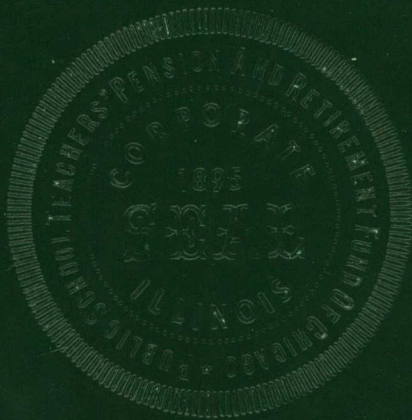




PUBLIC SCHOOL TEACHERS'
PENSION AND RETIREMENT FUND
OF CHICAGO

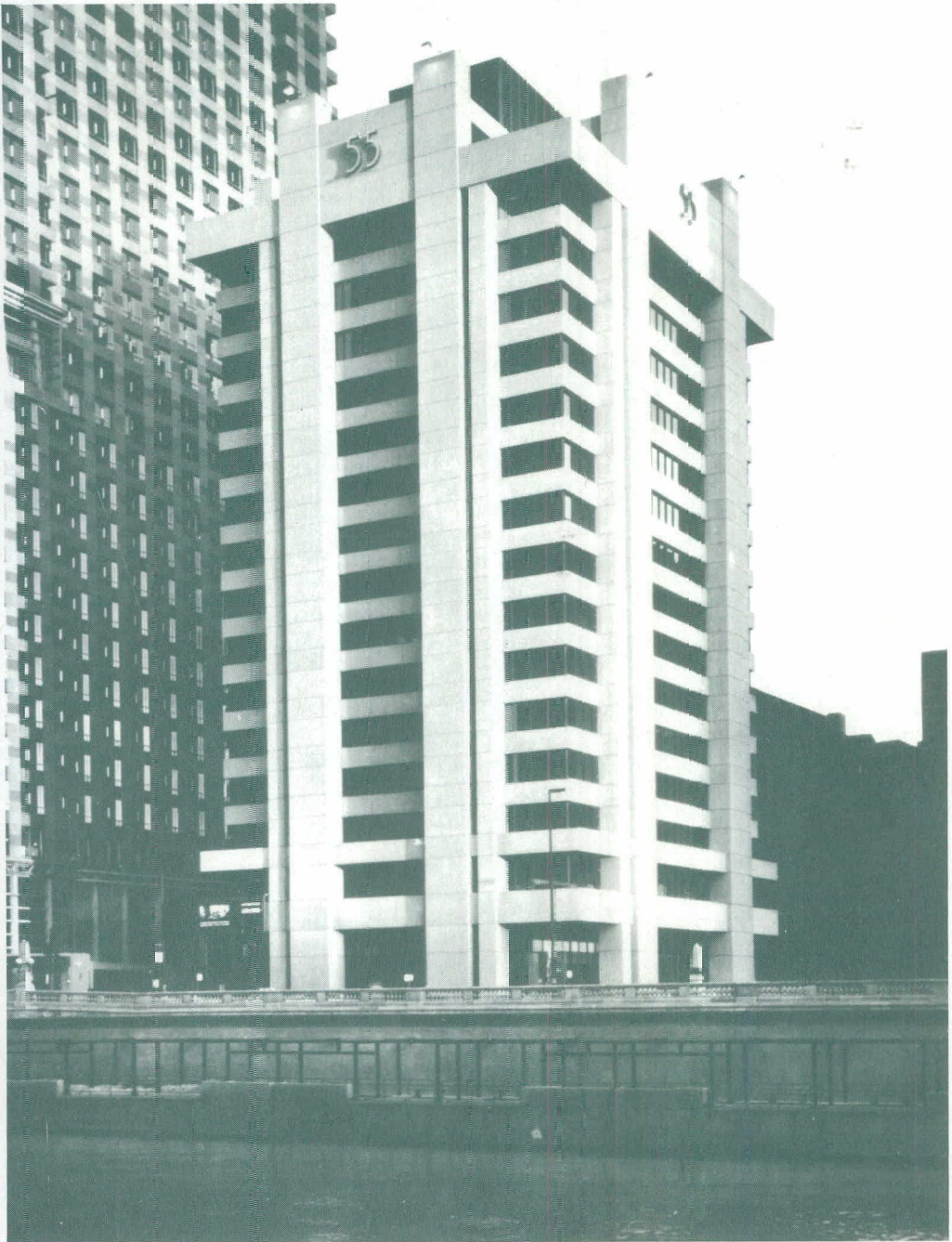
99TH COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 1994
CHICAGO, ILLINOIS



PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO





In the fourth month of the Fund's 98th year the Board of Trustees moved the pension office to new quarters at 55 West Wacker Drive at Dearborn Street. Built in the "Brutalism" style of the 60s, it is just a few steps from the original site of Fort Dearborn, the settlement that would someday become Chicago. The move maintained a sixty year tradition of being on the banks of the Chicago River on Wacker Drive. It will be the Fund's home as the second century of operations starts on September 1, 1995. The Trustees extend an invitation to teachers and pensioners to visit your pension fund office. Open daily from 7:30 to 5:00, it continues as a part of Chicago history.

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INTRODUCTORY SECTION

ANNUAL REPORT AS OF AUGUST 31, 1994
BOARD OF TRUSTEES

OFFICERS

MARY SHARON REILLY
President

BARBARA CALDWELL
Vice-President

MICHAEL J. WILLIAMS
Recording Secretary

JACK SILVER
Financial Secretary

JAMES F. WARD
Executive Director

MICHAEL J. NEHF
Assistant Executive Director

MEMBERS

Elected by the contributors...

SHIRLEY J. ANDERSON
BARBARA CALDWELL
LOUIS N. PYSTER
MARY SHARON REILLY
JACK SILVER
MICHAEL J. WILLIAMS

Representing the annuitants...

ROBERT KONEN
ARTHUR LEHNE

Appointed by the Board of Education...

FLORENCE B. COX
D. SHARON GRANT

CONSULTANTS**LEGAL COUNSEL**

Mr. Joseph Burns
Jacobs, Burns, Sugarman, Orlove & Stanton
300 W. Washington Street
Suite 1200
Chicago, Illinois 60606

INVESTMENT CONSULTANT

Ms. Anita Andren
William M. Mercer
Asset Planning Inc.
10 South Wacker Drive
Chicago, Illinois 60606

BANK CUSTODIAN

Mr. John Savage
The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

AUDITORS

Mr. Cameron T. Clark
KPMG Peat Marwick LLP
303 East Wacker Drive
Chicago, Illinois 60601

INVESTMENT ADVISORS

ANB Investment Management
Amerindo Investment Advisor, Inc.
Ariel Capital Management, Inc.
CSI Investment Management Inc.
Chancellor Capital Management, Inc.
Cisneros Asset Management
Fidelity Management Trust Co.
Holland Capital Management
Morgan Stanley Asset Management
NCM Capital Management Group, Inc.
New Amsterdam Partners
The Northern Trust Co.
Oppenheimer Capital
Schroder Capital Management International
Scudder Stevens & Clark
J & W Seligman & Co., Inc.
Smith Graham & Co.
Waddell & Reed Investment Management
Wedgewood Capital Management
Zevenbergen Capital Inc.

CUSTODIAN

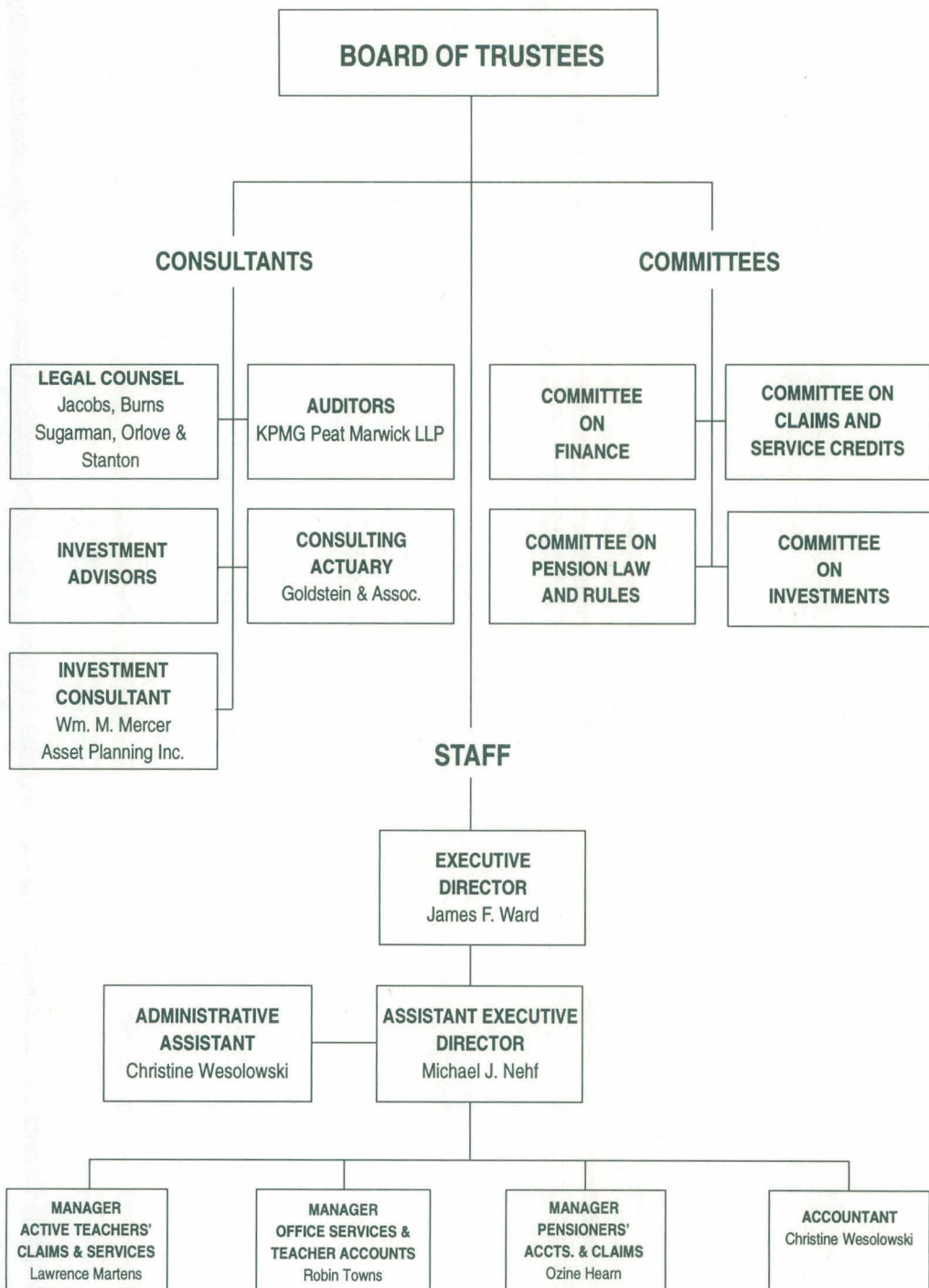
Ms. Miriam Santos
City Treasurer
121 North LaSalle Street
Chicago, Illinois 60602

CONSULTING ACTUARY

Mr. Sandor Goldstein
Goldstein & Associates
150 North Wacker Drive
Suite 2230
Chicago, Illinois 60606

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public School Teachers'
Pension and Retirement
Fund of Chicago, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 1993

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

SUMMARY OF PRINCIPAL BENEFIT AND CONTRIBUTION PROVISIONS OF THE PENSION LAW

Eligibility for Pension. The right to a retirement pension vests (1) after 20 years of validated service with the pension payable at age 55 or over; or (2) after 5 years of validated service, with the pension payable at age 62 or over.

Amount of Retirement Pension. The rate of retirement pension is 1.67% of "final average salary" for each of the first 10 years of validated service, 1.90% for each of the next 10 years, 2.10% for each of the next 10 years, and 2.30% for each year above 30. The maximum pension is 75% of the final average salary.

Final Average Salary Defined. "Final average salary" for pension computation is the average of the highest rates of salary for any 4 consecutive years of validated service within the last 10 years of service.

Reduction in Pension for Early Retirement. Except for retirement after 35 years of service, the retirement pension in the case of retirement prior to age 60 is reduced 1/2 of 1% for each month that the teacher is under age 60.

Early Retirement Without Discount. A member who is over 55 and has 20 to 35 years of creditable service may elect to retire without the discount for retirement under age 60. A one-time contribution based on the member's age at retirement, must be made by the member and the Board of Education in order to exercise this option.

Non-Duty Disability Retirement. A member who has 10 years of service and is totally and presumably permanently disabled for teaching is eligible to receive a non-duty disability retirement pension. The rate of pension is 1-2/3% of average salary for each year of service. Upon disability retirement after 20 years or more of contributing service, but under age 55, the accrued retirement pension is payable, discounted 1/2 of 1% for each month the disabled teacher is under age 55, down to a minimum of 50 years.

If total service is 20 years or more and the member has attained age 55, the accrued retirement pension is payable without reduction. After 25 years of service, regardless of age, the accrued retirement pension is payable without reduction.

Duty Disability Benefit. A duty-connected disability benefit is provided equal to 75% of final average salary upon total incapacity for teaching service as a result of an injury sustained while in the performance of teaching service. The benefit is reduced by "Workers' Compensation" payments.

Post-Retirement Increases. Automatic annual increases in pension equal to 3% of the current amount of pension are provided. The increases accrue from the anniversary date of retirement or the 61st birthday, whichever is later.

Survivor's Pension. Pensions are payable to survivors of teachers and pensioners under the following conditions:

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Upon the death of a teacher or pensioner occurring on or after July 1, 1981, the maximum benefit is \$400 per month to a spouse alone and \$600 per month if there are other dependents. Payment of a survivor's pension is conditioned upon marriage having been in effect at least 1-1/2 years prior to death or retirement. On death after retirement, the total survivor's pension may not exceed the retirement or disability pension paid to the deceased pensioner.

Upon the death of a teacher or pensioner occurring after December 31, 1986, the minimum total survivor's pension payable shall be 50% of the earned retirement pension of such teacher or pensioner.

If the surviving spouse is under age 50, and no unmarried minor children under age 18 survive, payments of the survivor's pension is deferred until age 50. Remarriage of a surviving spouse under the age of 55 results in a termination of pension.

Survivors' pensions are subject to automatic annual increases of 3% of the current amount of pension.

Reversionary Pension. By accepting a reduced retirement pension, a member can provide a reversionary pension for a surviving beneficiary. If the reversionary pension was elected on or after January 1, 1984, and the beneficiary survives the date of the teacher's retirement, but does not survive the retired teacher, the teacher's pension shall be restored to the full pension amount.

Refund of Contributions. Upon separation of service, a teacher is entitled to receive a refund of his total contributions and those contributions made on his behalf, without interest.

Death Benefits. Upon death while in service, a refund equal to the total contributions less contributions for survivors' pensions is payable without interest to a designated beneficiary or the estate of the teacher. Upon death after retirement, the death benefit consists of the excess, if any, of the total contributions over the total pension payments paid to the member or his beneficiary. In addition the following death benefit is payable:

Death in service. The amount of the benefit is equal to the last month's salary for each year of validated service up to 6 month's salary but not exceeding \$10,000.

Death while on pension. The death benefit is equal to 6 month's salary but not to exceed \$10,000 less 1/5 of the death benefit for each year or part of a year that the member has been on pension down to a minimum of \$5,000.

Health Insurance Reimbursement. The board may pay each recipient of a retirement, disability, or survivor's pension an amount to be determined by the board, which shall represent partial reimbursement for the cost of the recipient's health insurance coverage, with the total amount of payment not to exceed \$25,000,000 in any year.

Financing. Teachers are required to contribute a total of 8% of salary consisting of 6-1/2% towards the retirement pension, 1% towards the survivor pension, and 1/2% towards the post retirement increment. As of September, 1981, the Board of Education has been paying 7% of the 8% required teacher contributions.

The remainder of the cost of benefits is financed by (1) a separate tax levy for the Fund in Chicago; (2) allocations by the State of Illinois from the State Distributive Fund; (3) grants by the federal

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

government on account of teachers being paid from special trusts or federal funds; and (4) investment income.

Retirement Systems Reciprocal Act. The Fund complies with the Retirement Systems Reciprocal Act, Chapter 40, Article 20 of the Illinois Compiled Statutes, to provide reciprocal benefits if a member has service credit for other public employment in Illinois.

Public School Teachers' Pension and Retirement Fund of Chicago

55 W. Wacker Drive • Chicago, Illinois 60601

January 28, 1995

The Board of Trustees and Fund Members
Public School Teachers' Pension & Retirement
Fund of Chicago
55 West Wacker Drive
Chicago, Illinois 60601

Letter of Transmittal

Dear Pension Board Members, Contributors, and Pensioners:

This is the ninety-ninth Comprehensive Annual Report of the Public School Teachers' Pension and Retirement Fund of Chicago (Fund) covering the fiscal and school year ending August 31, 1994. Illinois statutes provide for a Board of Trustees to be responsible for the administration of the Fund. An important aspect of the Board's stewardship is the publication of a detailed annual report of the Fund operations. It is intended for all parties-at-interest as well as for the public at large.

