246	89,459
TOMEN CORPORATION	150,000	508,748	577,055
TOPY INDUSTRIES	25,000	99,452	122,219
TORAY INDUSTRIES INC	130,000	845,559	898,067
TORAY INDUSTRIES INC	192,000	1,194,365	1,326,376
TORISHIMA PUMP MFG	10,000	81,125	90,465
TOSOH CORP	50,000	218,040	222,507
TOTAL 'B' SHS	59,181	3,526,577	4,392,342
TOYO TRUST & BANKING CO	120,000	815,162	1,239,092
TOYOBO CO	90,000	338,468	338,009
TOYOTA MOTOR CO	59,000	1,266,049	1,477,224
TOYOTA MOTOR CO	57,000	1,442,555	1,427,148
TRELLEBORG AB	106,000	1,198,954	1,328,652
TRUST BANK NEW ZEALAND ORD	104,364	111,643	161,555
TSUBAKIMOTO CHAIN CO	80,000	375,327	546,078
TUNG HO STEEL ENTERPRISE CORP	32,500	394,000	369,850
UBE INDUSTRIES	150,000	633,697	571,572
UNDERVALUED ASSETS TAIWAN FD	100,000	856,250	841,000
UNI-CHARM	7,000	158,048	180,381
UNILEVER N V	100,000	13,082,772	14,512,500
UNILEVER N V	72,000	9,300,178	10,449,000
UNILEVER NV	24,600	3,355,904	3,562,709
UNION FIN DE FRANC	7,060	547,033	603,859
UNITED ENGINEERS(MALAYSIA)	108,000	704,552	749,008
UNITED OVERSEAS BANK	40,000	428,129	382,707
UNITED OVERSEAS BANK	41,000	458,577	392,275

(Continued)

TCRS Portfolio
International Stock Portfolio

	Shares	Book Value	Market Value
UNITED OVERSEAS LAND	141,000	300,073	247,824
UNITED OVERSEAS LAND	486,000	902,698	854,203
UNITED OVERSEAS LAND WTS	14,100	7,005	6,995
UNIVERSAL ROBINA CORP	240,000	128,821	128,244
UNY CO	76,000	1,320,212	1,507,013
UPM-KYMMENE OY	46,620	924,236	967,109
USHIO ELECTRIC	69,000	835,736	844,885
USINOR SACILOR	115,000	1,713,265	1,659,863
VA TECHNOLOGY AG	28,659	3,446,951	3,512,926
VALMENT CORP	65,000	1,006,459	1,101,445
VAN DER HORST	21,000	100,737	98,228
VARITRONIX INTL	480,000	969,759	1,001,453
VEBA AG	21,000	739,188	1,117,220
VEBA AG	45,600	1,669,786	2,425,963
VEBA AG	87,900	3,276,868	4,676,362
VENDEX INTERNATIONAL NV CVA	47,000	1,446,907	1,639,695
VENDOME LUXURY CR PLC/VEND LUX	250,000	2,546,819	2,315,982
VENDOME LUXURY CR PLC/VEND LUX	160,000	1,429,674	1,482,228
VENTURE MANUFACTURING	50,000	0	35,436
VENTURE MANUFACTURING ORD	200,000	350,603	368,533
VICTOR CO JAPAN	41,000	440,133	588,203
VISCOFAN ENVOLTURA	71,000	930,029	1,123,198
VODAFONE GROUP ORD	350,000	1,455,014	1,302,934
VODAFONE GROUP ORD	523,500	2,114,731	1,948,817
WANT WANT HOLDINGS ORD	34,000	57,120	91,460
WEIR GROUP ORD	500,300	1,683,483	1,951,880
WESTPAC BANKING CORP	210,600	1,016,156	931,765
WESTPAC BANKING CORP	183,931	841,905	813,772
WHARF HOLDINGS	495,000	1,728,375	1,771,340
WING TAI HOLDINGS	161,000	399,356	342,310
WMC LTD	101,000	609,101	722,275
WMC LTD	165,067	995,471	1,180,433
WOLTERS KLUWER CVA	21,218	1,624,447	2,412,296
WPP GROUP ORD	495,000	1,203,668	1,654,217
YAMADA DENKI CO	20,000	476,585	564,719
YAMAKAWA INDUSTRIAL CO	20,000	204,104	175,264
YAMANASHI CHUO BK	89,000	847,104	894,595
YAMANOUCHI PHARMACEUTICAL CO	46,000	1,019,386	1,000,411
YAMATO KOGYO	80,000	755,338	957,646
YAMATO TRANSPORT	71,000	826,103	836,935
YAMAZAKI BAKING CO	15,000	259,503	278,247
YAMAZAKI BAKING CO	40,000	713,375	741,993
YASUKAWA ELECTRIC MFG	60,000	251,000	293,873
YIZHENG CHEMICAL FIBRE COMPANY	350,000	98,697	77,318
YOKOHAMA RUBBER CO	171,000	977,626	1,073,487
YONEKYU CORP	9,500	112,668	132,819
YUASA TRADING CO	50,000	263,413	275,049
NON-BASE CURRENCY	82,526,092	2,046,606	2,049,953
TOTAL INTERNATIONAL STOCK PORTFOLIO		\$905,979,830	\$1,007,259,825
GRAND TOTAL STOCK PORTFOLIO		\$4,712,144,931	\$5,984,930,743

Chairs of Excellence Portfolio

Domestic and International Fixed Income Portfolio

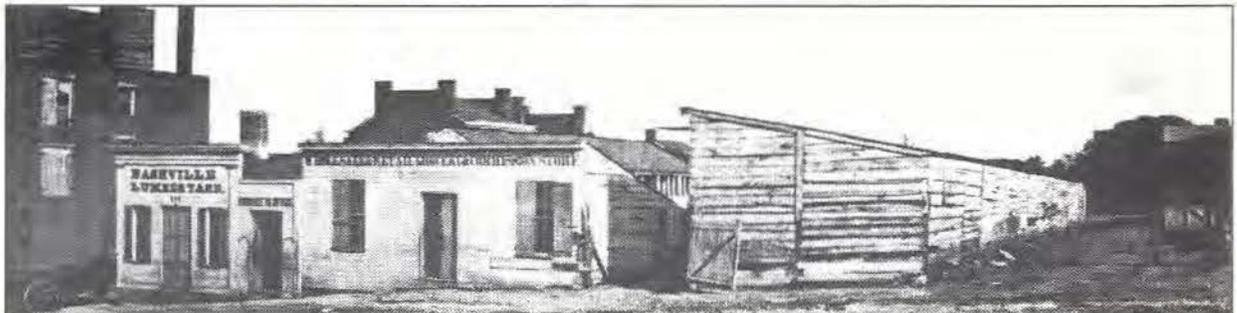
	Rating	Coupon	Maturity	Par Value	Market Value
GOVERNMENTS:					
BONDS AND NOTES:					
GOVERNMENT BACKED TRS CL T-2	AAA	9.400	11/15/96	\$ 134,240	\$135,535
GOVERNMENT TR CTFs CPN CL 2-D	AAA	9.250	11/15/96	69,417	70,197
SMALL BUSINESS ADMIN 1991-10 C	AAA	8.330	9/10/2001	5,254,829	5,469,226
U S TREASURY NOTES	AAA	6.125	3/31/98	5,000,000	5,003,900
TOTAL BONDS AND NOTES					\$10,678,858
AGENCIES:					
FHLMC GROUP #C8-0226	AAA	8.500	9/1/2024	\$ 1,523,700	\$1,564,642
FHLMC GROUP #C8-0396	AAA	7.000	4/1/2026	5,086,202	4,897,047
FHLMC GROUP #D6-5916	AAA	6.500	12/1/2025	4,566,057	4,276,386
FNMA POOL #0002494	AAA	8.000	4/1/2008	3,875,398	3,979,298
FNMA POOL #0250128	AAA	7.500	9/1/2009	1,586,574	1,597,966
FNMA POOL #0250129	AAA	7.500	9/1/2001	3,968,635	4,008,321
FNMA POOL #0250345	AAA	7.000	9/1/2025	4,943,034	4,754,556
FNMA POOL #0328337	AAA	5.500	11/1/2001	905,841	854,036
GNMA POOL #0196110	AAA	9.000	12/15/2016	1,401,368	1,483,081
GNMA GTD REMIC 1994-3 CL PH	AAA	7.500	10/16/2022	5,000,000	5,030,422
GNMA II POOL #0008399	AAA	6.000	4/20/2024	1,773,328	1,797,995
TENNESSEE VALLEY AUTH SER B	AAA	8.050	7/15/2024	10,000,000	9,897,000
TOTAL AGENCIES					\$44,140,750
TOTAL GOVERNMENTS AND AGENCIES					\$54,819,608
CORPORATES:					
ASSOCIATES CORP NORTH AMER NT	AA3	8.375	1/15/98	\$ 5,000,000	\$5,142,450
AT&T CAP CORP MTN #TR 00571	BAA3	5.970	2/27/98	5,000,000	4,970,300
ATLANTIC RICHFIELD CO MTN00036	A2	8.200	9/15/98	3,000,000	3,101,370
CHRYSLER FIN MTN #TR 00511	A3	6.080	3/18/98	5,000,000	4,972,650
COOPERATIVE UTIL TR BIG ELEC	AAA	9.500	2/15/2017	5,000,000	5,441,850
DEAN WITTER DISCOVER & CO NT	A2	6.250	3/15/2000	2,000,000	1,961,800
GENERAL MTRS ACCEP CORP MTN	A3	6.250	1/6/2000	5,000,000	4,926,800
GULF PWR CO 1ST MTG	A1	8.750	12/1/2021	983,000	1,044,408
RURAL ELEC COOP GRANTOR CTFs	AAA	9.630	9/30/2011	1,000,000	1,067,780
SEARS ROEBUCK MTN #TR 00064	A2	5.990	12/26/2000	5,000,000	4,833,000
WISCONSIN GAS CO NT	AA3	7.500	11/15/98	2,000,000	2,037,520
TOTAL CORPORATES					\$39,499,928
TOTAL DOMESTIC FIXED INCOME PORTFOLIO					\$94,319,536
INTERNATIONAL FIXED INCOME PORTFOLIO					
CORPORATES:					
FORD CAP B V NT	A1	10.125	11/15/2000	\$ 5,000,000	\$5,594,450
IMPERIAL OIL LTD DEB	AA2	8.750	10/15/2019	164,000	176,769
TOTAL CORPORATES					\$5,771,219
TOTAL INTERNATIONAL FIXED INCOME PORTFOLIO					\$5,771,219
GRAND TOTAL FIXED INCOME PORTFOLIO					\$100,090,755