The Annual Report is a review of the financial, actuarial, and operational condition of the Fund. It contains: traditionally prepared financial statements which were subject to an independent audit conducted by Illinois licensed certified public accountants; an actuarial valuation for the 1993-1994 fiscal year prepared by the Fund's consulting actuary; a description of benefits as specified in Illinois law; and other relevant information.

The Fund is a public employee retirement system established by the State of Illinois to provide annuity, disability, survivor, and death benefits for certain certified teachers and other employees of the Chicago Public Schools. It is administered in accordance with Chapter 40, Article 17 of the Illinois Compiled Statutes. The Annual Report consists of five sections.

1. An Introductory Section containing this letter of transmittal and administrative and organizational information.
2. A Financial Section containing an opinion of the independent public accountants, the financial statements of the Fund, and selected auxiliary financial measurements.
3. The Actuarial Section containing a report of the Consulting Actuary, a summary of the major actuarial assumptions, and other data.
4. The Statistical Section containing relevant statistical aggregates on contributors, pensioners, and revenue sources and applications.
5. The Investment Section containing a statement of the Fund's investment authority, summary tables of investment data, and a digest of the current year's investment activity and performance.

OVERVIEW

The 99th year of continuous operation was another period of growth for the Fund. The year-end book value of Fund assets was \$5.1 billion, a 9.4% increase over the \$4.67 billion of the previous year.

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Revenues were enhanced by realizing a \$221.8 million net gain on the sale or exchange of securities, compared to a \$123.6 million gain in 1993. Pension payments rose by 38.4% to \$281.4 million, refunds increased 111.1% to \$16 million, and death benefits were up slightly to \$3.1 million. Total membership moved up from 44,757 to 46,722 at year end. The Financial Statements in this Report were prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. The specific accounting treatment of transactions is described in the Summary of Accounting Policies in the Notes to the Financial Statements.

ACTUARIAL VALUATION

The Fund's consulting actuary reports the current total actuarial liability to be \$6,247,417,779 as of August 31, 1994. This represents an increase in the total actuarial liability of \$343,053,644 compared to the valuation dated August 31, 1993. The unfunded pension benefit obligation decreased from \$1.246 billion to \$1.141 billion during the year.

REVENUES

Revenues needed to finance benefit obligations of the Fund come from sources such as employee contributions, public revenues, earnings on investments, and miscellaneous sources such as legacies. For the fiscal year ended August 31, 1994, revenues totaled \$773.4 million, representing an increase of 28.9% over FYE 1993. Public revenues and investment income recorded by the Fund during 1994 were higher than those for 1993, primarily due to increased collection of property taxes and net gains on investments, respectively. Please refer to the Financial Section of the report for more information on these matters.

| <u>Revenues</u> | <u>1994</u> <u>(Millions)</u> | <u>1993</u> <u>(Millions)</u> |
|------------------------|----------------------------------|----------------------------------|
| Employee contributions | \$104.3 | \$120.3 |
| Public revenues | 257.4 | \$164.0 |
| Investment earnings | 411.4 | 315.9 |
| Miscellaneous | .3 | |
| Total revenues | <u>\$773.4</u> | <u>\$600.2</u> |

FUNDING

The actuarial liability of the Fund as of August 31, 1994, amounted to \$6,247,417,779. The actuarial values of assets as of the same date totaled \$5,106,254,796. The funded ratio, or ratio of assets to the actuarial liability, is 81.7%. In comparison, as of August 31, 1993, the funded ratio was 78.9%. A high funding level gives members a greater degree of assurance that their pension benefits are secure. The advantage of a well-funded retirement system is that members can look to assets that are irrevocably committed to the payment of their retirement benefits. Constant effort should be directed to improving this level, thereby assuring members of a financially sound pension plan.

INVESTMENTS

The Trustees' investment authority is found in the Illinois Compiled Statutes, Chapter 40, Article 17, Sections 5/17-146 and 5/17-147. The allowable investments for the Fund are specifically defined under Chapter 40, Article 1, Section 5/1-113 of the Code. A further discussion of the specific investment authority, policy provisions, diversification posture, performance objective and asset allocation is provided in the Investment Section of this report.

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

As of August 31, 1994, cash and invested assets of the fund totaled \$4.871 billion at book value and \$5.314 billion at market value. This compares with \$4.535 billion at book and \$5.293 billion at market a year ago.

The Fund's total time-weighted return for the year was 1.92% compared to 16.01% the year before. This year-to-year decrease was tempered by the Fund's long term investment performance record. The ten year rate of return ending on August 31, 1994, of 11.22% declined slightly from the ten year return of 11.86% posted by the Fund for the ten years ending August 31, 1993.

The Fund's stocks (52.8% of the portfolio) returned 5.11% versus 5.45% for the S & P 500 Index. The Fund's bond portfolios (41.8% of assets) performed at -2.63%, compared to the Lehman Brothers Corporate/Government Bond Index return of -2.33%. Short term holdings (5.4% of the assets) returned 2.81% for the year. All return calculations include realized and unrealized capital gains and losses.

EXPENSES

Some expenses were increasing during the year while others were decreasing. Pension outlays increased as new pensioners, including the 5&5 early retirements, were added to the rolls with benefits reflecting higher salaries and formulae of recent years. Pensioners' health insurance rebates decreased, as many pensioners shifted to lower cost health plans recently installed by the Board of Trustees. The purchase of Medicare Parts A and B combined with supplemental coverage also resulted in lower premiums. Refunds, death benefits, and administration expenses increased, primarily the result of the 5&5 early retirement activity.

| <u>Expenses</u> | <u>1994</u> <u>(Millions)</u> | <u>1993</u> <u>(Millions)</u> |
|------------------|----------------------------------|----------------------------------|
| Pensions | \$281.3 | \$203.3 |
| Health insurance | 21.4 | 25.4 |
| Refunds | 16.0 | 7.6 |
| Death benefits | 3.1 | 2.7 |
| Administration | 3.4 | 3.1 |
| Total Expenses | <u>\$325.2</u> | <u>\$242.1</u> |

INVESTMENT REVIEW AND OUTLOOK

1994 was a difficult year for investors in both equity and fixed-income markets in the U.S. and many countries around the world. The markets concerned themselves with a so-called overheated economy, anticipated inflation and the resulting six hikes in interest rates by the Federal Reserve. This escalation of short-term interest rates raised many questions regarding corporate America's ability to post continued earnings gains, creating the backdrop to lackluster performances for most of the market indices. Also fueling the market malaise was the continued maze of federal government decision making, or the lack thereof. The market consensus is that the upcoming year's Congress will provide an environment conducive to American enterprise, with agenda items including reduction of the capital gains tax, emphasis on free-market policies and reduced regulation of small business.

Globalization of the world economy continued to offer growing investment alternatives during 1994. Promotion of international trade was enhanced with the passing of both NAFTA and GATT. Although economic and political climates around the world were subjected to many pressures and concerns,

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

the international markets provided many investors with alternatives to the more traditional equity and fixed-income markets. It is anticipated that overseas and emerging market investments will continue to receive strong attention from the marketplace in the upcoming year.

In spite of the vagaries of the economic and political environment, looking forward to the new year corporate news and expectations continue to be very good: solid earnings, financial strength to fund growth by acquisition, excess capital reserves fueling buy-backs of stock, investment in and advent of even more competitive products and services, and the continued promotion of international trade. These building blocks have laid the foundation for what is expected to be a solid performance for the future.

The Board of Trustees, with their investment consultant, William M. Mercer Asset Planning Company, and twenty money managers, have adopted and executed an asset allocation program to optimize the long term expected return of the Fund's investments. As the Trustees continue to improve the strategic asset allocation among investment types and manager styles, Fund members and beneficiaries can look with assurance that the Fund is doing everything possible to perform in accordance with the high expectations that have been established for the Fund.

ACCOUNTING SYSTEM AND INTERNAL CONTROLS

This report was prepared to conform with the principles of governmental accounting and reporting as pronounced by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The accrual basis of accounting was used to record the assets, liabilities, revenues and expenses of the Fund. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

In developing the Fund's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Constant effort is directed by the Fund administration at improving the level of internal accounting control to ensure the members of the Fund of a financially sound retirement system.

LEGISLATIVE DEVELOPMENTS

Senate Bill 132 provided for another year of early retirement incentives for eligible Chicago teachers. This was done shortly after the legislature had earlier approved early retirement incentives for teachers retiring in 1993. Both years considered, nearly 4,000 teachers retired from the Board of Education of the City of Chicago as a result of these new programs. Refer to the Notes to the Financial Statements in the Financial Section of this report for more information about the early retirement program.

Senate Bill 533 provided a new pension funding plan for the State of Illinois funded retirement systems. The new law reaffirms that the State will continue to provide to the Public School Teachers' Pension and Retirement Fund of Chicago a share of the annual State contribution as long as the economic resources of the State permit. Such legislation is expected to provide our Trustees, members and beneficiaries with the comfort of continuing financial support from the State of Illinois.

MAJOR INITIATIVES

The Trustees added three additional HMO plans for retired teachers during 1994, bringing the total

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

number of health insurance options to eight. The three new HMO plans were provided to offer flexible alternatives to retired teachers living outside of Chicagoland, in areas such as Florida, California and Arizona. The Trustees also sponsored numerous open enrollments for the retired teachers, in accordance with the Trustees' policy to provide opportunities to switch to more cost effective insurance plans. With the growing number of retired teachers availing themselves of health insurance benefits offered by the Fund, it is possible that retired teachers will see a raised limitation on the individual rebate amounts now at \$5,310 per year. With the annual rebate at 90% for most pensioners, the Trustees remain dedicated to offering health insurance plans that provide quality, flexibility, and affordability to all pensioners.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fund for the five consecutive years ending August 31, 1989, 1990, 1991, 1992, and 1993. In order to be awarded the Certificate, the Fund must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to the GFOA program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement requirements, and we are submitting it to the GFOA for continued eligibility.

CONCLUDING COMMENTS

The beginning of the Fund's 1993-1994 fiscal year brought about significant changes to the Board of Trustees. Ms. Mary Sharon Reilly, teacher-counselor at the Palmer Elementary School, was elected President of the Board of Trustees in October 1993 and re-elected again in November 1994.

President John F. Lowery's retirement August 31, 1993 resulted in Vice President Robert Konen taking the presidential chair until the trustee election in October 1993. During Mr. Konen's interim term he successfully shepherded the legislative initiative that had been forcefully advocated by President Lowery, that being the defeat of further legislative diversion of a seventy-year-old law providing local revenue to the Fund. All Fund members can look with satisfaction to the leadership record of our past presidents as well as to the ongoing support given them by the entire Trustee Board.

President Mary Sharon Reilly welcomed four new trustees early in the year: Shirley Anderson, D. Sharon Grant, Louis N. Pyster, and Michael Williams, who now occupy the seats previously held by Judy Cheris, Dorothy Fleming, Nathaniel Jarrett, and John Lowery. In November 1994, the Reverend Darryl F. James was appointed by the Chicago Board of Education to one of the two Board of Education's positions on the Fund's Board of Trustees. Reverend James was selected to replace Mrs. Florence B. Cox, a previous Board of Trustee and Chicago Board of Education Member for many years. Special thanks are extended to Mrs. Cox for the many years of service and invaluable contributions to the Pension Board during her tenure.

The Trustees conducted an intensive executive search resulting in the hiring of Mr. Michael J. Nehf as Assistant Executive Director. Mr. Nehf, a Certified Public Accountant registered in Illinois, brings experience in public accounting, finance, and pension fund administration. His excellent qualities of leadership and initiative have been clearly demonstrated as he assists the Trustees and the administrative staff in important efforts to continue office modernization and improvements in member

INTRODUCTORY SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

services. The employees at the pension office for the second consecutive year deserve special thanks for their hard work and support in processing the early retirement applications, pensions, and health insurance changes over the past year. They have donated many extra hours, weekends, and holidays towards providing the Trustees, members, and beneficiaries with the excellent services that have long been a tradition of the Fund. Thank you, one and all.

This annual report of the Public School Teachers' Pension and Retirement Fund of Chicago was prepared through the combined efforts of the Board of Trustees, the Fund's actuary, certified public accountants, and administrative staff. I wish to take this opportunity to express my gratitude and appreciation for the diligence of all contributors in the preparation of this report.



James F. Ward
Executive Director

FINANCIAL SECTION

KPMG Peat Marwick LLP

Peat Marwick Plaza
333 East Wacker Drive
Chicago, IL 60601

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Public School Teachers' Pension and
Retirement Fund of Chicago
Chicago, Illinois

We have audited the accompanying balance sheets of the Public School Teachers' Pension and Retirement Fund of Chicago as of August 31, 1994 and 1993, and the related statements of revenues, expenses, and changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 Public School Teachers' Pension and Retirement Fund of Chicago as of August 31, 1994 and 1993, and the changes in net assets available for benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 3, 4, and 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Public School Teachers' Pension and Retirement Fund of Chicago. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The analyses of funding progress and revenues by source and expenses by type in Schedules 1 and 2 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

December 22, 1994

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

BALANCE SHEETS

August 31, 1994 and 1993

| | <u>1994</u> | <u>1993</u> |
|---|-------------------------------|-------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$249,410,274 | 317,964,659 |
| Short-term investments, at cost, which approximates market | 15,233,739 | 56,655,871 |
| Receivables: | | |
| Board of Education, City of Chicago, net of allowance (note 5): | | |
| Intergovernmental | 93,138,474 | 22,208,694 |
| Employee contributions for 5+5 early retirement | 23,038,556 | 23,161,805 |
| Employee pension contributions | 5,128,377 | 4,852,963 |
| Portion of State Distributive Fund allocation | 10,340,783 | 5,170,392 |
| Employer contributions for 5+5 early retirement | 73,808,976 | 47,276,722 |
| Federal contributions for subsidized teaching programs | 586,798 | 642,723 |
| | <u>206,041,964</u> | <u>103,313,299</u> |
| Retired Teachers' Supplementary Payments Fund | 90,000 | 130,000 |
| Participating teachers' accounts for contributions | 44,025 | 8,556 |
| Other receivables | 79,232 | 146,976 |
| | <u>206,255,221</u> | <u>103,598,831</u> |
| TOTAL RECEIVABLES | | |
| Accrued investment income | 35,940,802 | 35,756,171 |
| Prepaid expenses | 1,572,961 | 1,427,340 |
| Investments: | | |
| Bonds, at amortized cost (market value): | | |
| 1994 - \$1,961,388,352; | | |
| 1993 - \$2,007,674,997) | 2,035,436,208 | 1,923,905,675 |
| Common stock, at cost (market value): | | |
| 1994 - \$3,087,537,990; | | |
| 1993 - \$2,910,618,508) | 2,571,354,776 | 2,236,739,700 |
| | <u>4,606,790,984</u> | <u>4,160,645,375</u> |
| TOTAL ASSETS | <u><u>\$5,115,203,981</u></u> | <u><u>\$4,676,048,247</u></u> |

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

BALANCE SHEETS

August 31, 1994 and 1993

| | <u>1994</u> | <u>1993</u> |
|--|------------------------|------------------------|
| LIABILITIES | | |
| Accrued benefits and refunds payable: | | |
| Pension payable | \$5,142,523 | 13,888,208 |
| Refunds payable due to: | | |
| Resignations | 677,558 | 682,235 |
| Deaths | 604,091 | 997,226 |
| | <u>1,281,649</u> | <u>1,679,461</u> |
| Death benefits payable | 848,302 | 734,960 |
| Unclaimed pension and refund checks | 262,949 | 211,689 |
| TOTAL ACCRUED BENEFITS AND REFUNDS PAYABLE | <u>7,535,423</u> | <u>16,514,318</u> |
| Accounts payable | 1,338,762 | 1,395,560 |
| Deferred revenue | 75,000 | 108,333 |
| TOTAL LIABILITIES | <u>8,949,185</u> | <u>18,018,211</u> |
| NET ASSETS AVAILABLE FOR BENEFITS | <u>\$5,106,254,796</u> | <u>4,658,030,036</u> |
| FUND BALANCE | | |
| Actuarial present value of projected benefits: | | |
| Payable to current retirees and beneficiaries | 3,028,870,883 | 1,883,053,862 |
| Payable to active members: | | |
| Member contributions | 853,538,324 | 914,065,627 |
| Employer-financed portion | 2,365,008,572 | 3,107,244,646 |
| | <u>6,247,417,779</u> | <u>5,904,364,135</u> |
| UNFUNDED ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS | <u>(1,141,162,983)</u> | <u>(1,246,334,099)</u> |
| TOTAL FUND BALANCE | <u>\$5,106,254,796</u> | <u>4,658,030,036</u> |

See accompanying notes to financial statements.

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS AVAILABLE FOR BENEFITS****Years Ended August 31, 1994 and 1993**

| | <u>1994</u> | <u>1993</u> |
|--|-----------------------------|---------------------------|
| REVENUES | | |
| Intergovernmental — employer contribution, net (note 5): | | |
| Tax levy | \$158,924,168 | 22,208,694 |
| Early Retirement 5+5 program | 26,532,254 | 69,485,416 |
| Early retirement and special leaves | 59,388 | 1,089,373 |
| Appropriation from State of Illinois for Retired Teachers' Supplementary Payment Fund | 123,333 | 146,667 |
| State Distributive Fund allocation | 62,044,698 | 60,323,647 |
| Payments on reciprocal retirements received from participating systems | 24,903 | 32,529 |
| Federal contributions for subsidized teaching programs | 9,729,959 | 10,724,263 |
| | <u>257,438,703</u> | <u>164,010,589</u> |
| Employee pension contributions: | | |
| Regular and survivor pensions | 84,645,965 | 87,241,791 |
| Early retirement 5+5 program | 8,844,082 | 23,161,805 |
| Automatic annual increases in pensions | 5,636,721 | 5,811,428 |
| Collections from members validating their creditable service | 5,133,109 | 4,044,414 |
| | <u>104,259,877</u> | <u>120,259,438</u> |
| Earnings on investments: | | |
| Interest, including amortization of bond premium and discount | 132,797,487 | 136,933,574 |
| Dividends | 63,117,319 | 61,859,536 |
| Net gain on sale or exchange of securities | 221,828,792 | 123,606,052 |
| | <u>417,743,598</u> | <u>322,399,162</u> |
| Less investment advisory fees | 6,293,923 | 6,503,119 |
| | <u>411,449,675</u> | <u>315,896,043</u> |
| Miscellaneous | 294,288 | 2,122 |
| TOTAL REVENUES | <u><u>\$773,442,543</u></u> | <u><u>600,168,192</u></u> |

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS AVAILABLE FOR BENEFITS****Years Ended August 31, 1994 and 1993**

| | <u>1994</u> | <u>1993</u> |
|---|------------------------|----------------------|
| EXPENSES | | |
| Pensions (excluding payments for automatic annual increases, post-retirement increases, and retired teachers' supplementary payments) | \$245,181,392 | 170,519,611 |
| Automatic annual increases | 35,768,492 | 32,296,765 |
| Post-retirement increases | 302,013 | 351,996 |
| Retired teachers' supplementary payments | 101,240 | 122,411 |
| | <u>281,353,137</u> | <u>203,290,783</u> |
| Refund of contributions due to: | | |
| Resignations | 3,902,576 | 3,238,519 |
| Deaths | 2,955,143 | 2,673,518 |
| Excess contributions | 60,339 | 51,849 |
| Retirement, no eligible survivor | 8,628,863 | 1,465,347 |
| Other | 412,825 | 131,243 |
| | <u>15,959,746</u> | <u>7,560,476</u> |
| Death benefits: | | |
| Heirs of participating teachers | 792,990 | 672,832 |
| Heirs of annuitants | 2,336,000 | 2,078,833 |
| | <u>3,128,990</u> | <u>2,751,665</u> |
| Refund of insurance premiums | 21,409,221 | 25,367,192 |
| Administrative and miscellaneous expenses | 3,366,689 | 3,104,081 |
| | <u>24,775,910</u> | <u>28,471,273</u> |
| TOTAL EXPENSES | <u>325,217,783</u> | <u>242,074,197</u> |
| EXCESS REVENUES OVER EXPENSES | 448,224,760 | 358,093,995 |
| Net assets available for benefits at beginning of year | 4,658,030,036 | 4,299,936,041 |
| NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR | <u>\$5,106,254,796</u> | <u>4,658,030,036</u> |

See accompanying notes to financial statements.

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

NOTES TO FINANCIAL STATEMENTS

August 31, 1994 and 1993

(1) PLAN DESCRIPTION

The Public School Teachers' Pension and Retirement Fund of Chicago (Fund) is the administrator of a single-employer public employee retirement system. The state legislature established the Fund to provide retirement, survivor, and disability benefits for certain certified teachers and employees of the Chicago public schools. The Fund is administered in accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5/17. The Fund is governed by a ten-member Board of Trustees (six elected by the contributors, two elected by the annuitants, and two appointed by the employer, Board of Education). The Board of Trustees is authorized by State law to make investments, pay benefits, hire staff and consultants, and carry out all the necessary functions of the Illinois Pension Code.

As of August 31, 1994 and 1993, the Fund membership consisted of the following:

| | <u>1994</u> | <u>1993</u> |
|--|---------------|---------------|
| Retirees and beneficiaries currently receiving benefits | 14,698 | 12,055 |
| Terminated members entitled to benefits but not yet receiving them | 1,220 | 1,110 |
| Current members: | | |
| Vested | 20,643 | 22,803 |
| Nonvested | 10,161 | 8,789 |
| | <u>46,722</u> | <u>44,757</u> |

A member with at least 20 years of service and who has attained 55 years of age is entitled to a pension. A member with at least five years of service but less than 20 years of service is entitled to a pension on attainment of age 62. In the case of retirement prior to age 60 with less than 35 years of service, the retirement pension is reduced one-half of one percent for each month that the member is under age 60. A member who is between age 55 and 60 and has 20 to 35 years of service may elect to retire without the discount for retirement under age 60, provided the member and the employer make a one-time contribution to the fund. Employer and other contributions are discussed in note 4.

Senate Bill 132, which was signed into law November 14, 1993, established an early retirement incentive program (the 1994 early retirement program). Under this program, teachers who had attained age 50 and had at least five years of creditable service were able to establish up to five years of additional creditable service by making an election before March 1, 1994 and retiring no later than September 1, 1994. This early retirement incentive program increased the Fund's total actuarial liability by \$104,941,333. Contributions of \$35,376,336 will be made by the Chicago Board of Education by August 31, 1999 and by the teachers who elected to participate in the early retirement incentive program by August 31, 1997. The net increase in the unfunded liability resulting from this early retirement incentive program is \$69,564,997.

A similar early retirement incentive program was offered to teachers in fiscal year 1993 (the 1993 early retirement program). This early retirement incentive program increased the Fund's total actuarial

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

liability by \$225,261,103. Contributions of \$92,641,221 will be made by the Chicago Board of Education by August 31, 1998 and by the teachers who elected to participate in this early retirement incentive program by August 31, 1996. The net increase in the unfunded liability resulting from this early retirement incentive program is \$132,619,882.

A retirement pension is determined by applying specified percentages which vary with years of service to the average salary earned. The maximum retirement pension is the greater of \$1,500 per month or a percentage of average salary. Annuitants who retired after 1959 receive an annual three percent increase in the retirement pension beginning January 1 following attainment of age 61 or following the first anniversary of retirement, whichever is later.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Fund's financial statements are prepared using the accrual basis of accounting.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and uninvested funds held by the Fund's investment managers. Short-term investments consist of investments which mature within six months of the date acquired by the Fund.

Investments are stated at cost or amortized cost. Gains and losses on sales of investments are recognized using a first-in, first-out cost for stocks and amortized cost for bonds as of the transaction date.

State statutes authorize the Fund to invest in bonds, notes, and other direct obligations of the United States; obligations of any state, or of any political subdivision in Illinois, or of any large cities or counties in the United States; nonconvertible United States corporate bonds, debentures, notes, common stock, notes secured by mortgages guaranteed by the Federal Housing Administration; and other investments which are not to exceed 10% of the Fund's assets.

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

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Public School Teachers' Pension and Retirement Fund of Chicago

Based upon the required criteria, the Fund has no component units and is not a component unit of any other entity.

(3) DEPOSITS AND INVESTMENTS

At August 31, 1994 and 1993, the bank balance and carrying amounts of the Fund's deposits, excluding \$200 of petty cash, amounted to \$251,905,062 and \$249,410,074, and \$320,222,754 and \$317,964,459, respectively.

The deposits of the Fund are insured or collateralized by securities recorded in the Fund's name and held by the Fund's agent. The following table presents a summarization of the book and market values of the Fund's investments at August 31, 1994 and 1993. All investments are insured or registered and are held by the trust department of the Northern Trust Bank in the Fund's name:

| | CARRYING AMOUNT | | MARKET VALUE | |
|-------------------------------------|------------------------|----------------------|----------------------|----------------------|
| | 1994 | 1993 | 1994 | 1993 |
| Long-term investments: | | | | |
| Bonds: | | | | |
| Government bonds | \$1,418,203,839 | 1,240,992,899 | 1,372,251,693 | 1,291,855,702 |
| Corporate bonds | 587,908,147 | 616,270,298 | 561,973,044 | 645,662,769 |
| Other miscellaneous bonds | 29,326,077 | 66,642,478 | 27,163,615 | 70,156,526 |
| TOTAL BONDS | 2,035,436,208 | 1,923,905,675 | 1,961,388,352 | 2,007,674,997 |
| Common stocks | 2,571,354,776 | 2,236,739,700 | 3,087,537,990 | 2,910,618,508 |
| TOTAL LONG-TERM INVESTMENTS: | 4,606,792,839 | 4,160,645,375 | 5,048,926,342 | 4,918,293,505 |
| SHORT-TERM INVESTMENTS: | | | | |
| Commercial paper | 1,475,409 | 1,640,000 | 1,475,409 | 1,640,000 |
| Treasury bills | 508,330 | 55,000,000 | 508,330 | 55,000,000 |
| Commingled funds | 13,250,000 | 15,871 | 13,250,000 | 15,871 |
| TOTAL SHORT-TERM INVESTMENTS | 15,233,739 | 56,655,871 | 15,233,739 | 56,655,871 |
| TOTAL INVESTMENTS | \$4,622,024,723 | 4,217,301,246 | 5,064,160,081 | 4,974,949,376 |

At August 31, 1994 and 1993, the market value of investments exceeded the carrying amount by \$442,135,358 and \$757,648,130, respectively. Although the market value of some individual investments has fallen below the carrying value, no provision has been made for possible losses on such investments as the Fund generally intends to hold such investments to maturity or until such time as it will not realize any significant losses.

The Fund periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed-upon price. The Fund's use of these securities is limited to small positions in the Fund's international equity

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Public School Teachers' Pension and Retirement Fund of Chicago

and commingled minicap domestic equity portfolios established for hedging or risk reducing, not speculative, purposes.

As of August 31, 1994, the Fund held forward currency contracts representing agreements to buy or sell U.S. dollars, Japanese yen, U.K. pounds sterling, French francs and Dutch florins upon established future dates for agreed upon prices. These forward currency contracts held by the Fund allow it to lock in future foreign exchange rates, thus reducing risk stemming from currency fluctuations. The book and market values of the obligations under the purchase side of these forward contracts amounted to \$47,311,734 and \$47,293,946, respectively. The book and market values of the obligations under the sale side of these forward contracts amounted to \$47,311,734 and \$49,242,656, respectively.

Additionally, as of August 31, 1994, the Fund held 4,320,524 units (9%) of a commingled equity trust fund managed by a national bank. The total obligation to purchase stocks under the futures contracts held by this commingled fund represented less than .5% of the commingled fund's total assets. These futures contracts held allow the commingled fund to maintain exposure to the market without incurring the transactions costs involved in immediate reinvestment of dividend payments. Since these futures positions are covered by the cash received through dividend payments on stocks held in the commingled fund, this does not represent a leveraged or speculative position. Rather, in order to reduce the risk of being out of the market, the investment manager has chosen to use futures contracts as a low cost substitute for direct ownership of the underlying securities.

(4) CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The actuarially determined contribution requirement provides for contributions which will be sufficient to meet future benefit requirements of the Fund. Actual contributions made are determined by state laws.

Member contributions, established by Statute, are 7% of earnings, with an additional contribution of 1% when survivors' and children's pensions are also provided. Other contributions are principally derived from the following:

- State Distributive Fund allocated by the State of Illinois (note 10).
- Federal funds — actuarially determined based on the full accruing cost on account of teachers being paid by special trusts or federal funds.
- Taxes levied by the Board of Education on property within the City of Chicago (note 5).

Except for federal funds, employer contributions are not actuarially determined.

The 1994 and 1993 early retirement programs (note 1) required both employer and employee contributions to the Fund. The Board of Education is required to contribute 12% of the employee's highest annual full-time rate of compensation for each additional year of creditable service granted by the program. Teachers who elect to participate in the program are required to contribute 4% of their

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Public School Teachers' Pension and Retirement Fund of Chicago

highest amount full-time rate of compensation for each additional year of creditable service granted by the program.

A consulting actuary annually performs an actuarial valuation and credits the actuarially determined contribution requirements of the Fund using the projected unit actuarial cost method. The actuarial assumptions used are the same as those used to determine the pension benefit obligation (note 6). The Fund compares normal cost and interest on the unfunded liability to the employer contribution in order to assess the adequacy of employer contributions. Employer contributions determined under this contribution requirement are sufficient to pay interest on the unfunded liability and thereby prevent the unfunded liability from increasing. The initial amount of unfunded liability is not amortized. It can therefore be considered that this approach uses an infinite amortization period. This valuation is also used to determine the actuarial reserves in the Fund's balance sheets.

The normal cost and interest on the unfunded liability are calculated at the beginning of the year based upon actuarial methods and assumptions used in the prior year valuation.

Contribution information for the periods ending August 31 is:

| | 1994 | 1993 |
|---|---------------|-------------|
| Total contributions | \$361,698,580 | 284,270,027 |
| Public revenues | \$257,438,703 | 164,010,589 |
| Public revenues as a percentage of covered payroll | 22.15% | 13.40 |
| Employee contributions | \$104,259,877 | 120,259,438 |
| Employee contributions as a percentage of covered payroll | 8.97% | 9.83 |
| Actuarially determined contribution requirement | \$202,688,521 | 176,707,131 |
| Contribution requirement as percentage of covered payroll | 17.44% | 14.44 |
| Current year normal cost | \$106,745,677 | 106,219,144 |
| Normal cost as a percentage of covered payroll | 9.19% | 8.68 |
| Interest only on the unfunded liability | \$ 95,942,844 | 70,487,987 |
| Interest only on the unfunded liability as a percentage of covered payroll | 8.26% | 5.76 |

The early retirement incentive programs increased annual required employer contributions by \$26,532,254 and \$69,485,416 in fiscal year 1994 and 1993, respectively. The Board of Education paid \$22,208,694 of the required employer contributions in fiscal year 1993. No contributions were made in fiscal year 1994. The remaining employer contributions of \$73,808,976 and \$47,276,722 at August 31, 1994 and 1993, respectively, are shown as receivables in the accompanying financial statements. The Board of Education is required to pay to the Fund the remaining required contribution related to the 1993 early retirement incentive program by August 31, 1998 and the remaining required contribution related to the 1994 early retirement incentive program by August 31, 1999.

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Public School Teachers' Pension and Retirement Fund of Chicago

The early retirement incentive programs increased annual required employee contributions by \$8,844,082 and \$23,161,805 in fiscal year 1994 and 1993, respectively. Employees paid \$8,967,332 of the required employee contributions in fiscal year 1994. No contributions were made in fiscal year 1993. The remaining employee contributions of \$23,038,556 and \$23,161,805 at August 31, 1994 and 1993, respectively, are shown as receivables in the accompanying financial statements. Teachers are required to pay to the Fund the remaining required contributions related to the 1993 early retirement incentive program by August 31, 1996 and the remaining required contributions related to the 1994 early retirement incentive program by August 31, 1997.

(5) RECEIVABLES AND REVENUE – INTERGOVERNMENTAL

40 ILCS Article 5/17, Section 128 provides that the Board of Education of the City of Chicago levy a tax for the benefit of the Fund which will provide an amount equal to member contributions during the second preceding year. The Board of Education's contribution requirements have been met through its tax levy and personal property replacement taxes.

On January 8, 1991, the Illinois General Assembly passed, and on January 14, 1991, the Governor signed legislation which specifically authorizes the Board of Education to use proceeds of taxes levied under Section 34-60 of the School Code of Illinois, as amended, and received by the Board of Education subsequent to July 1, 1990, to make contributions on behalf of its employees to the Fund. To the extent that the proceeds are used to make contributions on behalf of employees, the Board of Education has no obligation to make an employer contribution to the Fund from such tax levies. This provision was effective during the term of the three-year contract ending August 31, 1993.

40 ILCS, Article 5/17, Section 129 provides that if, in any fiscal year, the total amounts paid to the Fund by the Board of Education of the City of Chicago and the State of Illinois do not equal the total contributions made by or on behalf of the employees represented by the Fund, the Board of Education, in the next succeeding year, shall set apart and appropriate from monies from its tax levy for educational purposes, a sum sufficient to remove any such deficiency. The Board of Education made a payment totaling \$22.2 million in fiscal year 1993 which it intended to cover both its employer contribution in the deficiency calculation and the required employer contributions related to the 1993 early retirement incentive program.

The Fund has filed an amended complaint against the Board of Education of the City of Chicago that alleges, for fiscal year 1993, the Board of Education improperly treated the \$22.2 million in employer contributions for the early retirement incentive program (note 4) as employer contributions in the fiscal year 1993 deficiency calculation (note 12). A receivable for \$22.2 million is reflected in the financial statement at August 31, 1994 and 1993 as it is the opinion of Fund management that recovery is probable from the alleged complaint.