Chairs of Excellence Portfolio
Domestic and International Stock Portfolio

	Shares	Book Value	Market Value
ABBOTT LABS	24,000	\$1,008,215	\$1,044,000
ALUMINUM CO AMER	8,000	502,180	459,000
AMERICAN ELEC PWR INC	21,000	906,211	895,125
AMERICAN GEN CORP	24,000	769,790	873,000
AMERICAN HOME PRODS CORP	24,000	759,270	1,443,000
AMERICAN INTL GROUP INC	10,000	870,600	986,250
AT & T CORP	15,000	762,054	930,000
BANK OF BOSTON CORP COM	20,000	744,819	990,000
BRISTOL MYERS SQUIBB	15,000	990,158	1,350,000
CATERPILLAR INC	17,000	1,086,718	1,151,750
CHEVRON CORP	19,000	935,215	1,121,000
CITICORP	18,000	1,193,255	1,489,500
COCA COLA CO	30,000	801,025	1,470,000
COLGATE PALMOLIVE CO	12,000	737,281	1,017,000
COLUMBIA/HCA HEALTHCARE CORP	22,000	1,105,660	1,179,750
DISNEY WALT	12,000	798,195	754,500
EASTMAN KODAK CO	13,000	813,505	1,010,750
EXXON CORP	16,000	964,342	1,390,000
FEDERAL EXPRESS CORP	11,000	699,873	902,000
FEDERAL NATL MTG ASSN	23,000	699,177	770,500
FLUOR CORP	16,000	776,204	1,046,000
GAP INC	29,000	827,915	931,625
GENERAL ELEC CO	15,300	756,948	1,327,275
GOODYEAR TIRE & RUBR CO	22,000	815,394	1,056,000
INTEL CORP	20,000	1,302,681	1,468,760
KIMBERLY CLARK CORP	12,000	945,170	927,000
MICROSOFT CORP	12,000	1,146,480	1,441,500
MINNESOTA MNG & MFG CO	16,000	913,310	1,104,000
MONSANTO CO	30,000	707,460	975,000
MOTOROLA INC	15,000	964,275	941,250
NIKE INC CL B	10,000	906,363	1,027,500
ORACLE CORP	29,999	601,615	1,183,101
PACIFICORP	42,000	723,722	934,500
PENNEY J C INC	20,000	979,482	1,050,000
PRAXAIR INC	26,000	600,321	1,098,500
SAFECO CORP	20,000	717,175	707,500
SAFEWAY INC NEW	41,000	676,198	1,353,000
SBC COMMUNICATIONS INC	13,000	519,440	640,250
TEXACO INC	10,000	832,100	838,750
TEXAS UTILS CO	21,000	801,985	897,750
TOTAL DOMESTIC STOCK PORTFOLIO		\$33,661,781	\$42,176,386
INTERNATIONAL STOCK PORTFOLIO			
SCHLUMBERGER LTD	15,000	\$940,900	\$1,263,750
GRAND TOTAL STOCK PORTFOLIO		\$34,602,681	\$43,440,136

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 37243-0264
PHONE (615) 741-3697

December 12, 1996

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Local Government Investment Pool, as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenditures, and changes in fund balances 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, 1996, and June 30, 1995, and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

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

In accordance with generally accepted government auditing standards, we have also issued reports dated December 12, 1996, on our consideration of the internal control structure and on compliance with laws and regulations.

Sincerely,

A handwritten signature in cursive script that reads "Arthur A. Hayes, Jr.".

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

Local Government Investment Pool**Comparative Balance Sheets**

	June 30, 1996	June 30, 1995
<i>Assets</i>		
Cash	\$ 1,326,120,685	\$ 1,281,063,828
Due from State General Fund	1,643,359	407,685
Due from State Special Revenue Fund	39,226	23,209
Due from State Education Trust Fund	265,142	161,475
Due from State Loan Program Fund	0	446,689
Total Assets	\$ 1,328,068,412	\$ 1,282,102,886
<i>Liabilities and Fund Balances</i>		
<i>Liabilities:</i>		
Member Deposits	\$ 1,131,049,291	\$ 1,079,137,944
Due to State Capital Projects Fund	822,106	777,735
Due to State College and University Funds	188,562,488	193,980,605
Due to State Community Services Agencies	4,258,188	5,177,193
Due to Tennessee State Veterans' Homes Board	928,519	480,115
Total Liabilities	\$ 1,325,620,592	\$ 1,279,553,592
Fund Balances, Unreserved	\$ 2,447,820	\$ 2,549,294
Total Liabilities and Fund Balances	\$ 1,328,068,412	\$ 1,282,102,886

See accompanying Notes to the Financial Statements.

Local Government Investment Pool**Comparative Statements of Revenues, Expenditures and Changes in Fund Balances**

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<i>Revenues</i>		
Interest Income from Pooled Investment Fund	\$ 79,195,869	\$ 71,191,471
<i>Expenditures</i>		
Interest on Deposits	78,345,704	70,414,939
Administrative Cost	951,639	1,044,128
Total Expenditures	\$ 79,297,343	\$ 71,459,067
Deficiency of Revenues Under Expenditures	\$ (101,474)	\$ (267,596)
Fund Balances, July 1	\$ 2,549,294	\$ 2,816,890
Fund Balances, June 30	\$ 2,447,820	\$ 2,549,294

See accompanying Notes to the Financial Statements.

A. *Summary of Significant Accounting Policies*

1. *Reporting Entity*

The Local Government Investment Pool (LGIP) forms an integral part of the primary government and has been included as an expendable trust fund in the *Tennessee Comprehensive Annual Financial Report*.

2. *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The LGIP is accounted for on the modified accrual basis of accounting and the flow of current financial resources measurement focus. Under this basis, revenues are recorded when they become both measurable and available and expenditures are recognized at the time liabilities are incurred.

3. *Deposits*

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 authorized 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 custodial agent upon simultaneous receipt of collateral securities. The pool's custodial credit risk is presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 1996 and June 30, 1995.

B. *Description of the Local Government Investment Pool*

The Local Government Investment Pool 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 (DOT). The only withdrawals allowed from these accounts are to pay the DOT in accordance with progress billings for construction projects contracted between the entity and DOT.

Some deposits are committed to Community Services Agencies, the Tennessee 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.

Local Government Investment Pool**Comparative Schedules of Cash Receipts and Disbursements**

	July 1, 1995 through June 30, 1996	July 1, 1994 through June 30, 1995
<i>Cash Balances, July 1</i>	\$ 1,281,063,828	\$ 1,139,765,831
<hr/>		
<i>Add Cash Receipts:</i>		
Member Deposits	\$ 3,196,647,309	\$ 3,612,822,317
Interest Income from Pooled Investment fund	79,195,869	71,191,471
<i>Total Cash Receipts</i>	\$ 3,275,843,178	\$ 3,684,013,788
<hr/>		
<i>Deduct Cash Disbursements:</i>		
Member Withdrawals	\$ 3,229,834,682	\$ 3,541,671,663
Administrative Cost	951,639	1,044,128
<i>Total Cash Disbursements</i>	\$ 3,230,786,321	\$ 3,542,715,791
<hr/>		
<i>Cash Balances, June 30</i>	\$ 1,326,120,685	\$ 1,281,063,828

**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 37243-0264
PHONE (615) 741-3697**

December 12, 1996

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Tennessee Consolidated Retirement System, as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenses, and changes in fund balances 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 Tennessee Consolidated Retirement System as of June 30, 1996, and June 30, 1995, 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 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.