Property taxes levied by the Board of Education under Section 34-60 attributable to fiscal year 1993 were remitted to the Fund in fiscal year 1994. These amounts were not recorded as revenue during fiscal year 1993 as management believed that collectability was not assured as of August 31, 1993. Accordingly, fiscal year 1994 intergovernmental revenue of \$158,924,000 consists of remittances attributable to taxes collated by the Board of Education for both fiscal year 1993 and 1994.

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Public School Teachers' Pension and Retirement Fund of Chicago

(6) FUNDING STATUS AND PROGRESS

The amount shown below as "total pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Fund 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 actuarial assumptions used are the same as those used to calculate the actuarially determined contribution requirement (note 4).

Significant assumptions underlying the actuarial computation are as follows:

| | |
|--|--|
| Assumed rate of return on investments | 8% per year compounded annually |
| Salary progression | Varying by the participant's age |
| Post-retirement pension increase | 3% per year |
| Actuarial cost method | Projected unit credit |
| Mortality for pensioners | 1983 GAM Mortality Table, rated down 3 years |
| Mortality for active members | 1983 GAM Mortality Table, rated down 6 years |

Based on an experience analysis of the Fund over the period 1991-1993, the following changes in assumptions were made for the actuarial valuation performed as of August 31, 1994: (1) the assumed rates of retirement were revised in order to bring them more in line with the recent experience of the Fund; (2) the mortality assumption for pensioners was changed from the 1983 GAM Table, rated down two years, to the 1983 GAM Table, rated down three years; and (3) the salary increase assumption was changed from a flat 6.5% per year increase to rates of increase which vary by the age of the participant. The changes made in actuarial assumptions used for the August 31, 1994 valuation had the impact of reducing the total actuarial liability by approximately \$115,184,615.

At August 31, 1994 and 1993, the unfunded pension benefit obligation was computed as follows (000's omitted):

| | 1994 | 1993 |
|---|--------------------|------------------|
| Retirees and beneficiaries currently receiving benefits and terminated members not yet receiving benefits | \$3,028,871 | 1,883,054 |
| Active members: | | |
| Accumulated member contributions | 853,538 | 914,065 |
| Employer-financed vested | 1,274,299 | 1,863,580 |
| Employer-financed nonvested | 1,090,710 | 1,243,665 |
| TOTAL PENSION BENEFIT OBLIGATION | 6,247,418 | 5,904,364 |
| Net assets available for benefits at cost (market value): | | |
| 1994 — \$5,548,390; | | |
| 1993 — \$5,415,678) | 5,106,255 | 4,658,030 |
| UNFUNDED PENSION BENEFIT OBLIGATION | \$1,141,163 | 1,246,334 |

(7) HISTORICAL TREND INFORMATION

Supplemental schedules of historical trend information are presented on pages 35 and 36. These schedules are designed to provide information on the Fund's progress in accumulating assets to pay benefits when due.

(8) VALIDATION OF CREDITABLE SERVICE

40 ILCS, Article 17, Sections 133 through 135 provide that qualifying teachers shall be granted creditable service for periods of outside or other service with the option to validate the service by payment of contributions for the period of creditable service plus interest at five percent per annum. Of the total amounts collected, \$2,801,876 and \$2,242,254 in fiscal 1994 and 1993, respectively, represent the interest portion of collections from teachers validating their creditable service. The contingent receivable of \$560,763 and \$477,449 at August 31, 1994 and 1993, respectively, is not reflected in the accompanying financial statements because the portion which will eventually be collected is not presently determinable. For similar reasons, the pension benefit obligation in the accompanying financial statements does not reflect a provision for the future validation of creditable service. The contingent liability resulting from the future validation of creditable service should be in excess of the contingent receivable arising from that source.

(9) RETIRED TEACHERS' SUPPLEMENTARY PAYMENTS

The State of Illinois annually appropriates funds for the purpose of making supplementary payments for service and disability pensions to certain retired teachers who met conditions prescribed when the Retired Teachers' Supplementary Payment Fund was established. In July 1975, 40 ILCS, Article 17, Sections 154 and 155 were revised to increase both the number of persons eligible for the payments and the amount of the payments. The amount of the appropriation is taken into income monthly during the fiscal year of the Fund.

(10) STATE DISTRIBUTIVE FUND ALLOCATION

105 ILCS, Article 5/34, Section 87 of the statutes provides that the Board of Education is required to pay to the Fund the excess of the sum received from the State Distributive Fund over the amount required to meet emeritus pay obligations.

(11) SECURITIES LENDING

The Fund lends securities (both equity and fixed income) to securities firms on a temporary basis through its master trustee, The Northern Trust Company. The Fund receives fees for all loans and loan agreements are collateralized by cash, U.S. Treasury securities, or letters of credit having market values equal to or exceeding the value of the loaned securities. Whenever adjustments are needed to reflect changes in the market value of the securities loaned, the collateral is adjusted accordingly.

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The Fund has the right to close the loan at any time. When the loan is closed, the securities on loan are returned to the Fund, and the collateral associated with the loan is returned to the borrower. As of August 31, 1994 and 1993, the Fund had loaned to borrowers securities with a market value of \$895,873,088 and \$779,998,787, respectively, and had received from borrowers collateral totaling \$923,705,361 and \$811,620,389, respectively.

(12) PENDING LITIGATION

40 ILCS, Article 5/17, Section 129 provides that if, in any fiscal year, the total amounts paid to the Fund by the Board of Education of the City of Chicago and the State of Illinois do not equal the total contributions made by or on behalf of the employees represented by the Fund, the Board of Education, in the next succeeding year, shall set apart and appropriate from monies from its tax levy for educational purposes, a sum sufficient to remove any such deficiency.

The Fund has filed an amended complaint against the Board of Education of the City of Chicago that alleges that, for fiscal years 1991 through 1993, the Board of Education incorrectly calculated the deficiency. The complaint alleges that the Board of Education improperly counted in fiscal years 1991 through 1993 as its employer contributions approximately \$26.4 million in employer contributions from federal funding paid to the Fund, improperly treated \$22.2 million in employer contributions for the 1993 early retirement incentive program (notes 4 and 5) as employer contributions in the 1993 fiscal year deficiency calculation; and alleges that contributions of \$1.6 million made by retired teachers to the Fund for years of military service should have been, but were not, treated as employee contributions by the Board of Education.

A receivable for \$22.2 million is reflected in the accompanying financial statements at August 31, 1994 and 1993 as it is the opinion of the Fund's management that recovery of the \$22.2 million related to the early retirement incentive program is probable from the alleged complaint. The remaining amounts related to this amended complaint have been recorded as a receivable, yet as management cannot attest to the probability of a favorable outcome concerning these amounts, an allowance of 100% has been recorded.

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Public School Teachers' Pension and Retirement Fund of Chicago

Schedule 1

ANALYSIS OF FUNDING PROGRESS

August 31, 1994 and 1993
(In thousands, except for percentages)

| August 31 | Net assets available for benefits | Pension benefit obligation | Percent funded | Unfunded pension benefit obligation | Annual covered payroll | Unfunded pension benefit obligation as a percent of annual covered payroll |
|-----------|--|----------------------------------|-------------------|--|------------------------------|---|
| 1986 | \$2,221,518 | 2,952,289 | 75% | \$730,771 | 815,895 | 90% |
| 1987 | 2,582,238 | 3,658,305 | 71 | 1,076,067 | 838,400 | 128 |
| 1988 | 2,928,301 | 3,868,941 | 76 | 940,640 | 882,872 | 107 |
| 1989 | 3,225,225 | 4,286,520 | 75 | 1,061,295 | 901,339 | 118 |
| 1990 | 3,764,801 | 4,658,574 | 81 | 893,773 | 966,896 | 92 |
| 1991 | 4,027,252 | 4,902,961 | 82 | 875,709 | 1,085,571 | 81 |
| 1992 | 4,299,936 | 5,215,602 | 82 | 915,666 | 1,122,442 | 82 |
| 1993 | 4,658,030 | 5,904,364 | 79 | 1,246,334 | 1,223,534 | 102 |
| 1994 | 5,106,255 | 6,247,418 | 82 | 1,141,163 | 1,162,159 | 98 |

The above analysis of the net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund. 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 Fund's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund.

The 1989 and 1987 pension benefit obligations reflect changes in State statutes. The pension benefit obligation for 1988 and 1994 reflects changes in actuarial assumptions and participant benefits. The 1991 pension benefit obligation reflects changes in the actuarial funding method and actuarial assumptions. The 1993 and 1994 pension benefit obligation increased by approximately \$225 million and \$105 million, respectively, as a result of statutorily provided early retirement incentives.

The disclosure made in this schedule does not include other appropriate measures of funding progress which must also be examined to obtain a complete understanding of the funding status. In addition, information was only available for the years 1986 through 1994. See notes 4 and 6 to the financial statements.

See accompanying independent auditors' report.

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Schedule 2

REVENUES BY SOURCE AND EXPENSES BY TYPE

August 31, 1994 and 1993

Historical trend information is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due.

Revenues by Source

| Year ended August 31 | Employee contributions | Employer contributions | | | Percentage of annual covered payroll | Net Investment and miscellaneous income | Total |
|-------------------------|---------------------------|------------------------|---|---|---|--|-------------|
| | | Actual amount | Percentage of annual covered payroll | Actuarially determined contribution amount | | | |
| 1985 | \$59,181,805 | 119,789,181 | 15.9% | \$123,269,444 | 16.3% | \$174,477,363 | 353,448,349 |
| 1986 | 63,734,742 | 125,169,433 | 15.3 | 101,360,112 | 12.4 | 258,578,466 | 447,482,641 |
| 1987 | 67,352,522 | 136,080,190 | 16.2 | 99,379,819 | 11.8 | 284,272,819 | 487,705,531 |
| 1988 | 68,859,333 | 129,734,310 | 14.7 | 136,794,102 | 15.5 | 287,069,806 | 485,663,449 |
| 1989 | 71,566,045 | 137,411,027 | 15.2 | 142,792,010 | 15.8 | 244,507,388 | 453,484,460 |
| 1990 | 76,332,898 | 96,398,465 | 10.0 | 179,926,934 | 18.6 | 535,473,305 | 708,204,668 |
| 1991 | 83,949,711 | 64,856,804 | 6.0 | 172,477,701 | 15.9 | 295,514,754 | 444,321,269 |
| 1992 | 89,704,075 | 75,448,143 | 6.7 | 170,755,842 | 15.2 | 311,960,183 | 477,112,401 |
| 1993 | 120,259,438 | 164,010,589 | 13.4 | 176,707,131 | 14.4 | 315,898,165 | 600,168,192 |
| 1994 | 104,259,877 | 257,438,703 | 22.2 | 202,688,521 | 17.4 | 411,743,963 | 773,442,543 |

Expenses by Type

| Year ended August 31 | Benefits | Administrative expenses | Refunds | Total |
|-------------------------|-------------|----------------------------|------------|-------------|
| 1985 | 100,689,595 | 977,579 | 7,186,400 | 108,853,574 |
| 1986 | 108,147,133 | 1,016,037 | 6,513,409 | 115,676,579 |
| 1987 | 119,442,171 | 1,041,890 | 6,501,919 | 126,985,980 |
| 1988 | 131,727,865 | 1,146,769 | 6,726,101 | 139,600,735 |
| 1989 | 147,121,429 | 1,319,724 | 8,119,469 | 156,560,622 |
| 1990 | 159,841,192 | 1,749,357 | 7,037,420 | 168,627,969 |
| 1991 | 172,802,880 | 1,941,700 | 7,126,641 | 181,871,221 |
| 1992 | 193,469,081 | 2,355,591 | 8,603,193 | 204,427,865 |
| 1993 | 231,409,640 | 3,104,081 | 7,560,476 | 242,074,197 |
| 1994 | 305,891,348 | 3,366,689 | 15,959,746 | 325,217,783 |

See accompanying independent auditors' report.

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Schedule 3**CASH, CASH EQUIVALENTS, AND INVESTMENTS****August 31, 1994**

| Description | Cost amortized cost | Original cost | Par value | Amortized cost percent | Average yield (percent) |
|--|---------------------------|------------------|---------------|------------------------------|-------------------------------|
| Bonds | | | | | |
| Government | \$1,418,203,839 | 1,425,548,722 | 1,335,797,352 | 29.1% | 7.4% |
| Corporate | 587,906,470 | 589,615,166 | 583,058,029 | 12.1 | 7.5 |
| Other miscellaneous | 29,325,899 | 29,362,287 | 29,500,000 | .6 | 8.1 |
| TOTAL BONDS | 2,035,436,208 | \$2,044,526,175 | 1,948,355,381 | 41.8 | 7.4 |
| Common stocks | 2,571,354,776 | | | 52.8 | 2.1 |
| LONG-TERM INVESTMENTS | 4,606,790,984 | | | 94.6 | 4.4 |
| Short-term investments | 15,233,739 | | | .3 | 4.6 |
| TOTAL INVESTMENTS | 4,622,024,723 | | | 94.9 | 4.4 |
| Cash and cash equivalents | 249,410,274 | | | 5.1 | 4.4 |
| TOTAL CASH, CASH EQUIVALENTS, AND INVESTMENTS | \$4,871,434,997 | | | 100.0% | 4.4% |

See accompanying independent auditors' report.

FINANCIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Schedule 4**ADMINISTRATIVE AND MISCELLANEOUS EXPENSE****Years Ended August 31, 1994 and 1993**

| | <u>1994</u> | <u>1993</u> |
|--|---------------------------|-------------------------|
| Salaries | \$1,446,531 | 1,011,135 |
| Actuary fees | 31,500 | 40,000 |
| Auditing | 24,000 | 22,550 |
| Consulting fees | 164,282 | 194,294 |
| Data processing expense | 69,106 | 77,106 |
| Election expense | 18,887 | 213 |
| Employees' health insurance | 247,973 | 264,256 |
| Insurance premium | 8,795 | 8,569 |
| Legal fees | 82,280 | 87,012 |
| Legislative expense | 24,403 | 28,394 |
| Master custody services | 463,449 | 380,621 |
| Medical fees | 4,005 | 6,844 |
| Membership dues, convention attendance, etc. | 53,448 | 28,900 |
| Microfilm system expense | 4,800 | 2,972 |
| Miscellaneous office equipment purchases, rental, and maintenance | 139,290 | 140,196 |
| Office forms and supplies | 45,872 | 44,025 |
| Office relocation expenses | — | 282,526 |
| Office rent and utilities | 289,700 | 263,292 |
| Postage | 116,691 | 99,512 |
| Printing and binding | 95,097 | 96,413 |
| Trustees' expenses | 5,040 | 5,425 |
| Miscellaneous | 31,540 | 19,826 |
| TOTAL | <u><u>\$3,366,689</u></u> | <u><u>3,104,081</u></u> |

See accompanying independent auditors' report.

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**Year ended August 31, 1994**

| | |
|--|---------------|
| Cash and cash equivalents at beginning of year | \$317,964,659 |
| Add receipts: | |
| Member contributions | 104,107,712 |
| Public revenues | 154,866,734 |
| Interest and dividends | 411,264,044 |
| Miscellaneous | 217,411 |
| | <hr/> |
| Total cash receipts | 670,455,901 |
| | <hr/> |
| Less disbursements: | |
| Benefit payments | 314,472,431 |
| Administrative and investment expenses | 3,456,820 |
| Refunds | 16,357,558 |
| Net investment purchases and sales | 404,723,477 |
| | <hr/> |
| Total cash disbursements | 739,010,286 |
| | <hr/> |
| Net decrease in cash and cash equivalents | (68,554,385) |
| | <hr/> |
| Cash and cash equivalents at end of year | \$249,410,274 |
| | <hr/> <hr/> |

See accompanying independent auditors' report.



ACTUARIAL SECTION

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

GOLDSTEIN & ASSOCIATES
Consulting Actuaries

160 NORTH WACKER DRIVE
CHICAGO, ILLINOIS 60606
PHONE (312) 726-5877

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FAX (312) 726-4323

January 27, 1995

Board of Trustees
Public School Teachers' Pension
and Retirement Fund of Chicago
55 West Wacker Drive - 13th Floor
Chicago, Illinois 60601-1613

Actuarial Certification

I have completed the annual actuarial valuation of the Public School Teachers' Pension and Retirement Fund of Chicago as of August 31, 1994. The purpose of the valuation was to determine the financial condition and funding requirements of the fund.

Since the last actuarial valuation, Senate Bill 132, which was signed into law on November 19, 1993 as Public Act 88-511, established a second early retirement incentive program for the fund. Under this new early retirement incentive program, teachers who had attained age 50 and had at least 5 years of service were able to establish up to 5 years of additional creditable service by making an election before March 1, 1994 to retire no later than September 1, 1994. I have estimated that the early retirement incentive program established under Public Act 88-511 increased the fund's total actuarial liability by approximately \$104.9 million and the fund's unfunded liability by approximately \$69.6 million.

Over recent years, the fund's financing objective has been to have employer contributions be at least equal to the "normal cost plus interest on the unfunded liability." Under this financing objective, the unfunded liability would be stabilized and employer contributions would decrease gradually as a percent of pay-roll. In recent years, employer contributions have not always been sufficient to meet this financing objective. This has been particularly the case during the three-year period ending on August 31, 1993 during which the pension fund's tax levy was transferred to the Board of Education pursuant to legislation passed by the General Assembly in 1990. With the expiration of the transfer of the fund's tax levy, the deficiency in employer contributions was eliminated for Fiscal Year 1994.

As part of the August 31, 1994 actuarial valuation, I have determined funding requirements under the above financing objective. I have also determined funding requirements using an alternate financing objective under which employer contributions would be equal to the normal cost plus the amount required to pay off the unfunded liability over 40 years as a level percent of payroll.

Based on an experience analysis of the fund over the three-year period 1991-1993, we made certain changes in the actuarial assumptions used for the August 31, 1994 valuation. I have estimated that the changes made in the actuarial assumptions used for the August 31, 1994 valuation had the impact of reducing the total actuarial liability by approximately \$115.2 million.

The projected unit credit actuarial cost method was used for the August 31, 1994 actuarial valuation. This is the same actuarial cost method that was used for the August 31, 1993 valuation.

The asset values used for the valuation were based on the asset information contained in the financial statements prepared by the fund's auditors. For purposes of the valuation, the book value of the assets of the fund was used. The valuation has been based on the membership data which was supplied by the administrative staff of the fund. I have made additional tests to ensure its accuracy.

In my opinion, the following schedule of valuation results fairly presents the financial condition of the Public School Teachers' Pension and Retirement Fund of Chicago as of August 31, 1994.

Respectfully submitted,



Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary No. 93-3402

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

A. PURPOSE AND SUMMARY

We have carried out an actuarial valuation of the Public School Teachers' Pension and Retirement Fund of Chicago as of August 31, 1994. The purpose of the valuation was to determine the financial position and funding requirements of the Pension Fund. This report is intended to present the results of the valuation. The results of the valuation are summarized below:

| | |
|---|-----------------|
| 1. Total Actuarial Liability | \$6,247,417,779 |
| 2. Actuarial Value Of Assets | 5,106,254,796 |
| 3. Unfunded Actuarial Liability | 1,141,162,983 |
| 4. Funded Ratio | 81.7% |
| 5. Employer FY 95 Funding Requirement Of Normal Cost Plus Interest On The Unfunded Liability | 194,232,200 |
| 6. Employer FY 95 Funding Requirement Of Normal Cost Plus Amount Required To Pay Off Unfunded Liability Over 40 Years As A Level Percent Of Payroll | 162,575,170 |
| 7. Employer FY 96 Funding Requirement Of Normal Cost Plus Interest On The Unfunded Liability | 198,437,819 |
| 8. Employer FY 96 Funding Requirement Of Normal Cost Plus Amount Required To Pay Off Unfunded Liability Over 40 Years As A Level Percent Of Payroll | 166,780,789 |
| 9. Actuarial Present Value Of Credited Projected Benefits | \$6,247,417,779 |

B. DATA USED FOR THE VALUATION

Participant Data.

The participant data required to carry out the valuation was supplied by the fund. The membership of the fund as of August 31, 1994, on which the valuation was based, is summarized in Exhibit 1. It can be seen that there were 30,804 active contributors, 14,698 pensioners and other beneficiaries, and 1,220 vested terminated members included in the valuation. The total active payroll as of August 31, 1994 was \$1,162,159,018.

Exhibit I Summary of Membership Data

| | |
|-------------------------------|---------------|
| 1. Number of Members | |
| (a) Active Members | |
| (i) Vested | 20,643 |
| (ii) Non-vested | 10,161 |
| (b) Members Receiving | |
| (i) Retirement Pensions | 12,639 |
| (ii) Disability Pensions | 291 |
| (iii) Survivor Pensions | 1,701 |
| (iv) Reversionary Pensions | 67 |
| (c) Vested Terminated Members | 1,220 |
| (d) Total | <u>46,722</u> |

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| | |
|---|-----------------|
| 2. Annual Salaries | |
| (a) Total Salary | \$1,162,159,018 |
| (b) Average Salary | 37,728 |
| 3. Total Accumulated Contributions of Active Members | \$ 853,538,324 |
| 4. Annual Benefit Payments Currently Being Made | |
| (a) Retirement Pensions | \$ 260,579,819 |
| (b) Disability Pensions | 3,506,986 |
| (c) Survivor Pensions | 10,097,770 |
| (d) Reversionary Pensions | 410,059 |

Assets.

The asset values used for the valuation were based on the asset information contained in the financial statements of the fund as of August 31, 1994. For purposes of the valuation, the book value of the assets of the fund less the amount of liabilities was used. The resulting actuarial value of assets was \$5,106,254,796. The development of this value is shown in Exhibit 2.

Exhibit 2 Actuarial Value of Assets

| | |
|---|------------------------|
| 1. Cash and Cash Equivalents | \$ 249,410,274 |
| 2. Short Term Investments at Cost | 15,233,739 |
| 3. Receivables | 206,255,221 |
| 4. Accrued Investment Income | 35,940,802 |
| 5. Prepaid Expenses and Other | 1,572,961 |
| 6. Investments in Bonds at Amortized Cost | 2,035,436,208 |
| 7. Investments in Common Stocks at Cost | 2,571,354,776 |
| 8. Total Book Value of Assets | \$5,115,203,981 |
| 9. Liabilities | 8,949,185 |
| 10. Actuarial Value of Assets (8-9) | <u>\$5,106,254,796</u> |

C. FUND PROVISIONS

Our valuation was based on the provisions of the fund in effect as of August 31, 1994 as provided in Article 17 of the Illinois Pension Code.

Senate Bill 132, which was signed into law on November 14, 1993 as Public Act 88-511, established a second early retirement incentive program for the fund. Under this new early retirement incentive program, teachers who had attained age 50 and had at least 5 years of service were able to establish up to 5 years of additional creditable service by making an election before March 1, 1994 to retire no later than September 1, 1994. For each year of creditable service established, the teacher's age at retirement was deemed to be increased by an equal period. In order to receive the additional

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

creditable service, the teacher and the employer were required to make certain contributions to the fund.

D. ACTUARIAL ASSUMPTIONS AND COST METHOD

Based on an experience analysis of the fund over the three-year period 1991-1993, we made the following changes in the actuarial assumptions used for the August 31, 1994 valuation from the assumptions used for the August 31, 1993 valuation: (1) the assumed rates of retirement were revised in order to bring them more in line with the recent experience of the fund; (2) the mortality assumption for pensioners was changed from the 1983 GAM Table, rated down 2 years, to the 1983 GAM Table, rated down three years; and (3) the salary increase assumption was changed from a flat 6.5% per year increase to rates of increase which vary by the age of the participant. The actuarial assumptions used for the August 31, 1994 valuation are outlined in Appendix 1.

In addition to the regular actuarial assumptions used in the valuation, we assumed that 12.9% of all eligible employees would retire under the early retirement incentive program established under Public Act 88-511.

In our opinion, the actuarial assumptions used for the valuation are reasonable, in the aggregate, taking into account fund experience and future expectations and represent our best estimate of anticipated experience.

The projected unit credit actuarial cost method was used for the August 31, 1994 actuarial valuation. This is the same actuarial cost method that was used for the August 31, 1993 valuation.

E. ACTUARIAL LIABILITY

The actuarial liability as determined under the valuation for the various classes of members is summarized in Exhibit 3. The total actuarial liability is then compared with the actuarial value of assets in order to arrive at the unfunded actuarial liability.

As of August 31, 1994, the total actuarial liability is \$6,247,417,779, the actuarial value of assets is \$5,106,254,796 and the unfunded actuarial liability is \$1,141,162,983. The ratio of the actuarial value of assets to the actuarial liability, or funded ratio, is 81.7%.

Exhibit 3 Actuarial Liability as of August 31, 1994

| | |
|---|-------------------------|
| 1. Actuarial Liability for Active Members | |
| (a) Basic Retirement Annuity | \$ 2,257,315,775 |
| (b) Post Retirement Increase | 532,188,760 |
| (c) Lump Sum Death Benefit | 8,107,204 |
| (d) Survivor's Pension | 289,486,103 |
| (e) Disability Pension | 35,458,433 |
| (f) Withdrawal Benefit | 95,990,621 |
| (g) Total | <u>\$ 3,218,546,896</u> |

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| | |
|---|------------------------|
| 2. Actuarial Liability Members Receiving Benefits | |
| (a) Retirement Pensions | \$2,808,892,305 |
| (b) Survivor Pensions | 89,416,274 |
| (c) Disability Pensions | 44,531,138 |
| (d) Total | <u>\$2,942,839,717</u> |
| 3. Actuarial Liability for Inactive Members | \$86,031,166 |
| 4. Total Actuarial Liability | \$6,247,417,779 |
| 5. Actuarial Value of Assets | \$5,106,254,796 |
| 6. Unfunded Actuarial Liability | \$1,141,162,983 |
| 7. Funded Ratio | 81.7% |

Impact of Changes in Actuarial Assumptions. We have estimated that the changes made in the actuarial assumptions used for the August 31, 1994 valuation had the impact of reducing the total actuarial liability by \$115,184,615.

Impact of Benefit Changes. We have estimated that the early retirement incentive program established under Public Act 88-511 had the impact of increasing the fund's total actuarial liability by \$104,941,333 and the fund's unfunded actuarial liability by \$69,564,997.

F. EMPLOYER'S NORMAL COST

The employer's share of the normal cost for the year beginning September 1, 1994 is developed in Exhibit 4. The total normal cost is \$199,358,154, employee contributions are estimated to be \$92,972,721, resulting in the employer's share of the normal cost of \$106,385,433.

Based on a payroll of \$1,162,159,018 as of August 31, 1994, the employer's share of the normal cost can be expressed as 9.15% of payroll.

Exhibit 4 Employer's Normal Cost For Year Beginning September 1, 1994

| | Dollar Amount | Percent Of Payroll |
|-----------------------------------|-----------------------|-----------------------|
| 1. Basic Retirement Pension | \$ 113,790,124 | 9.79% |
| 2. Post Retirement Increases | 27,687,348 | 2.38 |
| 3. Lump Sum Death Benefits | 604,142 | .05 |
| 4. Survivor's Pension | 16,605,977 | 1.43 |
| 5. Disability Benefits | 2,371,118 | .20 |
| 6. Withdrawal Benefits | 9,764,422 | .84 |
| 7. Health Insurance Reimbursement | 25,000,000 | 2.15 |
| 8. Administrative Expenses | 3,535,023 | .31 |
| 9. Total Normal Cost | <u>\$ 199,358,154</u> | <u>17.15%</u> |

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| | | |
|-------------------------------------|----------------|-------|
| 10. Employee Contributions | 92,972,721 | 8.00% |
| 11. Employer's Share of Normal Cost | \$ 106,385,433 | 9.15% |

Note. The above figures are based on a total active payroll of \$1,162,159,018, as of August 31, 1994.

G. EMPLOYER'S FUNDING REQUIREMENT FOR YEAR BEGINNING SEPTEMBER 1, 1994

I. Employer's Actuarial Funding Requirement of Normal Cost Plus Interest On The Unfunded Liability

The employer's funding requirement of normal cost plus interest on the unfunded liability for the year beginning September 1, 1994 is developed in Exhibit 5.

A number of organizations that have advocated actuarial funding for Illinois public retirement systems, including the former Illinois Public Employees' Pension Laws Commission, have recommended that as a minimum, public employers contribute annually an amount equal to "normal cost plus interest on the unfunded liability." By paying the normal cost each year, the accruing cost of pensions is met as service is rendered by employees. By paying interest on the unfunded liability, the unfunded liability is stabilized. Although no attempt is made to pay off the unfunded liability, this approach is nevertheless generally considered to be acceptable for public retirement systems where permanence can be taken for granted and full funding is not regarded as essential.

As can be seen from Exhibit 5, for the year beginning September 1, 1994, the employer funding requirement of normal cost plus interest on the unfunded liability amounts to \$194,232,200, or 16.71% of payroll.

Exhibit 5 Funding Requirement For Year Beginning September 1, 1994

| | Annual Amount | Percent of Payroll |
|--|----------------|--------------------|
| 1. Employer's Share of Normal Cost | \$ 106,385,433 | 9.15% |
| 2. Interest on the Unfunded Actuarial Liability | 87,846,767 | 7.56% |
| 3. Normal Cost Plus Interest on Unfunded Actuarial Liability | \$ 194,232,200 | 16.71% |

Note. The above figures are based on a total active payroll of \$1,162,159,018 as of August 31, 1994.

II. Employer's Actuarial Funding Requirement Of Normal Cost Plus Amount Required To Pay Off Unfunded Liability Over 40 Years As a Level Percent Of Payroll

Paying interest on the unfunded liability is one approach for controlling a retirement system's unfunded liability. There is an alternative to this approach under which contributions toward the unfunded liability are initially somewhat lower but which in the long run can still be considered to be a fiscally sound approach for funding public retirement systems. Under this alternative approach, the unfunded liability is amortized by payments which represent a level percentage of active membership payroll. This is sometimes referred to as the level percentage of payroll amortization approach.

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Since the active payroll can be expected to increase over time, the level percentage of payroll amortization approach will require a lower contribution toward the unfunded liability in the earlier years than the "interest only" approach and will require greater contributions in the later years. However, the contribution as a percentage of payroll is expected to remain level over time.

In the earlier years, the level percentage of payroll payment toward the unfunded liability is less than an amount equal to interest on the unfunded liability, resulting in increases in the unfunded liability for a period of time. Eventually the payroll base will increase to a point where the level percentage of payroll approach should pay off the unfunded liability over the amortization period. A potential risk associated with this approach is that payroll increases that are assumed may not materialize. Nevertheless, the level percentage of payroll amortization approach can represent a fiscally sound approach for funding public retirement systems.

The level percent of payroll amortization of the unfunded liability is specified in the provisions governing the five State retirement systems, although the State has not followed these provisions in funding the State retirement systems.

The employer's funding requirement of normal cost plus the amount required to amortize the unfunded liability over 40 years as a level percent of payroll is developed in Exhibit 6.

It can be seen from Exhibit 6 that for the year beginning September 1, 1994, the employer funding requirement of normal cost plus the amount required to amortize the unfunded liability over 40 years as a level percent of payroll amounts to \$162,575,170, or 13.99% of payroll.

Exhibit 6
Funding Requirement For Year Beginning September 1, 1994

| | <u>Annual Amount</u> | <u>Percent of Payroll</u> |
|---|-----------------------|---------------------------|
| 1. Employer's Share of Normal Cost | \$ 106,385,433 | 9.15% |
| 2. Amount Required to Amortize Unfunded Liability Over 40 Years as a Level Percent of Payroll | 56,189,737 | 4.84% |
| 3. Employer's Total Funding Requirement (1+2) | <u>\$ 162,575,170</u> | <u>13.99%</u> |

Note. The above figures are based on a total active payroll of \$1,162,159,018 as of August 31, 1994.

H. EMPLOYER CONTRIBUTION REQUIREMENTS FOR YEAR BEGINNING SEPTEMBER 1, 1995

The August 31, 1994 actuarial valuation is used to develop the actuarial funding requirements for the year beginning September 1, 1994. For State budgeting purposes, it is necessary to make a projection of the Fund's actuarial funding requirements for the fiscal year beginning September 1, 1995.

We have therefore made projections to estimate the total required employer contribution to meet the actuarial funding requirements for the fiscal year commencing September 1, 1995. This has been done under both of the approaches for controlling the Fund's unfunded liability that were outlined in Section G.

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| Actuarial Funding Requirement | Total Required Employer Contribution For Year Beginning September 1, 1995 | |
|---|--|--------------|
| | Dollar Amount | % of Payroll |
| Normal Cost Plus Interest On The Unfunded Liability | \$198,437,819 | 16.42% |
| Normal Cost Plus Amount Required To Amortize Unfunded Liability Over 40 Years As A Level Percent Of Payroll | \$166,780,789 | 13.80% |

I. RECONCILIATION OF CHANGE IN UNFUNDED ACTUARIAL LIABILITY

The net actuarial experience during the period September 1, 1993 to August 31, 1994 resulted in a decrease in the fund's unfunded actuarial liability of \$105,171,116. This decrease in unfunded actuarial liability is a result of several kinds of gains and losses. The financial effect of the most significant gains and losses is illustrated in Exhibit 7.

The employer funding requirement for the year of normal cost plus interest on the unfunded actuarial liability amounted to \$202,688,521, whereas the actual employer contribution for the year amounted to \$230,906,449. Thus, the employer contribution for the year exceeded the funding requirement of normal cost plus interest on the unfunded liability by \$28,217,928. Had all other aspects of the fund's experience been in line with the actuarial assumptions, the unfunded liability would have decreased by this amount.