In accordance with generally accepted government auditing standards, we have also issued reports dated December 12, 1996, on our consideration of the internal control structure and on compliance with laws and regulations.

Sincerely,

A handwritten signature in cursive script that reads "Arthur A. Hayes, Jr.".

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

Tennessee Consolidated Retirement System
Comparative Balance Sheets

(Expressed in Thousands)

	June 30, 1996	June 30, 1995
Assets		
Cash	\$ 4,087	\$ 6,110
Investments:		
Short-term Investments (Amortized Cost)	668,219	968,231
Long-term Investments:		
Domestic Securities:		
Government Bonds (Amortized Cost)	3,224,961	2,706,712
Corporate Bonds (Amortized Cost)	3,087,384	3,001,823
Corporate Stocks (Cost)	3,781,753	3,416,917
Securities on Loan:		
Government Bonds (Amortized Cost)	1,637,206	961,436
Corporate Bonds (Amortized Cost)	88,670	36,275
Corporate Stocks (Cost)	24,412	91,689
International Securities:		
Government Bonds (Amortized Cost)	802,342	604,256
Corporate Bonds (Amortized Cost)	258,992	319,880
Corporate Stocks (Cost)	804,548	743,709
Securities on Loan:		
Government Bonds (Amortized Cost)	74,326	29,998
Corporate Bonds (Amortized Cost)	0	18,701
Corporate Stocks (Cost)	101,432	116,192
Total Investments	\$ 14,554,245	\$ 13,015,819
Receivables:		
Member Contributions Receivable	\$ 13,401	\$ 13,107
Employer Contributions Receivable	24,636	24,204
Political Subdivision Receivable	4,282	4,466
Accrued Interest Receivable	142,231	134,622
Accrued Dividends Receivable	11,160	10,145
Accrued Loan Income Receivable	522	396
Investments Sold	104,192	109
Total Receivables	\$ 300,424	\$ 187,049
Total Assets	\$ 14,858,756	\$ 13,208,978
Liabilities and Fund Balances		
Liabilities:		
Retired Payroll Payable	\$ 14,721	\$ 13,279
Warrants Payable	456	573
Accounts Payable:		
Death Benefits and Refunds Payable	1,470	1,776
Other	16	40
Due to State General Fund	72	0
Investments Purchased	101,361	20,203
Other Investment Payables	2,002	1,558
Total Liabilities	\$ 120,098	\$ 37,429
Fund Balances:		
Member Reserve	\$ 2,396,067	\$ 2,235,349
Employer Reserve (Unfunded Actuarial Accrued Liability totaled \$358.5 million as of June 30, 1996 and \$407.8 million as of June 30, 1995)	\$ 12,342,591	\$ 10,936,200
Total Fund Balances	\$ 14,738,658	\$ 13,171,549
Total Liabilities and Fund Balances	\$ 14,858,756	\$ 13,208,978

See accompanying Notes to the Financial Statements.

Tennessee Consolidated Retirement System

Comparative Statements of Revenues, Expenses and Changes in Fund Balance

(Expressed in Thousands)

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<i>Operating Revenues</i>		
Contributions:		
Member Contributions	\$ 133,603	\$ 126,232
Employer Contributions	290,222	282,626
Political Subdivision Contributions	54,878	49,952
<i>Total Contributions</i>	<u>\$ 478,703</u>	<u>\$ 458,810</u>
Investment Income:		
Loan Revenue	\$ 4,670	\$ 5,344
Interest	549,543	536,795
Dividends	112,444	87,962
Income from Foreign Investments	62,894	55,080
Net Discount (Premium) Amortization	46,024	45,157
Currency Gain (Loss) on Sale of Foreign Investments	46,337	(22,303)
Net Gain on Sale of Investments	777,870	222,390
<i>Total Investment Income</i>	<u>\$ 1,599,782</u>	<u>\$ 930,425</u>
<i>Total Operating Revenues</i>	<u>\$ 2,078,485</u>	<u>\$ 1,389,235</u>
<i>Operating Expenses</i>		
Annuity Benefits:		
Retirement Benefits	\$ 365,465	\$ 336,907
Survivor Benefits	23,204	20,688
Disability Benefits	11,812	10,422
Cost of Living	78,322	72,371
Death Benefits	3,225	3,019
Refunds to Members	20,722	20,914
Administrative Expenses	8,626	6,292
<i>Total Operating Expenses</i>	<u>\$ 511,376</u>	<u>\$ 470,613</u>
<i>Net Income</i>	<u>\$ 1,567,109</u>	<u>\$ 918,622</u>
<i>Fund Balances, July 1</i>	<u>\$ 13,171,549</u>	<u>\$ 12,252,927</u>
<i>Fund Balances, June 30</i>	<u>\$ 14,738,658</u>	<u>\$ 13,171,549</u>

See accompanying Notes to the Financial Statements.

Tennessee Consolidated Retirement System

Comparative Statements of Cash Flows

(Expressed in Thousands)

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
Cash Flows from Operating Activities:		
Cash Received from Member Contributions	\$ 133,308	\$ 125,844
Cash Received from Employer Contributions	289,791	282,643
Cash Received from Political Subdivision Contributions	55,062	48,769
Cash Payments for Annuity Benefits	(477,361)	(440,508)
Cash Payments for Death Benefits	(3,258)	(3,838)
Cash Payments for Refunds to Members	(21,111)	(19,361)
Cash Payments for Administrative Expenses	(8,651)	(6,267)
Miscellaneous Operating Activities	73	(320)
Net Cash Used by Operating Activities	\$ (32,147)	\$ (13,038)
Cash Flows from Investing Activities:		
Interest on Investments	\$ 573,214	\$ 534,937
Dividends on Investments	87,962	86,649
Loan Revenue	4,544	4,970
Income from Foreign Investments	55,080	53,742
Proceeds from Sales and Maturities of Investments	27,459,188	24,281,626
Purchase of Investments	(28,149,864)	(24,943,459)
Net Cash Provided by Investing Activities	\$ 30,124	\$ 18,465
Net Increase (Decrease) in Cash	\$ (2,023)	\$ 5,427
Cash at July 1	6,110	683
Cash at June 30	\$ 4,087	\$ 6,110
Reconciliation of Net Income to Net Cash used by Operating Activities:		
Net Income	\$ 1,567,109	\$ 918,622
Adjustments to Reconcile Net Income to Net Cash Used by Operating Activities:		
Interest Income	\$ (549,543)	\$ (536,795)
Dividend Income	(112,444)	(87,962)
Income from Foreign Investments	(62,894)	(55,080)
Net Gain on Sale of Investments	(777,870)	(222,390)
Currency (Gain) Loss on Sale of Foreign Investments	(46,337)	22,303
Net (Discount) Premium Amortization	(46,024)	(45,157)
Loan Revenue	(4,670)	(5,344)
Changes in Receivables:		
Member Contributions	(294)	(388)
Employer Contributions	(432)	17
Political Subdivision Contributions	184	(1,183)
Changes in Payables:		
Retired Payroll Payable	1,442	(120)
Warrants Payable	(117)	(45)
Accounts Payable	(329)	484
Interfund Payable	72	0
Total Adjustments	\$ (1,599,256)	\$ (931,660)
Net Cash Used by Operating Activities	\$ (32,147)	\$ (13,038)

At June 30, 1996, the TCRS had unsettled investment purchases of \$101,361,001 and unsettled investment sales of \$104,191,570.

At June 30, 1995, the TCRS had unsettled investment purchases of \$20,203,550 and unsettled investment sales of \$108,609.

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

A. Plan Description

1. TCRS

The Tennessee Consolidated Retirement System (TCRS) administers defined benefit, agent multiple-employer and cost-sharing plans. 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, 1996, the number of participating local government employers and the TCRS membership was:

Cities	128	Retirees and beneficiaries	
Counties	84	currently receiving benefits	63,998
Utility Districts	29	Terminated members entitled to	
Special School Districts	20	benefits but not yet receiving them	11,668
Joint Ventures	22	Current members:	
Regional Libraries	12	Vested	113,466
Development Agencies	12	Nonvested	64,122
Housing Authorities	10	Total	253,254
911 Emergency Communication Districts	23		
Other	16		
Total	356		

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 who are at least 55 years of age or have 25 years of service. 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.

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 employee exempt from the overtime provision of the Fair Labor Standards Act and 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). *(Continued)*

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

The ORP 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 and staff exempt from the overtime provision of the Fair Labor Standards Act 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, 1996, the state of Tennessee contributed \$49.7 million (10.1 percent of current covered payroll) to the ORP. The total current covered payroll was \$493.7 million.

A second, now closed, group of University of Tennessee faculty also participates in the Optional Retirement Program 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 is 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. *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The TCRS follows all applicable GASB pronouncements, as well as applicable private sector pronouncements issued on or before November 30, 1989. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, 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 primary government's policy regarding the definition of Cash and Cash Equivalents includes cash management pools as cash. In addition, short-term 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 system had no cash equivalents at June 30, 1996 and June 30, 1995. 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 authorized 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 upon simultaneous receipt of collateral securities. The pool's custodial credit

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

risk is presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 1996 and June 30, 1995. Cash and Cash Equivalents also includes cash held by the TCRS' agent under contractual arrangement for master custody services.

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 as of June 30, 1996 consist of \$5.6 million due from other funds within the state and \$36.7 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.

C. *Investments*

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

- a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75%) of the total of the funds of the retirement system.
- b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75%) of the total funds of the retirement system.
- c. Within the restrictions in (a) and (b) above, an amount not to exceed fifteen percent (15%) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries. 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.

The 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. Treasury obligations, 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 custodial credit risk associated with the custodial arrangements at year end. 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, 1996 and June 30, 1995

(Expressed in Thousands)

	June 30, 1996		June 30, 1995	
	Book Value	Market Value	Book Value	Market Value
Investments - Category 1:				
Short-term Investments:				
Commercial Paper	\$ 544,910	\$ 544,910	\$ 740,404	\$ 740,404
Medium-term Corporate Notes	96,320	96,321	45,001	44,969
U. S. Government Securities	26,989	26,502	156,626	156,625
Repurchase Agreements	0	0	26,200	26,200
Long-term Investments:				
Domestic Securities:				
Government Bonds	3,212,095	3,272,842	2,673,226	2,886,749
Corporate Bonds	3,087,384	3,087,494	2,981,834	3,049,591
Corporate Stocks	3,757,586	4,923,099	3,416,703	4,061,080
International Securities:				
Government Bonds	745,317	747,381	604,256	643,972
Corporate Bonds	258,992	264,546	319,880	349,482
Corporate Stocks	797,245	889,184	743,709	794,160
	\$ 12,526,838	\$ 13,852,279	\$ 11,707,839	\$ 12,753,232
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	1,637,206	1,617,060	961,436	1,009,421
Corporate Bonds	88,670	90,018	36,275	41,470
Corporate Stocks	24,412	29,945	91,689	104,597
International Securities:				
Government Bonds	74,326	87,658	29,998	39,456
Corporate Bonds	0	0	18,701	18,115
Corporate Stocks	101,432	110,797	116,192	117,268
Margin Deposit on Futures Contracts:				
Domestic Government Bonds	0	0	33,486	34,035
Unsettled Investment Acquisitions:				
Domestic Securities:				
Government Bonds	12,866	13,049	0	0
Corporate Bonds	0	0	19,989	19,906
Corporate Stocks	24,167	24,628	214	232
International Securities:				
Government Bonds	57,025	55,052	0	0
Corporate Stocks	7,303	7,278	0	0
Total Investments	\$ 14,554,245	\$ 15,887,764	\$ 13,015,819	\$ 14,137,732

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

The TCRS is authorized to enter into collateralized securities lending agreements whereby the 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 the TCRS' assets. The loaned securities are initially collateralized at 102 percent of their market value for domestic securities and 105 percent for international. Additional collateral is pledged if the aggregate market value subsequently falls below 100 percent for domestic securities and 105 percent for international. The TCRS' custodian bank manages the lending program and maintains the collateral on behalf of the TCRS. At June 30, 1996, the market value of the TCRS' securities on loan to brokers was \$1,935,478,168, and the market value of collateral pledged for the securities on loan was \$1,971,541,154.

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 custodial credit and market risk in excess of amounts recognized in the Balance Sheet as of June 30, 1996. 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 currencies of those countries otherwise authorized for investment. Forward exchange contracts in effect at June 30, 1996 are summarized as follows:

Commitments to Deliver Foreign Currency		U.S. Currency to be Received Upon Delivery of Foreign Currency	Market Value at 6/30/96 to Purchase Foreign Currency for Delivery
22,680,000	Netherlands Guilder	\$ 13,558,917	\$ 13,424,894
121,520,000	French Franc	23,725,715	23,769,897
27,580,000	Pound Sterling	42,796,376	42,851,345
141,600,000	Deutsche Mark	93,525,847	93,524,189
16,798,620,300	Japanese Yen	157,546,571	155,082,643
<i>Total</i>		\$ 331,153,426	\$ 328,652,968

The Currency Gain (Loss) on Sale of Foreign Investments line item on the Statements of Revenues, Expenses and Changes in Fund Balances includes a net gain on forward contracts in the amount of \$62,058,735.

At June 30, 1996, there were no futures contracts outstanding. The Net Gain on Sale of Investments line item on the Statements of Revenues, Expenses and Changes in Fund Balances includes a net gain on futures contracts in the amount of \$17,195,843.

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, 1996.

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

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

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, 1995 and an actuarial update as of June 30, 1996. Significant actuarial assumptions used include: (a) a rate of return on investment of present and future assets of eight percent per year compounded annually, (b) projected salary increases of seven percent (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries) per year compounded annually, (c) a projected six percent annual increase in the social security wage base, and (d) projected post-retirement benefit increases of three percent of the retiree's initial benefit. No actuarial assumptions were changed during the year.

At June 30, 1996, the net assets exceeded the pension benefit obligation by \$1.51 billion as follows (in millions):

	State	Teachers	Political Subdivisions	Total
Pension benefit obligation				
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 1,852.3	\$ 2,600.3	\$ 595.1	\$ 5,047.7
Current employees:				
Accumulated employee contributions including allocated investment earnings	596.5	1,407.7	393.2	2,397.4
Employer-financed vested	2,069.9	3,002.5	592.3	5,664.7
Employer-financed nonvested	47.1	34.3	33.0	114.4
<i>Total pension benefit obligation</i>	<i>\$ 4,565.8</i>	<i>\$ 7,044.8</i>	<i>\$ 1,613.6</i>	<i>\$ 13,224.2</i>
Net assets available for benefits at cost or amortized cost (market value is \$16,072.2)	\$ 5,088.6	\$ 7,851.7	\$ 1,798.4	\$ 14,738.7
<i>Assets in excess of pension benefit obligation</i>	<i>\$ (522.8)</i>	<i>\$ (806.9)</i>	<i>\$ (184.8)</i>	<i>\$ (1,514.5)</i>

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, 1995, the unfunded accrued liability was reestablished. The effect of the reestablishment was to reduce the unfunded accrued liability from \$481.7 million to \$407.8 million. Effective July 1, 1995, the Board increased the amortization period for \$265.0 million of the unfunded accrued liability associated with the contributory teachers group from 8 to 20 years. The unfunded accrued liability relating to a closed group of state judges, attorneys general and county officials is amortized over a 20-year period. The unfunded liability totaling \$41.3 million for political subdivisions is being amortized over various periods depending upon the political subdivision's participation in TCRS. The unfunded accrued liability is amortized using the level-dollar basis. The employer contributions include funding for the

(Continued)

Tennessee Consolidated Retirement System

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

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, 1995	June 30, 1993
Present Value of Actuarial Liability for Active and Retired Accounts	\$ 14,434,823,163	\$ 12,002,984,552
Less Actuarial Valued Assets:		
Employer Reserve	11,646,471,385	9,763,269,376
Member Reserve	2,380,534,702	2,041,954,328
<i>Unfunded Liability</i>	\$ 407,817,076	\$ 197,760,848

The unfunded accrued liability of the system was restated with the June 30, 1995 actuarial valuation and the amortization period for teachers was returned to the 40-year period initiated in 1975. Excluding political subdivisions, the June 30, 1995 unfunded actuarial accrued liability totaled \$366.5 million. The June 30, 1996 actuarial update calculated the unfunded actuarial accrued liability at \$358.5 million.

For the year ended June 30, 1996, contributions totaling \$478.7 million were made in accordance with contribution requirements determined through an actuarial valuation performed at June 30, 1993. 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 \$290.2 million (6.1 percent of current covered payroll) to the plan, and state employees and teachers contributed \$102.9 million (2.2 percent of current covered payroll) to the plan. Political subdivisions contributed \$54.9 million (1.2 percent of current covered payroll) to the plan, and employees of political subdivisions contributed \$30.7 million (.6 percent of current covered payroll). These contributions consisted of (a) \$414.7 million normal cost (8.7 percent of current covered payroll) and (b) \$64.0 million amortization of the unfunded accrued liability (1.3 percent of current covered payroll). The total current year covered payroll was \$4.75 billion.

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.