The net rate of investment return earned by the fund during the year was approximately 8.8%, in comparison to the assumed rate of 8.0%. This resulted in a decrease in the unfunded liability of \$37,336,269. Salaries increased at an average rate of approximately 1.0%, in comparison with an assumed rate of 6.5%, resulting in a decrease in the unfunded liability of \$239,386,992.

The changes in assumptions used in the August 31, 1994 valuation had the impact of decreasing the actuarial liability by \$115,184,615.

We have estimated that the early retirement incentive program established under Public Act 88-511 increased the fund's total actuarial liability by \$104,941,333. The employee and employer contributions required under Public Act 88-511 are estimated to amount to \$35,376,336. Therefore, the increase in the unfunded liability due to the early retirement incentive program enacted under Public Act 88-511 is estimated to be \$69,564,997.

The various other aspects of the fund's experience resulted in a net increase in the unfunded liability of \$245,389,691. The aggregate financial experience of the fund resulted in a decrease in the unfunded liability of \$105,171,116.

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Exhibit 7

Reconciliation of Change in Unfunded Actuarial Liability Over the Period September 1, 1993 to August 31, 1994

| | |
|--|------------------------|
| 1. Unfunded Actuarial Liability as of 9/1/93 | <u>\$1,246,334,099</u> |
| 2. Employer Contribution Requirement of Normal Cost Plus Interest on Unfunded Liability for Period 9/1/93 to 8/31/94 | 202,688,521 |
| 3. Actual Employer Contribution for the Year | <u>230,906,449</u> |
| 4. Decrease in Unfunded Liability Due to Employer Contribution Being More Than Normal Cost Plus Interest on Unfunded Liability (3 - 2) | 28,217,928 |
| 5. Decrease in Unfunded Liability Due to Investment Return Higher Than Assumed | 37,336,269 |
| 6. Decrease in Unfunded Liability Due to Salary Increases Lower Than Assumed | 239,386,992 |
| 7. Decrease in Unfunded Liability Due to Changes in Actuarial Assumptions | 115,184,615 |
| 8. Increase in Unfunded Liability Due to Impact of Early Retirement Incentive Program | 69,564,997 |
| 9. Increase in Unfunded Liability Due to Other Sources | <u>245,389,691</u> |
| 10. Net Decrease in Unfunded Liability for the Year (4+5+6+7-8-9) | <u>\$105,171,116</u> |
| 11. Unfunded Actuarial Liability as of August 31, 1994 (1-10) | <u>\$1,141,162,983</u> |

J. ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS

Government Accounting Standards Board (GASB) Statement No. 5, entitled Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers, establishes standards of disclosure of pension information by public employee retirement systems. GASB Statement No. 5 requires the disclosure of the actuarial present value of credited projected benefits as the standardized measure of the accrued pension obligation. This measure represents the discounted value of the amount of benefits estimated payable in the future as a result of employee service to date, computed by attributing an equal benefit amount to each year of service of the employee.

In Exhibit 8, we have shown the actuarial present value of credited projected benefits in the format prescribed in GASB Statement No. 5. It can be seen that the total actuarial present value of credited projected benefits of \$6,247,417,779 is the same as the total actuarial liability, as determined in Exhibit 3. The unfunded actuarial present value of credited projected benefits amounts to \$1,141,162,983.

Impact of Changes in Actuarial Assumptions and Benefit Changes. We have estimated that the changes made in the actuarial assumptions used for the August 31, 1994 valuation had the impact of reducing the actuarial present value of credited projected benefits by \$115,184,615. We have estimated that the early retirement incentive program established under Public Act 88-511 had the impact of increasing the actuarial present value of credited projected benefits by \$104,941,333.

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Exhibit 8

Actuarial Present Value of Credited Projected Benefits

| | |
|---|------------------------|
| 1. For Members in Receipt of Benefits and for Inactive Members | \$3,028,870,883 |
| 2. For Current Employees | |
| Accumulated Employee Contributions | 853,538,324 |
| Employer-Financed Vested | 1,274,298,562 |
| Employer-Financed Non-vested | <u>1,090,710,010</u> |
| 3. Total Actuarial Present Value of Credited Projected Benefits | \$6,247,417,779 |
| 4. Net Assets Available for Benefits, at Cost (Market Value is \$5,548,390,154) | <u>\$5,106,254,796</u> |
| 5. Unfunded Actuarial Present Value of Credited Projected Benefits | <u>\$1,141,162,983</u> |

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Additional Actuarial Tables

Summary of Actuarial Liability and Unfunded Actuarial Liability

| Fiscal Year | Total Actuarial Liability | Actuarial Value of Assets | Assets as a % of Actuarial Liability | Unfunded Actuarial Liability (UAL) | Active Member Payroll | UAL as a % of Active Member Payroll |
|-------------|---------------------------|---------------------------|--------------------------------------|------------------------------------|-----------------------|-------------------------------------|
| 1985 | \$ 2,944,183,673 | \$ 1,961,698,781 | 66.6% | \$ 982,484,892 | \$ 756,419,710 | 129.9% |
| 1986 | 3,268,219,264 | 2,380,437,574 | 72.8% | 887,781,690 | 815,894,722 | 108.8% |
| 1987 | 3,935,062,675 | 2,843,462,630 | 72.3% | 1,091,600,045 | 838,400,296 | 130.2% |
| 1988 | 4,191,547,619 | 3,157,340,452 | 75.3% | 1,034,207,167 | 882,872,244 | 117.1% |
| 1989 | 4,624,431,749 | 3,225,224,561 | 69.7% | 1,399,207,188 | 901,338,746 | 155.2% |
| 1990 | 5,012,500,170 | 3,764,801,260 | 75.1% | 1,247,698,910 | 966,896,368 | 129.0% |
| 1991 | 4,902,961,000 | 4,027,251,505 | 82.1% | 875,709,495 | 1,085,571,111 | 80.7% |
| 1992 | 5,215,601,846 | 4,299,936,041 | 82.4% | 915,665,805 | 1,122,442,390 | 81.6% |
| 1993 | 5,904,364,135 | 4,658,030,036 | 78.9% | 1,246,334,099 | 1,223,533,870 | 101.9% |
| 1994 | 6,247,417,779 | 5,106,254,796 | 81.7% | 1,141,162,983 | 1,162,159,018 | 98.2% |

Solvency Test Accrued Liabilities For

| Fiscal Year | (1) (2) (3) | | | Actuarial Value of Assets | Percent of Accrued Liabilities Covered by Assets | | |
|-------------|---|--------------------------------------|--------------------------------|---------------------------|--|------------------|------|
| | Active Members Accumulated Contributions | Members Currently Receiving Benefits | Active Member Employer Portion | | (1) | (2) | (3) |
| | 1985 | \$ 549,003,988 | \$ 926,524,221 | | \$ 1,468,655,464 | \$ 1,961,698,781 | 100% |
| 1986 | 588,605,802 | 1,031,716,462 | 1,647,897,000 | 2,380,437,574 | 100% | 100% | 46% |
| 1987 | 626,941,978 | 1,139,609,593 | 2,168,511,104 | 2,843,462,630 | 100% | 100% | 50% |
| 1988 | 663,813,480 | 1,181,644,125 | 2,346,090,014 | 3,157,340,452 | 100% | 100% | 56% |
| 1989 | 713,959,464 | 1,334,982,229 | 2,575,490,056 | 3,225,224,561 | 100% | 100% | 46% |
| 1990 | 756,253,232 | 1,453,356,105 | 2,802,890,833 | 3,764,801,260 | 100% | 100% | 55% |
| 1991 | 808,935,016 | 1,549,179,713 | 2,544,846,271 | 4,027,251,505 | 100% | 100% | 66% |
| 1992 | 857,624,381 | 1,701,504,343 | 2,656,473,122 | 4,299,936,041 | 100% | 100% | 66% |
| 1993 | 914,065,627 | 1,823,039,371 | 3,167,259,137 | 4,658,030,036 | 100% | 100% | 61% |
| 1994 | 853,538,324 | 2,942,839,717 | 2,451,039,738 | 5,106,254,796 | 100% | 100% | 53% |

Additional Actuarial Tables

**Schedule of Actual Employer Contributions And
Actuarially Determined Contribution Requirements**

| Fiscal Year | Active Member Payroll | Actual Employer Contribution | | Actuarially Determined Contribution Requirement |
|-------------|-----------------------|------------------------------|--------------------|---|
| | | Dollar Amount | Percent of Payroll | |
| 1985 | \$ 756,419,710 | \$ 119,789,181 | 15.84% | 16.30% |
| 1986 | 815,894,722 | 125,169,433 | 15.34% | 12.42% |
| 1987 | 838,400,296 | 136,080,190 | 16.23% | 11.85% |
| 1988 | 882,872,244 | 129,809,520 | 14.70% | 15.49% |
| 1989 | 901,338,746 | 137,132,890 | 15.21% | 15.84% |
| 1990 | 966,896,368 | 143,068,588 | 14.80% | 18.61% |
| 1991 | 1,035,571,111 | 64,856,804 | 5.97% | 15.89% |
| 1992 | 1,122,442,390 | 75,448,143 | 6.72% | 15.21% |
| 1993 | 1,223,533,870 | 164,010,589 (a) | 13.40% | 14.44% |
| 1994 | 1,152,159,018 | 257,438,703 (b) | 22.15% | 16.57% |

(a) The Fiscal Year 1993 employer contribution of \$164,010,589 includes special employer contributions of \$69,485,416 required for establishing additional service credit under the early retirement incentive program. Excluding these special employer contributions, the regular employer contribution for Fiscal Year 1993 was \$94,525,173, which can be expressed as 7.73% of payroll.

(b) The Fiscal Year 1994 employer contribution of \$257,438,703 includes special employer contributions of \$26,532,254 required for establishing additional service credit under the second early retirement incentive program. Excluding these special employer contributions, the regular employer contribution for Fiscal Year 1994 was \$230,906,449, which can be expressed as 19.87% of payroll.

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Schedule of Active Member Valuation Data

| Valuation Date | Number | Active Members | |
|----------------|--------|----------------|--------------------|
| | | Annual Payroll | Annual Average Pay |
| 8-31-85 | 27,990 | \$ 756,419,710 | \$ 27,025 |
| 8-31-86 | 28,690 | 815,894,722 | 28,438 |
| 8-31-87 | 28,548 | 838,400,296 | 29,368 |
| 8-31-88 | 28,141 | 882,872,244 | 31,373 |
| 8-31-89 | 28,219 | 901,338,746 | 31,949 |
| 8-31-90 | 29,045 | 966,896,368 | 33,290 |
| 8-31-91 | 30,510 | 1,085,571,111 | 35,581 |
| 8-31-92 | 30,900 | 1,122,442,390 | 36,325 |
| 8-31-93 | 31,592 | 1,223,533,870 | 38,729 |
| 8-31-94 | 30,804 | 1,162,159,018 | 37,728 |

Schedule of Beneficiaries Added to and Removed from Rolls

| Fiscal Year | Beginning Balance | Additions | Deletions | Ending Balance |
|-------------|-------------------|-----------|-----------|----------------|
| 1985 | 9,706 | 663 | 436 | 9,933 |
| 1986 | 9,933 | 645 | 424 | 10,154 |
| 1987 | 10,154 | 766 | 475 | 10,445 |
| 1988 | 10,445 | 628 | 363 | 10,710 |
| 1989 | 10,710 | 879 | 609 | 10,980 |
| 1990 | 10,980 | 780 | 512 | 11,248 |
| 1991 | 11,248 | 757 | 508 | 11,497 |
| 1992 | 11,497 | 862 | 483 | 11,876 |
| 1993 | 11,876 | 752 | 573 | 12,055 |
| 1994 | 12,055 | 3,269 | 626 | 14,698 |

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Appendix 1

Summary of Actuarial Assumptions and Actuarial Cost Method

Mortality Rates. The 1983 GAM Table, rated down 6 years for active members, and rated down 3 years for pensioners.

Termination Rates. Termination rates based on the recent experience of the Fund. The following is a sample of the termination rates that were used:

| <u>Age</u> | <u>Rate of Termination Per 1,000 Members</u> |
|--------------|--|
| 20 | 148 |
| 25 | 104 |
| 30 | 63 |
| 35 | 34 |
| 40 | 19 |
| 45 | 12 |
| 50 | 8 |
| 55 and later | 0 |

Disability Rates. Disability rates based on the recent experience of the Fund. The following is a sample of the disability rates that were used:

| <u>Age</u> | <u>Disabilities Per 1,000 Members</u> |
|-------------|---|
| 20 | .6 |
| 30 | .7 |
| 40 | 1.0 |
| 50 | 2.0 |
| 55 and over | 0 |

Retirement Rates. Rates of retirement for each age from 55 to 75 based on the recent experience of the Fund were used. The following are samples of the rates of retirement that were used:

| <u>Age</u> | <u>Rate of Retirement Per 1,000 Members</u> |
|------------|---|
| 55 | 50 |
| 60 | 140 |
| 65 | 195 |
| 70 | 150 |
| 75 | 1,000 |

ACTUARIAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

Special Retirement Rate Assumption Regarding Early Retirement Incentive Program. We assumed that 12.9% of all eligible employees would elect to retire under the early retirement incentive program enacted under Public Act 88-511.

Salary Progression. Rates of salary increase which vary by age. The following is a sample of the assumed rates of salary increase.

| <u>Age</u> | <u>Assumed Rate of Increase</u> |
|--------------|---|
| 25 | 13.3% |
| 30 | 9.8% |
| 35 | 8.7% |
| 40 | 8.0% |
| 45 | 7.6% |
| 50 | 6.8% |
| 55 | 5.8% |
| 60 and later | 5.0% |

Interest Rate. 8.0% per year, compounded annually.

Marital Status. 75% of participants were assumed to be married.

Spouse's Age. The age of the spouse was assumed to be 1 year older than the age of the employee.

Actuarial Value of Assets. The book value of the assets of the Fund was used.

Actuarial Cost Method. The projected unit credit actuarial cost method was used. Actuarial gains and losses are reflected in the unfunded actuarial liability.

Appendix 2**Glossary of Terms Used in Report**

- 1. Actuarial Present Value.** The value of an amount or series of amounts payable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.
- 2. Actuarial Cost Method or Funding Method.** A procedure for determining the actuarial present value of pension plan benefits and for determining an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability.
- 3. Normal Cost.** That portion of the present value of pension plan benefits which is allocated to a valuation year by the actuarial cost method.
- 4. Actuarial Accrued Liability or Accrued Liability.** That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension benefits which is not provided for future normal costs.
- 5. Actuarial Value of Assets.** The value assigned by the actuary to the assets of the pension plan for purposes of an actuarial valuation.
- 6. Unfunded Actuarial Liability.** The excess of the actuarial liability over the actuarial value of assets.
- 7. Projected Unit Credit Actuarial Cost Method.** A cost method under which the projected benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to a valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial liability.

Under this method, the actuarial gains (losses), as they occur, generally reduce (increase) the unfunded actuarial liability.
- 8. Actuarial Assumptions.** Assumptions as to future events affecting pension costs.
- 9. Actuarial Valuation.** The determination, as of the valuation date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.
- 10. Vested Benefits.** Benefits that are not contingent on an employee's future service.



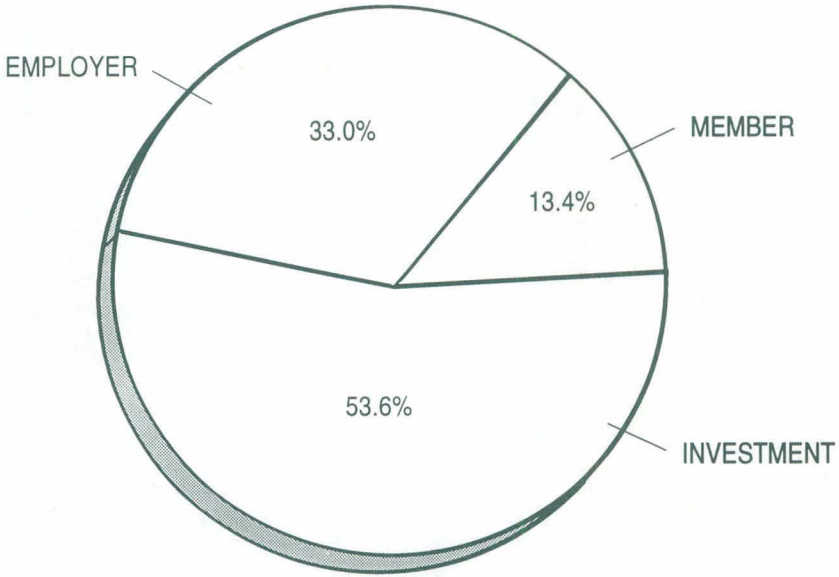
STATISTICAL SECTION

STATISTICAL SECTION

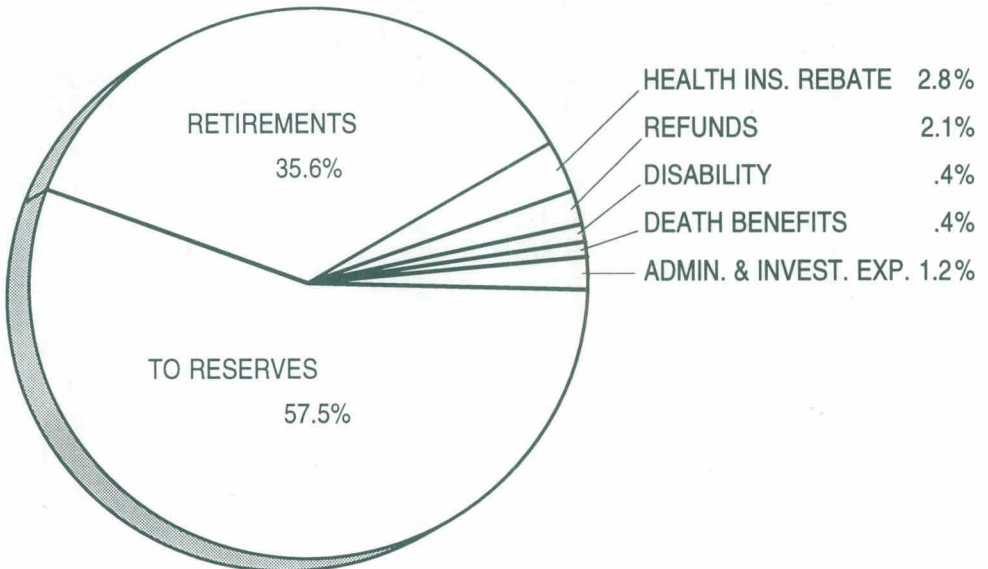
Public School Teachers' Pension and Retirement Fund of Chicago

1994 REVENUE

SOURCES



APPLICATIONS



STATISTICAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

**PARTICIPATING MEMBERS
SALARY DISTRIBUTION**

| Fiscal Year | Total Salaries (\$) | Average | | |
|----------------|------------------------|-------------|-----------------|---------------------|
| | | Salary (\$) | Attained Age | Years of Service |
| 1985 | 756,419,710 | 27,025 | 44.5 | 14.5 |
| 1986 | 815,894,722 | 28,439 | 44.7 | 14.5 |
| 1987 | 838,400,296 | 29,368 | 45.1 | 14.8 |
| 1988 | 883,715,495 | 31,364 | 45.6 | 15.2 |
| 1989 | 901,274,198 | 31,939 | 46.1 | 15.7 |
| 1990 | 966,896,368 | 33,290 | 46.4 | 15.5 |
| 1991 | 1,090,255,093 | 35,775 | 46.4 | 15.1 |
| 1992 | 1,127,334,634 | 36,519 | 46.6 | 15.1 |
| 1993 | 1,223,533,870 | 38,718 | 46.6 | 15.1 |
| 1994 | 1,162,159,018 | 37,728 | 45.6 | 13.7 |

LENGTH OF SERVICE

| Fiscal Year | Total Active Member | Under 1 Year | Length of Service | | | |
|----------------|---------------------------|-----------------|-------------------|-----------------|-------------------|----------------------|
| | | | 1 to 4 Years | 5 to 9 Years | 10 to 14 Years | 15 Years and Over |
| 1985 | 27,990 | 1,762 | 3,072 | 3,713 | 6,556 | 12,887 |
| 1986 | 28,689 | 2,364 | 3,595 | 3,031 | 6,046 | 13,653 |
| 1987 | 28,548 | 1,720 | 4,446 | 2,744 | 5,326 | 14,312 |
| 1988 | 28,176 | 1,418 | 4,561 | 2,704 | 4,664 | 14,829 |
| 1989 | 28,219 | 1,363 | 4,406 | 2,833 | 3,979 | 15,638 |
| 1990 | 29,045 | 2,200 | 4,380 | 3,176 | 3,241 | 16,048 |
| 1991 | 30,475 | 2,558 | 4,968 | 3,919 | 2,681 | 16,349 |
| 1992 | 30,870 | 2,284 | 5,677 | 4,164 | 2,421 | 16,324 |
| 1993 | 31,592 | 2,397 | 6,356 | 4,159 | 2,403 | 16,277 |
| 1994 | 30,804 | 3,517 | 6,640 | 4,161 | 2,357 | 14,129 |

NUMBER OF MEMBERS

| Fiscal Year | Male | | Female | | Total |
|----------------|--------------|--------------|--------------|--------------|--------|
| | Participants | Participants | Participants | Participants | |
| 1985 | 8,128 | 19,862 | 8,128 | 19,862 | 27,990 |
| 1986 | 8,441 | 20,248 | 8,441 | 20,248 | 28,689 |
| 1987 | 8,311 | 20,237 | 8,311 | 20,237 | 28,548 |
| 1988 | 8,138 | 20,038 | 8,138 | 20,038 | 28,176 |
| 1989 | 8,027 | 20,192 | 8,027 | 20,192 | 28,219 |
| 1990 | 8,187 | 20,858 | 8,187 | 20,858 | 29,045 |
| 1991 | 8,503 | 21,972 | 8,503 | 21,972 | 30,475 |
| 1992 | 8,466 | 22,404 | 8,466 | 22,404 | 30,870 |
| 1993 | 8,549 | 23,043 | 8,549 | 23,043 | 31,592 |
| 1994 | 8,089 | 22,715 | 8,089 | 22,715 | 30,804 |

STATISTICAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

ANNUITANTS CHANGES IN THE NUMBER OF RECURRING BENEFIT PAYMENTS

| Fiscal Year | Additions | | Deletions | | End of Year | |
|-------------|-----------|------------|-----------|------------|-------------|------------|
| | Annuity | Disability | Annuity | Disability | Annuity | Disability |
| 1985 | 444 | 26 | 363 | 20 | 7,427 | 273 |
| 1986 | 418 | 21 | 341 | 18 | 7,504 | 276 |
| 1987 | 484 | 27 | 374 | 20 | 7,614 | 283 |
| 1988 | 422 | 28 | 384 | 13 | 7,652 | 298 |
| 1989 | 510 | 17 | 408 | 23 | 7,754 | 292 |
| 1990 | 464 | 26 | 348 | 22 | 7,870 | 296 |
| 1991 | 439 | 31 | 364 | 24 | 7,945 | 303 |
| 1992 | 546 | 25 | 336 | 20 | 8,155 | 308 |
| 1993 | 426 | 23 | 398 | 25 | 8,183 | 306 |
| 1994 | 2,595 | 13 | 428 | 28 | 10,350 | 291 |

AVERAGE BENEFIT PAYMENT AMOUNTS

| Fiscal Year | Single Sum Payments | | Recurring Payments | | Trend Total(\$) |
|-------------|---------------------|-----------------------------|------------------------|------------------------|-----------------|
| | Separation Refunds | Lump Sum Death Benefit (\$) | Annual Disability (\$) | Annual Retirement (\$) | |
| 1985 | 7,269 | 2,390 | 7,223 | 11,452 | 28,334 |
| 1986 | 7,131 | 3,456 | 7,703 | 12,116 | 30,406 |
| 1987 | 6,373 | 3,815 | 8,766 | 13,277 | 32,231 |
| 1988 | 6,424 | 3,546 | 9,247 | 14,001 | 33,218 |
| 1989 | 6,751 | 3,565 | 9,754 | 14,856 | 34,926 |
| 1990 | 7,071 | 3,692 | 10,273 | 15,889 | 36,925 |
| 1991 | 7,081 | 4,497 | 11,030 | 16,887 | 39,495 |
| 1992 | 7,263 | 4,988 | 11,349 | 17,995 | 41,595 |
| 1993 | 7,319 | 5,049 | 11,825 | 19,123 | 43,316 |
| 1994 | 7,212 | 5,183 | 12,051 | 22,368 | 46,814 |

* Averages were calculated from the Annual Statistical Reports, except for lump sum death benefits.

DISTRIBUTION OF CURRENT ANNUITANTS BY PENSION AMOUNT

| MONTHLY PENSION AMT. | RETIREMENT | | DISABILITY | | SURVIVOR | | REVERSIONARY | | RECIPROCAL | | ALL ANNUITIES | |
|----------------------------|------------|---------|------------|---------|----------|---------|--------------|---------|------------|---------|---------------|---------|
| | MALES | FEMALES | MALES | FEMALES | MALES | FEMALES | MALES | FEMALES | MALES | FEMALES | MALES | FEMALES |
| UNDER \$500 | 97 | 454 | 11 | 40 | 376 | 812 | 14 | 33 | 288 | 560 | 786 | 1,899 |
| \$500 TO UNDER \$1,000 | 175 | 1,127 | 32 | 70 | 168 | 201 | 2 | 10 | 193 | 226 | 570 | 1,634 |
| \$1,000 TO UNDER \$1,500 | 310 | 1,643 | 23 | 71 | 40 | 85 | 1 | 6 | 141 | 235 | 515 | 2,040 |
| \$1,500 TO UNDER \$2,000 | 488 | 1,675 | 19 | 21 | 1 | 14 | 1 | 2 | 86 | 209 | 595 | 1,921 |
| \$2,000 TO UNDER \$2,500 | 530 | 1,282 | 3 | 8 | 0 | 2 | 0 | 0 | 84 | 156 | 617 | 1,448 |
| \$2,500 TO UNDER \$3,000 | 628 | 1,107 | 0 | 1 | 0 | 4 | 0 | 1 | 35 | 60 | 663 | 1,173 |
| \$3,000 TO UNDER \$3,500 | 204 | 118 | 0 | 0 | 0 | 0 | 0 | 0 | 18 | 14 | 222 | 132 |
| \$3,500 TO UNDER \$4,000 | 152 | 110 | 0 | 0 | 0 | 0 | 0 | 0 | 16 | 9 | 168 | 119 |
| \$4,000 TO UNDER \$4,500 | 95 | 59 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 2 | 100 | 61 |
| \$4,500 TO UNDER \$5,000 | 40 | 6 | 0 | 0 | 1 | 0 | 0 | 0 | 4 | 1 | 45 | 7 |
| \$5,000 TO UNDER \$5,500 | 22 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22 | 5 |
| \$5,500 TO UNDER \$6,000 | 14 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 3 |
| \$6,000 TO UNDER \$6,500 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 4 | 1 |
| \$6,500 TO UNDER \$7,000 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 1 |
| \$7,000 TO UNDER \$7,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$7,500 TO UNDER \$8,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| \$8,000 TO UNDER \$8,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$8,500 TO UNDER \$9,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$9,000 TO UNDER \$9,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$9,500 TO UNDER \$10,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$10,000 TO UNDER \$10,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$10,500 TO UNDER \$11,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$11,000 TO UNDER \$11,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| TOTAL | \$2,759 | 7,591 | 88 | 211 | 586 | 1,118 | 18 | 52 | 874 | 1,472 | 4,325 | 10,444 |

STATISTICAL SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

BENEFITS PAID

BENEFIT EXPENSE BY TYPE

| Annuities (\$) | | | | Refunds (\$) | | | |
|----------------|-------------|-----------|------------|--------------|------------|-----------|-----------|
| Fiscal Year | Retirement | Survivors | Disability | Fiscal Year | Separation | Death | Other (1) |
| 1985 | 94,279,348 | 3,448,616 | 1,859,754 | 1985 | 5,144,457 | 1,600,427 | 441,516 |
| 1986 | 100,870,118 | 3,765,359 | 2,008,448 | 1986 | 4,014,932 | 1,818,898 | 679,579 |
| 1987 | 111,122,967 | 4,178,029 | 2,378,451 | 1987 | 4,055,588 | 1,565,085 | 881,246 |
| 1988 | 119,939,322 | 4,819,162 | 2,612,242 | 1988 | 3,930,071 | 2,019,636 | 776,394 |
| 1989 | 130,044,936 | 5,526,099 | 2,766,985 | 1989 | 4,262,573 | 2,483,305 | 1,373,591 |
| 1990 | 141,000,560 | 6,241,895 | 2,922,436 | 1990 | 3,675,703 | 2,161,267 | 1,200,450 |
| 1991 | 152,437,231 | 6,774,135 | 3,238,024 | 1991 | 3,439,886 | 2,367,364 | 1,319,391 |
| 1992 | 166,821,003 | 7,436,127 | 3,399,868 | 1992 | 4,482,814 | 2,808,640 | 1,311,739 |
| 1993 | 191,675,794 | 8,201,323 | 3,413,666 | 1993 | 3,238,519 | 2,673,518 | 1,648,439 |
| 1994 | 268,755,485 | 9,148,457 | 3,449,195 | 1994 | 3,902,576 | 2,955,143 | 9,102,027 |

| Death Benefits (\$) | | | Health Ins. Premium Rebate (\$) | | |
|---------------------|----------------------|---------------|---------------------------------|------------|-------------|
| Fiscal Year | Heirs of Active Tea. | Heirs of Ann. | Fiscal Year | Amount | Grand Total |
| 1985 | 458,002 | 643,875 | 1985 | (2) | 108,853,574 |
| 1986 | 505,708 | 997,500 | 1986 | (2) | 114,660,542 |
| 1987 | 442,724 | 1,320,000 | 1987 | (2) | 125,944,090 |
| 1988 | 536,531 | 1,201,030 | 1988 | 2,619,578 | 138,453,966 |
| 1989 | 580,261 | 1,345,000 | 1989 | 6,858,148 | 155,240,898 |
| 1990 | 524,925 | 1,336,000 | 1990 | 7,815,376 | 166,878,612 |
| 1991 | 644,660 | 1,568,000 | 1991 | 8,740,830 | 179,929,521 |
| 1992 | 780,166 | 2,103,560 | 1992 | 12,928,357 | 202,072,274 |
| 1993 | 672,832 | 2,078,833 | 1993 | 25,367,192 | 238,970,116 |
| 1994 | 792,990 | 2,336,000 | 1994 | 21,409,221 | 321,851,094 |

(1) Includes excess contributions and return of contributions for survivor benefits when no survivors exist.

(2) Health Insurance benefit began in 1988 by Legislative action.

INVESTMENT SECTION

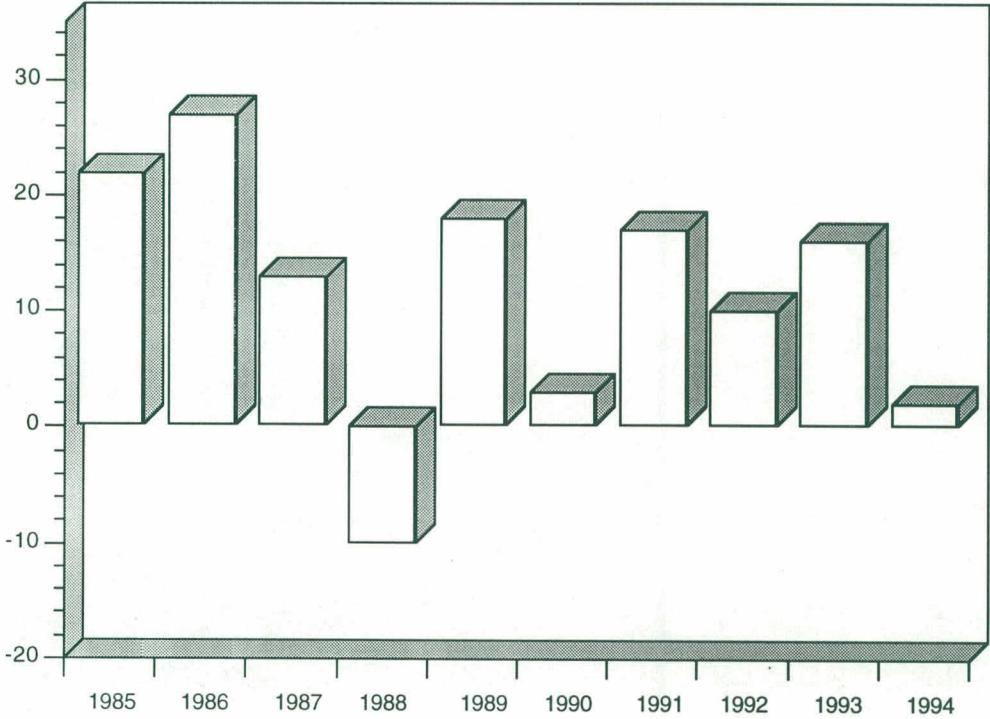
INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

TOTAL FUND RATE OF RETURN

1985-94

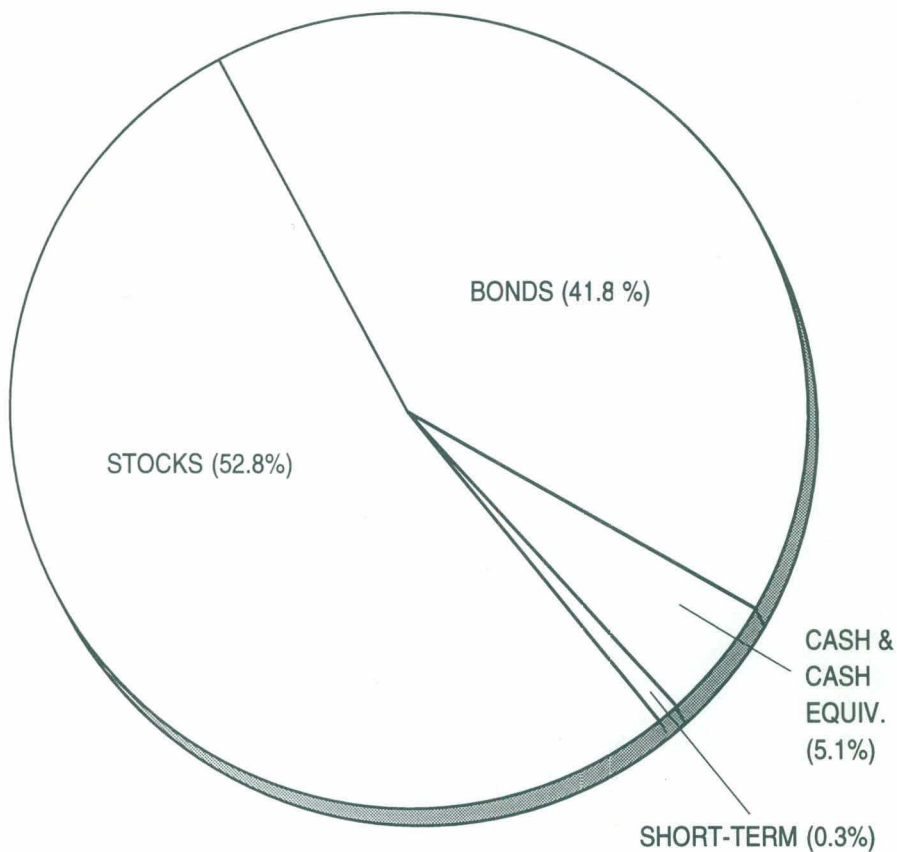
Percent



INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

INVESTMENT PORTFOLIO ASSET ALLOCATION (BOOK VALUE)



Note: 4.6% of book value is invested in foreign currency & securities.