Tennessee Consolidated Retirement System

Required Supplementary Information

Revenues by Source

Fiscal Year	Member Contributions	Employer Contributions	Investment Income	Contributions For ORP	Total
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
1995	126,231,517	332,578,144	930,425,055	0	1,389,234,716
1996	133,602,555	345,100,506	1,599,782,343	0	2,078,485,404

Expenses by Type

Fiscal Year	Benefits	Refunds	Administrative Expenses	Contributions to ORP	Total
1987	\$ 229,300,596	\$ 21,750,626	\$ 0	\$ 22,994,583	\$ 274,045,805
1988	243,993,945	17,801,882	0	19,323,704 [1]	281,119,531
1989	258,320,437	20,664,894	0	0	278,985,331
1990	278,174,928	20,561,180	0	0	298,736,108
1991	309,660,795	19,384,713	0	0	329,045,508
1992	334,611,059	20,862,169	0	0	355,473,228
1993	361,225,244	17,141,499	0	0	378,366,743
1994	398,213,491	17,636,340	0	0	415,849,831
1995	443,406,956	20,914,496	6,291,841	[2] 0	470,613,293
1996	482,028,294	20,721,711	8,625,594	0	511,375,599

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.
- [2] Effective July 1994, the administrative expenses for TCRS began being paid from the pension trust fund. Previously, TCRS administrative expenses were paid from the state's operating budget.

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 [2]	11,000.9	9,763.1	112.7	(1,237.8)	3,923.1	(31.6)
1994 [3]	12,252.9	10,608.1	115.5	(1,644.8)	4,264.7	(38.6)
1995 [4]	13,171.5	12,141.6	108.5	(1,029.9)	4,582.6	(22.5)
1996	14,738.7	13,224.2	111.5	(1,514.5)	4,748.4	(31.9)

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.

- [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] The 1993 funding percentage of 112.7 percent would have been 107.7 percent had the benefit provisions adopted during fiscal year 1994 been in effect as of the 1993 valuation date.
- [3] Benefit improvement provisions adopted during fiscal year 1994 caused an increase of \$450.6 million in the pension benefit obligation. The pension benefit obligation, percentage funded, unfunded (assets in excess of) PBO, and unfunded (assets in excess of) PBO as a percentage of covered payroll reflect liabilities before the five percent benefit improvement.
- [4] The 1995 PBO includes the five percent benefit improvement effective January 1, 1994.

Tennessee Consolidated Retirement System**Actuarial Balance Sheet as of June 30, 1995**

	<u>Political Subdivisions</u>	<u>State</u>	<u>Total</u>
Assets			
Present assets creditable to:			
Employer Accumulation Fund	\$ 1,323,015,055	\$ 10,323,456,330	\$ 11,646,471,385
Members' Fund	384,817,464	1,995,717,238	2,380,534,702
Total Present Assets	\$ 1,707,832,519	\$ 12,319,173,568	\$ 14,027,006,087
Present value of prospective contributions payable to:			
Employer Accumulation Fund:			
Normal	\$ 331,367,220	\$ 2,157,178,470	\$ 2,488,545,690
Accrued Liability	41,288,942	366,528,134	407,817,076
Employer Accumulation Fund Total	\$ 372,656,162	\$ 2,523,706,604	\$ 2,896,362,766
Members' Fund:	216,614,295	1,050,733,090	1,267,347,385
Total Prospective Contributions	\$ 589,270,457	\$ 3,574,439,694	\$ 4,163,710,151
Total Assets	\$ 2,297,102,976	\$ 15,893,613,262	\$ 18,190,716,238
Liabilities			
Present value of prospective benefits payable on account of:			
Present retired members and contingent annuitants	\$ 534,226,106	\$ 3,958,421,592	\$ 4,492,647,698
Present active members	1,736,596,055	11,782,598,930	13,519,194,985
Former members	26,280,815	152,592,740	178,873,555
Total Liabilities	\$ 2,297,102,976	\$ 15,893,613,262	\$ 18,190,716,238

**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 37243-0264
PHONE (615) 741-3697**

December 12, 1996

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the IRC Section 457 Deferred Compensation Plan as of June 30, 1996, and June 30, 1995, and the related statement of changes in assets and liabilities for the year ended June 30, 1996. 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, 1996, and June 30, 1995, and the changes in assets and liabilities for the year ended June 30, 1996, in conformity with generally accepted accounting principles.

In accordance with generally accepted government auditing standards, we have also issued reports dated December 12, 1996, on our consideration of the internal control structure and on compliance with laws and regulations.

Sincerely,

A handwritten signature in cursive script that reads "Arthur A. Hayes, Jr.".

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

IRC Section 457 Deferred Compensation

Comparative Balance Sheets

<i>Assets</i>	June 30, 1996	June 30, 1995
<i>Investments Held by Vendors:</i>		
AEtna	\$ 30,309,628	\$ 28,118,178
American General	983,807	998,466
Calvert Group	444,883	324,675
Fidelity Investments	48,458,233	40,132,431
Great West	5,105,240	5,641,763
Union Planters	15,174,443	14,806,977
Total Investments	\$ 100,476,234	\$ 90,022,490
<i>Receivables from State Funds for:</i>		
AEtna	\$ 22,341	\$ 25,667
American General	4,633	5,256
Calvert Group	2,495	1,553
Fidelity Investments	103,898	111,771
Great West	0	6,936
Union Planters	25,308	26,624
Total Receivables	\$ 158,675	\$ 177,807
Total Assets	\$ 100,634,909	\$ 90,200,297
Liabilities		
Amounts Held in Custody for Others	\$ 100,634,909	\$ 90,200,297

See accompanying Notes to the Financial Statements.

IRC Section 457 Deferred Compensation

Statement of Changes in Assets and Liabilities

	Balance July 1, 1995	Additions	Deductions	Balance June 30, 1996
Assets				
Investments, at Market	\$ 90,022,490	\$ 25,037,957	\$ 14,584,213	\$ 100,476,234
Receivables from State Funds	177,807	158,675	177,807	158,675
Total Assets	\$ 90,200,297	\$ 25,196,632	\$ 14,762,020	\$ 100,634,909
Liabilities				
Amounts Held in Custody for Others	\$ 90,200,297	\$ 25,196,632	\$ 14,762,020	\$ 100,634,909

See accompanying Notes to the Financial Statements.

A. Summary of Significant Accounting Policies

1. *Reporting Entity*

The Deferred Compensation Plan is part of the primary government and has been included in the *Tennessee Comprehensive Annual Financial Report* as an agency fund.

2. *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) using the modified accrual basis of accounting. The agency fund is custodial in nature and does not measure results of operations or have a measurement focus.

B. Other Accounting Disclosures

1. 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.
2. 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 value of the deferred account for each participant.
3. It is the opinion of the state's legal counsel that the state has no 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.
4. The deferred compensation investments are not required to be classified into the custodial risk categories specified by the GASB because the investments are in pools or mutual funds where the specific securities related to the plan cannot 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 37243-0264
PHONE (615) 741-3697

December 12, 1996

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Flexible Benefits Plan as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenditures, and changes in fund balances 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, 1996, and June 30, 1995, and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

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

In accordance with generally accepted government auditing standards, we have also issued reports dated December 12, 1996, on our consideration of the internal control structure and on compliance with laws and regulations.

Sincerely,

A handwritten signature in cursive script that reads "Arthur A. Hayes, Jr.".

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

Flexible Benefits Plan
Comparative Balance Sheets

	June 30, 1996	June 30, 1995
<i>Assets</i>		
Cash	\$ 5,795,682	\$ 6,407,499
Due from State Funds	1,533	103,234
Total Assets	\$ 5,797,215	\$ 6,510,733
<i>Liabilities and Fund Balances</i>		
<i>Liabilities:</i>		
Warrants Payable	\$ 7,619	\$ 6,256
Accounts Payable	75,616	88,217
Dependent Care Deposits	166,166	129,923
Medical Reimbursement Deposits	30,024	39,638
Due to Other Funds	55,274	0
Total Liabilities	\$ 334,699	\$ 264,034
<i>Fund Balances, Reserved for</i>		
Employee Benefits	\$ 5,462,516	\$ 6,246,699
Total Liabilities and Fund Balances	\$ 5,797,215	\$ 6,510,733

See accompanying Notes to the Financial Statements.

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

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<i>Revenues:</i>		
FICA Savings	\$ 2,225,925	\$ 2,141,935
Flexible Benefit Forfeiture	12,050	21,406
Total Revenues	\$ 2,237,975	\$ 2,163,341
<i>Expenditures:</i>		
Deferred Compensation Match	\$ 2,179,810	\$ 0
Administrative Fees	221,658	233,904
Employee Benefit Program	48,012	74,610
Total Expenditures	\$ 2,449,480	\$ 308,514
<i>Excess (Deficiency) of Revenues</i>		
Over (Under) Expenditures	\$ (211,505)	\$ 1,854,827
<i>Other Financing Uses:</i>		
Operating Transfer to General Fund	\$ (147,516)	\$ (181,487)
Operating Transfer to Internal Service Fund	\$ (425,162)	\$ (335,594)
<i>Excess (Deficiency) of Revenues Over (Under)</i>		
Expenditures and Other Financing Uses	\$ (784,183)	\$ 1,337,746
Fund Balances, July 1	\$ 6,246,699	\$ 4,908,953
Fund Balances, June 30	\$ 5,462,516	\$ 6,246,699

See accompanying Notes to the Financial Statements.

Flexible Benefits Plan

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

A. Summary of Significant Accounting Policies

1. *Reporting Entity*

The Employee Flexible Benefit Plan is part of the primary government and has been included in the *Tennessee Comprehensive Annual Financial Report* as an expendable trust fund.

2. *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) using the flow of current financial resources measurement focus and 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*

Cash deposited in the Employee Flexible Benefit Plan is pooled with the Pooled Investment Fund, administered by the State Treasurer, which 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 authorized 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 custodial agent upon simultaneous receipt of collateral securities. The Pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the years ended June 30, 1996, and June 30, 1995.

B. Other Accounting Disclosures

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

Comparative Schedules of Cash Receipts and Disbursements

	July 1, 1995 through June 30, 1996	July 1, 1994 through June 30, 1995
<i>Cash Balances, July 1</i>	\$ 6,407,499	\$ 5,101,250
Add Cash Receipts:		
Plan Deposits	\$ 3,077,588	\$ 3,000,437
FICA Savings	2,225,957	2,141,877
<i>Total Cash Receipts</i>	\$ 5,303,545	\$ 5,142,314
Deduct Cash Disbursements:		
Plan Withdrawals	\$ 3,055,278	\$ 3,031,347
Deferred Compensation Match	2,022,210	0
Transfer to General Fund	147,516	181,487
Transfer to Internal Service Fund	425,162	335,594
Administrative Fees	221,658	233,904
Employee Benefit Program	43,538	53,733
<i>Total Cash Disbursements</i>	\$ 5,915,362	\$ 3,836,065
<i>Cash Balances, June 30</i>	\$ 5,795,682	\$ 6,407,499

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 37243-0264
PHONE (615) 741-3697

December 12, 1996

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Claims Award Fund as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenses, and changes in retained earnings 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, 1996, and June 30, 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with generally accepted government auditing standards, we have also issued reports dated December 12, 1996, on our consideration of the internal control structure and on compliance with laws and regulations.

Sincerely,

A handwritten signature in cursive script that reads "Arthur A. Hayes, Jr.".

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

Claims Award Fund
Comparative Balance Sheets

	June 30, 1996	June 30, 1995
<i>Assets</i>		
Cash	\$ 79,514,539	\$ 62,371,028
Accounts Receivable	0	55,800
Total Assets	\$ 79,514,539	\$ 62,426,828
<i>Liabilities and Equity</i>		
<i>Liabilities:</i>		
Warrants Payable	\$ 126,047	\$ 146,243
Checks Payable	312,536	336,031
Accounts Payable	567,777	154,038
Claims Liability	51,610,052	55,013,735
Total Liabilities	\$ 52,616,412	\$ 55,650,047
<i>Equity</i>		
Retained Earnings, Reserved for Claims	\$ 26,898,127	\$ 6,776,781
Total Liabilities and Equity	\$ 79,514,539	\$ 62,426,828

See accompanying Notes to the Financial Statements.

Claims Award Fund**Comparative Statements of Revenues, Expenses and Changes in Retained Earnings**

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<i>Operating Revenues:</i>		
Insurance Premiums	\$ 32,815,880	\$ 10,374,803
<i>Operating Expenses:</i>		
Torts		
Death	\$ 613,000	\$ 1,310,615
Bodily Injury	1,380,256	1,846,841
Property Damage	829,534	698,954
<i>Total Torts</i>	\$ 2,822,790	\$ 3,856,410
Workers' Compensation		
Death	\$ 262,660	\$ 266,552
Medical	6,407,653	6,428,780
Assault Injury	20,424	0
Temporary Disability	1,252,921	1,352,292
Permanent Disability	4,117,436	3,739,301
<i>Total Workers' Compensation</i>	\$ 12,061,094	\$ 11,786,925
Employee Property Damage	28,555	28,305
Professional / Administrative	6,154,809	5,915,964
Addition to (Reduction in) Actuarial Liability	(3,403,683)	4,022,165
<i>Total Operating Expenses</i>	\$ 17,663,565	\$ 25,609,769
<i>Operating Income (Loss)</i>	\$ 15,152,315	\$ (15,234,966)
<i>Nonoperating Revenues:</i>		
Interest Income	\$ 4,964,601	\$ 4,215,936
Taxes	4,430	4,600
<i>Total Nonoperating Revenues</i>	\$ 4,969,031	\$ 4,220,536
Income (Loss) Before Operating Transfer	\$ 20,121,346	\$ (11,014,430)
Transfer from General Fund	0	371,597
<i>Net Income (Loss) Before Change in Accounting Principle</i>	\$ 20,121,346	\$ (10,642,833)
Cumulative Effect of Change in Accounting Principle	0	8,776,627
<i>Net Income (Loss)</i>	\$ 20,121,346	\$ (1,866,206)
<i>Retained Earnings, July 1</i>	\$ 6,776,781	\$ 8,642,987
<i>Retained Earnings, June 30</i>	\$ 26,898,127	\$ 6,776,781

See accompanying Notes to the Financial Statements.

Claims Award Fund

Comparative Statements of Cash Flows

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<i>Cash Flows from Operating Activities:</i>		
Operating Income (Loss)	\$ 15,152,315	\$ (15,234,966)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	55,800	(22,403)
Decrease in Warrants Payable	(20,196)	(243,379)
Increase (Decrease) in Checks Payable	(23,495)	42,821
Increase in Accounts Payable	413,739	52,592
Decrease in Deferred Revenue	0	(152,803)
Increase (Decrease) in Claims Liability	(3,403,683)	4,022,165
<i>Total Adjustments</i>	\$ (2,977,835)	\$ 3,698,993
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ 12,174,480	\$ (11,535,973)
<i>Cash Flows from Noncapital Financing Activities:</i>		
Transfer from General Fund	\$ 0	\$ 371,597
Taxes	4,430	4,600
<i>Net Cash Provided by Noncapital Financing Activities</i>	\$ 4,430	\$ 376,197
<i>Cash Flows from Investing Activities:</i>		
Interest on Pooled Investment Fund	\$ 4,964,601	\$ 4,215,936
<i>Net Increase (Decrease) in Cash</i>	\$ 17,143,511	\$ (6,943,840)
<i>Cash at July 1</i>	\$ 62,371,028	\$ 69,314,868
<i>Cash at June 30</i>	\$ 79,514,539	\$ 62,371,028

See accompanying Notes to the Financial Statements.

Claims Award Fund

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

A. Summary of Significant Accounting Policies

1. *Reporting Entity*

The Claims Award Fund is part of the primary government and has been included in the *Tennessee Comprehensive Annual Financial Report* as an internal service fund.

2. *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Claims Award Fund follows all applicable 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 and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

3. *Cash*

Cash deposited in the Claims Award Fund is pooled with the Pooled Investment Fund, administered by the State Treasurer, which 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 authorized 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 custodial agent upon simultaneous receipt of collateral securities. The Pool's custodial credit risk is presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 1996, and June 30, 1995.

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's 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, except for the Board of Professional Responsibility, The Dairy Promotion Board, Women's Suffrage, Certified Cotton Growers' Organization, and TN 200. 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.

(Continued)

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

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, 1996, the present value of these liabilities discounted at 5.89% was \$51,610,052. Changes in the balances of claims liabilities during fiscal years 1996 and 1995 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Change in Accounting Principle	Balance at Fiscal Year End
1994-1995	\$ 59,768,197	\$ 19,693,805	\$ (15,671,640)	\$ (8,776,627)	\$ 55,013,735
1995-1996	\$ 55,013,735	\$ 11,508,756	\$ (14,912,439)	\$ 0	\$ 51,610,052

At June 30, 1996, CAF held \$79.5 million in cash designated for payment of these claims.

2. The total premium recommended by the actuary for fiscal year 1995 totaled \$28,163,600. Of this amount, \$10,222,000 was from agency premiums, \$371,597 from state appropriation, \$152,803 from deferred revenue, and fund equity, along with a change in accounting principle, contributed the remaining requirement.
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 in fiscal year 1993, \$12,918,200 in fiscal year 1994, and \$371,597 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 State's General Fund. The return transfers in fiscal years 1993, 1994, and 1995 were recorded as Operating Transfers from the State's 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 was recognized in fiscal year 1995.

4. *Change in Accounting Principle*
Beginning July 1, 1994, the state began discounting the required reserves (claims liability) to take into consideration the time value of money. A discount factor of 6% was utilized. The cumulative effect of the change was determined by comparing the undiscounted value of the liability to the discounted value at June 30, 1994, \$59,768,197 and \$50,991,570, respectively.

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 37243-0264
PHONE (615) 741-3697

December 12, 1996

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Criminal Injuries Compensation Fund as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenditures, and changes in fund balances 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, 1996, and June 30, 1995, and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

In accordance with generally accepted government auditing standards, we have also issued reports dated December 12, 1996, on our consideration of the internal control structure and on compliance with laws and regulations.

Sincerely,

A handwritten signature in cursive script that reads "Arthur A. Hayes, Jr.".

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

Criminal Injuries Compensation Fund
Comparative Balance Sheets

	June 30, 1996	June 30, 1995
<i>Assets</i>		
Cash	\$ 43,317,887	\$ 36,035,884
Accounts Receivable	1,584,581	578,330
<i>Total Assets</i>	\$ 44,902,468	\$ 36,614,214
<i>Liabilities and Fund Balances</i>		
<i>Liabilities:</i>		
Warrants Payable	\$ 597,209	\$ 586,102
Accounts Payable	293,500	0
Claims Liability	7,324,191	9,245,753
<i>Total Liabilities</i>	\$ 8,214,900	\$ 9,831,855
<i>Fund Balance</i>		
Reserved for Future Benefits	\$ 35,863,447	\$ 25,536,315
Reserved for Victims of Drunk Drivers	824,121	1,246,044
<i>Total Fund Balance</i>	\$ 36,687,568	\$ 26,782,359
<i>Total Liabilities and Fund Balances</i>	\$ 44,902,468	\$ 36,614,214

See accompanying Notes to the Financial Statements.

Criminal Injuries Compensation Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<i>Revenues:</i>		
State		
Taxes	\$ 8,351,298	\$ 7,129,014
Fines	1,666,674	1,686,340
Federal	2,086,000	1,987,000
Interest Income	2,146,591	1,650,931
<i>Total Revenues</i>	<u>\$ 14,250,563</u>	<u>\$ 12,453,285</u>
<i>Expenditures:</i>		
Claim Payments	\$ 4,345,354	\$ 8,972,500
<i>Excess of Revenues Over Expenditures</i>	<u>\$ 9,905,209</u>	<u>\$ 3,480,785</u>
Fund Balances, July 1	<u>\$ 26,782,359</u>	<u>\$ 23,301,574</u>
Fund Balances, June 30	<u>\$ 36,687,568</u>	<u>\$ 26,782,359</u>

See accompanying Notes to the Financial Statements.

A. *Summary of Significant Accounting Policies*

1. *Reporting Entity*

The Criminal Injuries Compensation Fund is part of the primary government and has been included in the *Tennessee Comprehensive Annual Financial Report* as a special revenue fund.

2. *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) using the flow of current financial resources measurement focus and 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*

Cash deposited in the Criminal Injuries Compensation Fund is pooled with the Pooled Investment Fund, administered by the State Treasurer, which 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 authorized 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 custodial agent upon simultaneous receipt of collateral securities. The Pool's custodial credit risk is presented in the Tennessee Comprehensive Annual Financial Report for the years ended June 30, 1996, and June 30, 1995.

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. The Victims of Drunk Drivers Compensation Fund (VDDC) is a part of the Criminal Injuries Compensation Fund. A requirement of the CIC and VDDC combination is that a reserve be 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 37243-0264
PHONE (615) 741-3697

December 12, 1996

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Chairs of Excellence as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenses, and changes in fund balances 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, 1996, and June 30, 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with generally accepted government auditing standards, we have also issued reports dated December 12, 1996, on our consideration of the internal control structure and on compliance with laws and regulations.

Sincerely,

A handwritten signature in cursive script that reads "Arthur A. Hayes, Jr.".

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

**Chairs of Excellence
Comparative Balance Sheets**

	June 30, 1996	June 30, 1995
Assets		
Investments:		
Short-term Investments (Amortized Cost)	\$ 9,699,519	\$ 14,306,847
Long-term Investments:		
Domestic Securities:		
Government Bonds (Amortized Cost)	49,375,945	51,169,373
Corporate Bonds (Amortized Cost)	39,183,421	38,176,206
Corporate Stocks (Cost)	33,241,714	22,887,492
Securities on Loan:		
Government Bonds (Amortized Cost)	5,031,108	0
Corporate Bonds (Amortized Cost)	349,395	0
Corporate Stocks (Cost)	420,067	1,829,439
International Securities:		
Government Bonds (Amortized Cost)	0	3,121,786
Corporate Bonds (Amortized Cost)	5,814,360	8,044,881
Corporate Stocks (Cost)	940,900	410,659
Total Investments	\$ 144,056,429	\$ 139,946,683
Receivables:		
Due From Colleges and Universities	\$ 358,000	\$ 200,000
Investment Income Receivable	1,672,417	1,632,942
Investments Sold	4,866,844	0
Total Receivables	\$ 6,897,261	\$ 1,832,942
Total Assets	\$ 150,953,690	\$ 141,779,625
Liabilities and Fund Balances		
Liabilities:		
Due to Colleges and Universities	\$ 1,677,492	\$ 1,409,461
Due to the Academic Scholars Fund	3,783,485	3,646,986
Due to State General Fund	29,941	23,358
Total Liabilities	\$ 5,490,918	\$ 5,079,805
Fund Balances:		
Endowment Reserve	\$ 141,932,496	\$ 132,621,288
Special Reserve	3,530,276	4,078,532
Total Fund Balances	\$ 145,462,772	\$ 136,699,820
Total Liabilities and Fund Balances	\$ 150,953,690	\$ 141,779,625

See accompanying Notes to the Financial Statements.

Chairs of Excellence

Comparative Statements of Revenues, Expenses and Changes in Fund Balances

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<i>Operating Revenues:</i>		
Investment Income	\$ 12,707,779	\$ 7,794,730
Contributions from Private Sources	2,104,328	2,562,409
<i>Total Operating Revenues</i>	<i>\$ 14,812,107</i>	<i>\$ 10,357,139</i>
<i>Operating Expenses:</i>		
Payments to the University of Tennessee	\$ 2,826,270	\$ 2,897,401
Payments to the Tennessee Board of Regents	3,105,542	2,733,473
Administrative Cost	117,343	110,727
<i>Total Operating Expenses</i>	<i>\$ 6,049,155</i>	<i>\$ 5,741,601</i>
<i>Net Income</i>	<i>\$ 8,762,952</i>	<i>\$ 4,615,538</i>
<i>Fund Balances, July 1</i>	<i>\$ 136,699,820</i>	<i>\$ 132,084,282</i>
<i>Fund Balances, June 30</i>	<i>\$ 145,462,772</i>	<i>\$ 136,699,820</i>

See accompanying Notes to the Financial Statements.

Chairs of Excellence

Comparative Statements of Cash Flows

	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<i>Cash Flows from Operating Activities:</i>		
Net Income	\$ 8,762,952	\$ 4,615,538
Adjustments to Reconcile Net Income to Net		
Cash Used by Operating Activities:		
Investment Income	(13,354,403)	(8,488,656)
Net Amortization	325,745	456,987
Interest Paid to the Academic Scholars Fund	320,880	236,939
Changes in Assets and Liabilities:		
Decrease (Increase) in Colleges & Universities Receivables	(158,000)	63,000
Increase (Decrease) in Liabilities	411,112	(370,417)
<i>Net Cash Used by Operating Activities</i>	<u>\$ (3,691,714)</u>	<u>\$ (3,486,609)</u>
<i>Cash Flows from Investing Activities:</i>		
Investment Income Received	\$ 9,399,481	\$ 9,283,385
Proceeds from Sales and Maturities of Investments	177,648,016	177,638,511
Purchase of Investments	(183,034,903)	(183,198,348)
Interest Paid to the Academic Scholars Fund	(320,880)	(236,939)
<i>Net Cash Provided by Investing Activities</i>	<u>\$ 3,691,714</u>	<u>\$ 3,486,609</u>
<i>Net Increase/Decrease in Cash</i>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Cash at July 1</i>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Cash at June 30</i>	<u>\$ 0</u>	<u>\$ 0</u>

Noncash Investing, Capital and Financing Activities:

At June 30, 1996, the Chairs of Excellence Trust had no unsettled investment purchases and unsettled investment sales of \$4,866,844.

At June 30, 1995, the Chairs of Excellence Trust had no unsettled investment purchases or unsettled investment sales.

See accompanying Notes to the Financial Statements.

Chairs of Excellence

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

A. Summary of Significant Accounting Policies

1. *Reporting Entity*

The Chairs of Excellence (COE) Trust forms an integral part of the primary government and has been included as a nonexpendable trust fund in the *Tennessee Comprehensive Annual Financial Report*.

2. *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The COE Trust follows all applicable GASB pronouncements as well as applicable private-sector pronouncements issued on or before November 30, 1989. The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

3. *Cash and Cash Equivalents*

Cash and Cash Equivalents, by definition, includes cash and short-term investments with a maturity date within three months of the acquisition date. The primary government's policy regarding the definition of Cash and Cash Equivalents includes cash management pools as cash.

Cash received by the COE Trust 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 authorized 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 upon simultaneous receipt of collateral securities. The pool's custodial credit risk is presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 1996, and June 30, 1995.

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. In addition, cash equivalents included in portfolios where the primary purpose is to facilitate the placement of funds in long-term investments are classified as investments.

5. *Fund Balance*

The Endowment Reserve includes funds provided by contributions from the state, colleges and universities and private sources. Prior to fiscal year 1996, the nonexpendable Restricted Reserve (now consolidated with the Endowment Reserve) included income earned on equity investments and profit and loss from both fixed income and equity investments. Prior to fiscal year 1996, the Special Reserve consisted of income earned on the fixed income investments only, which was not expended by the colleges and universities either during the year it was earned or in future years when current income did not meet current needs. Under a revised policy adopted by the Board of Trustees of the Chairs of Excellence Trust (Trustees) effective April 1996, the income from both fixed income and equity investments that is not used to meet current needs is distributed to the Special Reserve. At the discretion of the Trustees, the Special

(Continued)

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

Reserve may be used for future nonrecurring expenses or to supplement corpus or current income. Under the new policy, profit and loss from fixed income and equity investments is distributed to the Endowment Reserve and becomes part of the Trust corpus. The Restricted Reserve presented on the June 30, 1995 balance sheet has been consolidated with the Endowment Reserve.

B. Investments

The investment policy of the COE 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. Treasury obligations, commercial paper, medium-term corporate notes, promissory notes and repurchase agreements.

The COE Trust investment securities in the following chart are categorized according to the level of custodial credit risk associated with the custodial arrangements at year end. Category 1 includes investments that are insured or registered, or for which securities are held by the COE 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 COE 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 COE Trust.

	June 30, 1996		June 30, 1995	
	Book Value	Market Value	Book Value	Market Value
<i>Investments - Category 1:</i>				
Short-term Investments:				
Commercial Paper	\$ 9,699,519	\$ 9,699,519	\$ 14,306,847	\$ 14,306,847
Long-term Investments:				
Domestic Securities:				
Government Bonds	49,375,945	49,815,708	51,169,373	53,994,891
Corporate Bonds	39,183,421	39,156,613	38,176,206	38,880,902
Corporate Stock	33,241,714	41,335,875	22,887,492	26,348,913
International Securities:				
Government Bonds	0	0	3,121,786	3,262,110
Corporate Bonds	5,814,360	5,771,219	8,044,881	8,081,120
Corporate Stock	940,900	1,263,750	410,659	390,875
	\$ 138,255,859	\$ 147,042,684	\$ 138,117,244	\$ 145,265,658
<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	\$ 5,031,108	\$ 5,003,900	\$ 0	\$ 0
Corporate Bonds	349,395	343,315	0	0
Corporate Stock	420,067	840,510	1,829,439	2,057,838
Total Investments	\$ 144,056,429	\$ 153,230,409	\$ 139,946,683	\$ 147,323,496

(Continued)

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 for domestic securities and 105 percent for international. Additional collateral is pledged if the aggregate market value subsequently falls below 100 percent for domestic securities and 105 percent for international. The Trust's custodian bank manages the lending program and maintains the collateral on behalf of the COE Trust. At June 30, 1996, the market value of COE securities on loan to brokers was \$6,187,725, and the market value of collateral pledged for the securities on loan was \$6,347,510.

C. Other Accounting Disclosures

1. *Chairs of Excellence Endowment Trust*

The COE 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 Tennessee Board of Regents. As each Chair is designated, a portion of the appropriation is transferred to a sub-account for that Chair. The awarding college or university must provide matching contributions, of which at least 50 percent of the funds are from private contributions.

As of June 30, 1996, 93 Chairs have been established with matching contributions received totaling \$51,771,206. This is an increase of 1 Chair and \$2,104,328 since June 30, 1995. Total contributions to the COE Trust totaled \$95,771,206 as of June 30, 1996. This includes \$44,000,000 from the State, \$10,321,300 from Colleges and Universities, and \$41,449,906 from private contributions.

2. Funds from the Academic Scholars Fund are combined with the COE 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 Trust state contributions or appropriations. These funds are invested in fixed income securities.

STATE OF TENNESSEE



**COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 741-3697**

December 12, 1996

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Bond Refunding Trust as of June 30, 1996, and June 30, 1995, and the related statement of changes in assets and liabilities for the year ended June 30, 1996. 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, 1996, and June 30, 1995, and the changes in assets and liabilities for the year ended June 30, 1996, in conformity with generally accepted accounting principles.

In accordance with generally accepted government auditing standards, we have also issued reports dated December 12, 1996, on our consideration of the internal control structure and on compliance with laws and regulations.

Sincerely,

A handwritten signature in cursive script that reads "Arthur A. Hayes, Jr.".

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

Bond Refunding

Comparative Balance Sheets

	June 30, 1996	June 30, 1995
<i>Assets</i>		
Cash	\$ 109,212	\$ 93,012
Investments (amortized cost)	81,346,459	124,538
Accrued Interest Receivable	71,233	0
<i>Total Assets</i>	<u>\$ 81,526,904</u>	<u>\$ 217,550</u>

Liabilities

<i>Amounts Held in Custody for Others</i>	\$ 81,526,904	\$ 217,550
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See accompanying Notes to the Financial Statements.

Bond Refunding

Statement of Changes in Assets and Liabilities

	July 1, 1995	Additions	Deductions	June 30, 1996
<i>Assets</i>				
Cash	\$ 93,012	\$ 332,852,461	\$ 332,836,261	\$ 109,212
Investments	124,538	207,362,327	126,140,406	81,346,459
Accrued Interest Receivable	0	71,233	0	71,233
<i>Total Assets</i>	<u>\$ 217,550</u>	<u>\$ 540,286,021</u>	<u>\$ 458,976,667</u>	<u>\$ 81,526,904</u>

Liabilities

<i>Amounts Held in Custody for Others</i>	\$ 217,550	\$ 333,191,540	\$ 251,882,186	\$ 81,526,904
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See accompanying Notes to the Financial Statements.

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

A. *Summary of Significant Accounting Policies*

1. *Reporting Entity*

The Bond Refunding Fund forms an integral part of the primary government and has been included as an agency fund in the *Tennessee Comprehensive Annual Financial Report*.

2. *Measurement Focus and Basis of Accounting*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency fund is custodial in nature and does not measure results of operations or have a measurement focus.

B. *Cash*

Cash held by the trustee is pooled with the Pooled Investment Fund administered by the State Treasurer which is authorized by state statute to invest in accordance with policy guidelines approved by the Funding Board of the State of Tennessee (Funding Board). The current resolution of the Funding Board gives the Treasurer authority to invest in collateralized certificates of deposit in authorized 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 custodial agent upon simultaneous receipt of collateral securities. The pool's custodial credit risk is presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 1996 and June 30, 1995.

C. *Investments*

The investments held by the trustee at year-end are shown below. The trust is restricted by the Tennessee Local Development Authority's (the Authority) and Funding Board's Bond Resolutions 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 with the Federal Reserve Bank.

<u>Carrying Amount</u>	U.S. Government Securities	<u>Market Value</u>
\$ 81,346,459		\$ 78,343,766

D. *Other Accounting Disclosures*

The State Treasurer has been designated as a trustee for the Tennessee Local Development Authority and for the Funding Board pursuant to various refunding trust agreements. Refunding bonds are issued to take advantage of lower interest rates and the proceeds resulting from the advance refundings are held by the trustee in an irrevocable trust to provide for the debt service payments and call premiums at the redemption dates. In January 1987, the Authority issued refunding bonds

(Continued)

Bond Refunding

Notes to the Financial Statements, June 30, 1996 and June 30, 1995

of \$39,206,000 to refund \$36,666,000 of the 1985 Series A bonds maturing on and after March 1, 1995. In July 1993, the Authority issued refunding bonds of \$34,250,000 to refund \$32,471,000 of the 1987 Series A refunding bonds. In March 1995, the 1985 Series A bonds were redeemed. In 1987, an irrevocable trust fund was established to provide for the payment of the remaining outstanding State Loan Program revenue bonds issued in 1985 to refinance loans to Johnson City, Tennessee. In February, 1996, the Funding Board issued refunding bonds of \$190,965,000 to refund: (1) \$26,385,000 of the General Purpose bonds dated August 1, 1980 maturing on and after March 1, 1997, (2) \$98,000,000 of the General Purpose bonds dated May 1, 1986 maturing on and after April 1, 1997, (3) \$23,000,000 of the General Purpose bonds dated June 15, 1989 maturing on and after June 1, 2000 and (4) \$50,000,000 of the General Purpose bonds dated June 15, 1991 maturing on and after June 1, 2002.

In March 1996, the 1980 refunded bonds were redeemed and in April 1996, the 1986 refunded bonds were redeemed. The 1989 refunded bonds will be redeemed in June 1999 and the 1991 refunded bonds will be redeemed in June 2001.

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