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

INVESTMENT PORTFOLIO SUMMARY

(IN MILLIONS OF DOLLARS)

| | August 31, 1993 | | | | | August 31, 1994 | |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | Book Value | Market Value | Purchases | Sales | Amort. | Book Value | Market Value |
| BONDS: | | | | | | | |
| Government | 1,240.9 | 1,291.9 | 3,042.5 | 2,854.8 | (10.4) | 1,418.2 | 1,372.2 |
| Corporate | 616.3 | 645.7 | 974.9 | 1,000.1 | (3.2) | 587.9 | 562.0 |
| Miscellaneous | 66.7 | 70.1 | 140.7 | 177.9 | (0.2) | 29.3 | 27.2 |
| TOTAL BONDS | <u>1,923.9</u> | <u>2,007.7</u> | <u>4,158.1</u> | <u>4,032.8</u> | <u>(13.8)</u> | <u>2,035.4</u> | <u>1,961.4</u> |
| STOCKS | <u>2,236.7</u> | <u>2,910.6</u> | <u>1,919.7</u> | <u>1585.0</u> | | <u>2,571.4</u> | <u>3,087.5</u> |
| SHORT-TERM | <u>56.6</u> | <u>56.6</u> | <u>527.8</u> | <u>569.2</u> | | <u>15.2</u> | <u>15.2</u> |
| CASH & CASH EQUIV. | <u>318.0</u> | <u>318.0</u> | <u>(68.6)*</u> | | | <u>249.4</u> | <u>249.4</u> |
| TOTAL PORTFOLIO | <u><u>4,535.2</u></u> | <u><u>5,292.9</u></u> | <u><u>6,537.0</u></u> | <u><u>6,187.0</u></u> | <u><u>(13.8)</u></u> | <u><u>4,871.4</u></u> | <u><u>5,313.5</u></u> |

* Net of cash receipts & disbursements for year ending 8/31/94

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

**COMPARATIVE ANALYSIS
INVESTMENT ASSETS AND YIELDS****INVESTMENT IN BONDS
SEPTEMBER 1, 1959 - AUGUST 31, 1994**

| <u>August 31</u> | <u>Par Value (\$)</u> | <u>Average Yield (%)</u> |
|------------------|-----------------------|--------------------------|
| 1959 | 51,204,248 | 3.42 |
| 1960 | 61,507,248 | 3.71 |
| 1961 | 76,825,248 | 3.90 |
| 1962 | 89,663,748 | 4.22 |
| 1963 | 101,382,500 | 4.29 |
| 1964 | 113,788,500 | 4.30 |
| 1965 | 121,587,770 | 4.33 |
| 1966 | 133,356,692 | 4.39 |
| 1967 | 142,536,235 | 4.47 |
| 1968 | 156,676,589 | 4.68 |
| 1969 | 166,426,333 | 4.93 |
| 1970 | 176,850,040 | 6.44 |
| 1971 | 187,270,529 | 6.76 |
| 1972 | 207,630,761 | 6.94 |
| 1973 | 217,108,128 | 7.07 |
| 1974 | 242,088,745 | 7.48 |
| 1975 | 275,208,499 | 7.95 |
| 1976 | 308,722,152 | 8.18 |
| 1977 | 352,963,485 | 8.04 |
| 1978 | 378,978,430 | 8.06 |
| 1979 | 384,421,300 | 8.40 |
| 1980 | 542,348,526 | 9.50 |
| 1981 | 697,272,626 | 10.95 |
| 1982 | 784,789,776 | 12.09 |
| 1983 | 920,597,656 | 12.20 |
| 1984 | 972,637,768 | 12.01 |
| 1985 | 975,899,026 | 11.87 |
| 1986 | 1,054,479,986 | 11.25 |
| 1987 | 1,339,979,026 | 10.78 |
| 1988 | 1,487,011,423 | 10.00 |
| 1989 | 1,696,472,813 | 10.20 |
| 1990 | 2,006,968,966 | 9.63 |
| 1991 | 2,152,512,079 | 7.64 |
| 1992 | 1,840,674,022 | 7.10 |
| 1993 | 2,004,581,468 | 6.70 |
| 1994 | 1,948,863,801 | 7.40 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

**COMPARATIVE ANALYSIS
INVESTMENT ASSETS AND YIELDS (CONTINUED)****INVESTMENT IN STOCKS*
MAY 14, 1964 - AUGUST 31, 1994**

| <u>August 31</u> | <u>Cost (\$)</u> | <u>Market Value (\$)</u> | <u>Average Yield (%)**</u> |
|------------------|------------------|--------------------------|----------------------------|
| 1964 | 419,529 | 419,178 | 2.69 |
| 1965 | 1,622,530 | 1,665,048 | 3.05 |
| 1966 | 3,377,343 | 2,905,978 | 3.29 |
| 1967 | 5,198,701 | 5,479,112 | 3.34 |
| 1968 | 7,324,496 | 7,730,802 | 3.43 |
| 1969 | 13,194,933 | 12,948,139 | 3.14 |
| 1970 | 23,470,199 | 21,326,506 | 3.57 |
| 1971 | 34,727,593 | 38,451,156 | 3.61 |
| 1972 | 46,317,605 | 51,162,195 | 3.54 |
| 1973 | 55,088,695 | 50,162,751 | 3.40 |
| 1974 | 79,821,625 | 53,252,761 | 3.47 |
| 1975 | 101,429,443 | 95,480,746 | 4.02 |
| 1976 | 137,247,123 | 157,103,226 | 4.09 |
| 1977 | 162,849,550 | 171,455,910 | 4.18 |
| 1978 | 119,089,781 | 129,456,176 | 4.73 |
| 1979 | 109,213,120 | 122,465,859 | 5.40 |
| 1980 | 132,999,699 | 162,068,961 | 5.85 |
| 1981 | 196,408,551 | 221,103,199 | 5.85 |
| 1982 | 221,707,759 | 238,887,045 | 6.09 |
| 1983 | 424,439,842 | 528,792,404 | 5.22 |
| 1984 | 621,724,653 | 734,673,049 | 4.66 |
| 1985 | 790,212,674 | 1,014,840,382 | 4.18 |
| 1986 | 910,349,902 | 1,395,822,723 | 4.20 |
| 1987 | 1,313,251,426 | 1,980,057,396 | 3.68 |
| 1988 | 857,059,825 | 941,691,073 | 3.34 |
| 1989 | 679,137,244 | 1,006,057,307 | 3.95 |
| 1990 | 1,143,914,400 | 1,091,298,560 | 3.55 |
| 1991 | 1,457,356,534 | 1,655,481,619 | 3.00 |
| 1992 | 2,151,226,946 | 2,407,441,530 | 2.80 |
| 1993 | 2,236,739,700 | 2,910,618,508 | 1.90 |
| 1994 | 2,571,354,776 | 3,087,537,990 | 2.10 |

* Authorized by the 73rd General Assembly, enacted July 1, 1963.

** This represents cash yield only. No recognition of unrealized gain or loss is included in this calculation.

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

AUGUST 31, 1994

INVESTMENT IN BONDS

| DESCRIPTION | RATINGS | | INTEREST RATE (%) | MATURITY DATE | PAR VALUE (\$) | BOOK VALUE (\$) | MARKET VALUE (\$) |
|--|---------|-----|----------------------|------------------|-------------------|--------------------|----------------------|
| | MOODY'S | S&P | | | | | |
| UNITED STATES GOVERNMENT AND AGENCIES | | | | | | | |
| Farmers Home Adm., Insured Notes | AAA | NR | 8.750 | 11-18-94 | 16,088 | 16,088 | 16,088 |
| Farmers Home Adm., Insured Notes | AAA | NR | 8.750 | 10-21-94 | 56,446 | 56,446 | 56,051 |
| Fed Home Loan Bnk, Cons. Bonds | AAA | NR | 3.810 | 10-04-95 | 1,000,000 | 995,712 | 978,440 |
| Fed Home Loan Bnk, Cons. Bonds | AAA | NR | 6.210 | 03-29-99 | 1,000,000 | 1,000,000 | 965,310 |
| Fed Home Loan Bnk, Cons. Bonds | AAA | NR | 4.750 | 01-13-97 | 1,000,000 | 988,259 | 959,690 |
| Fed Home Loan Bnk, Cons. Bonds | AAA | NR | 6.160 | 01-21-04 | 1,000,000 | 956,253 | 888,750 |
| Fed Home Loan Bnk, Cons. Bonds | AAA | NR | 5.320 | 11-16-98 | 1,000,000 | 1,000,000 | 937,190 |
| Fed Home Loan Bnk, Cons. Bonds J6-6 | AAA | NR | 6.410 | 12-29-03 | 5,000,000 | 4,560,650 | 4,470,300 |
| Fed Home Loan Bnk, Cons. Bonds Ser E | AAA | NR | 8.250 | 05-27-96 | 1,000,000 | 1,061,763 | 1,033,120 |
| Fed Home Loan Bnk, Cons. Bonds Ser F | AAA | NR | 8.250 | 06-25-96 | 2,500,000 | 2,587,183 | 2,585,150 |
| Fed Home Loan Bnk, Notes | AAA | NR | 3.750 | 07-27-98 | 500,000 | 475,196 | 406,430 |
| Fed Home Loan Mtg Corp., Bonds | AAA | NR | 4.675 | 03-25-96 | 1,000,000 | 1,003,219 | 975,940 |
| Fed Home Loan Mtg Corp., Bonds | AAA | NR | 6.330 | 02-16-00 | 1,000,000 | 1,023,649 | 961,250 |
| Fed Home Loan Mtg Corp., Bonds | AAA | NR | 5.310 | 04-29-98 | 1,000,000 | 1,002,378 | 947,500 |
| Fed Home Loan Mtg Corp., Bonds | AAA | NR | 5.740 | 09-17-03 | 1,800,000 | 1,741,627 | 1,578,366 |
| Fed Home Loan Mtg Corp., Debs. | AAA | NR | 8.625 | 09-10-96 | 1,530,000 | 1,643,352 | 1,596,937 |
| Fed Home Loan Mtg Corp., Debs. | AAA | NR | 7.750 | 11-07-01 | 975,000 | 1,080,343 | 997,854 |
| Fed Home Loan Mtg Corp., Debs. | AAA | NR | 8.250 | 06-01-16 | 1,000,000 | 1,174,899 | 1,028,440 |
| Fed Home Loan Mtg Corp., Debs. | AAA | NR | 5.190 | 03-11-98 | 1,000,000 | 1,000,777 | 945,940 |
| Fed Home Loan Mtg Corp., Group 313400 | AAA | NR | 7.125 | 07-21-99 | 6,775,000 | 6,752,469 | 6,791,938 |
| Fed Home Loan Mtg Corp., Group #A01095 | AAA | NR | 10.000 | 10-01-20 | 1,466,054 | 1,614,021 | 1,577,177 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1311 Cl I | AAA | NR | 7.500 | 03-15-21 | 2,685,000 | 2,783,284 | 2,582,621 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1712 P E | AAA | NR | 6.000 | 02-15-07 | 2,055,000 | 1,935,236 | 1,913,719 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1734 Cl E | AAA | NR | 6.000 | 10-15-06 | 2,055,000 | 1,937,317 | 1,902,786 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1741 | AAA | NR | 6.100 | 02-15-24 | 816,818 | 780,733 | 769,246 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1429 (Var.) | AAA | NR | 545.800 | 09-15-06 | 8,403 | 110,559 | 58,639 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1443 (Var.) | AAA | NR | 5.140 | 12-15-22 | 787,165 | 64,548 | 48,726 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1445 (Var.) | AAA | NR | 10.688 | 12-15-07 | 4,278 | 814 | 1,042 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1483 (Var.) | AAA | NR | 14.250 | 03-15-23 | 314,957 | 82,283 | 51,301 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1484 (Var.) | AAA | NR | 9.525 | 03-15-22 | 1,248,927 | 1,302,345 | 660,757 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1506 (Var.) | AAA | NR | 2.862 | 10-15-97 | 1,734,168 | 81,939 | 17,524 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1508 (Var.) | AAA | NR | 4.640 | 05-15-23 | 2,203,719 | 244,344 | 207,811 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1560 (Var.) | AAA | NR | 4.940 | 08-15-23 | 3,057,253 | 303,231 | 297,471 |
| Fed Home Loan Mtg Corp., M-CI, Ser 1564 (Var.) | AAA | NR | 6.132 | 08-15-08 | 1,799,948 | 1,820,909 | 1,008,951 |
| Fed Home Loan Mtg Corp., Notes | AAA | NR | 5.470 | 03-21-97 | 1,000,000 | 1,000,000 | 976,560 |
| FFCB, Bonds Ser A 1997 | AAA | NR | 11.900 | 10-20-97 | 1,500,000 | 1,799,508 | 1,719,840 |
| FHA Federal Housing Adm., Insd Pj # 071-32092 | AAA | NR | 7.500 | 04-01-22 | 6,734,861 | 3,745,745 | 6,592,015 |
| F.N.M.A., Pool #00427 | AAA | NR | 7.640 | 05-06-99 | 1,000,000 | 1,061,471 | 1,010,760 |
| F.N.M.A., Bonds 31359C-AQ-8 | AAA | NR | 7.600 | 04-14-04 | 3,265,000 | 3,163,518 | 3,199,700 |
| F.N.M.A., Bonds | AAA | NR | 6.960 | 12-16-99 | 500,000 | 496,275 | 497,225 |
| F.N.M.A., Bonds | AAA | NR | 5.250 | 03-25-98 | 350,000 | 351,142 | 332,717 |
| F.N.M.A., Bonds | AAA | NR | 4.950 | 09-30-98 | 700,000 | 692,583 | 649,250 |
| F.N.M.A., Bonds | AAA | NR | 7.050 | 12-10-98 | 1,000,000 | 1,073,153 | 1,004,370 |
| F.N.M.A., Bonds | AAA | NR | 6.200 | 07-10-03 | 1,000,000 | 934,376 | 899,060 |
| F.N.M.A., Bonds | AAA | NR | 8.800 | 07-25-97 | 1,000,000 | 1,061,294 | 1,057,500 |
| F.N.M.A., Bonds | AAA | NR | 6.800 | 01-10-03 | 500,000 | 499,383 | 479,375 |
| F.N.M.A., Bonds | AAA | NR | 6.200 | 11-12-03 | 1,000,000 | 959,146 | 897,500 |
| F.N.M.A., Debs. | AAA | NR | 5.800 | 12-10-03 | 400,000 | 398,819 | 356,376 |
| F.N.M.A., Debs. | AAA | NR | 5.250 | 05-13-98 | 1,000,000 | 973,383 | 945,310 |
| F.N.M.A., Debs. | AAA | NR | 5.700 | 09-11-97 | 1,000,000 | 1,018,612 | 969,060 |
| F.N.M.A., Debs. | AAA | NR | 5.350 | 10-10-97 | 1,000,000 | 1,011,603 | 959,690 |
| F.N.M.A., Gtd Mtg. Pool #164635 | AAA | NR | 8.500 | 01-01-22 | 18,882 | 19,976 | 19,212 |
| F.N.M.A., Gtd Mtg. Pool #169880 | AAA | NR | 8.500 | 06-01-22 | 22,878 | 24,203 | 23,278 |
| F.N.M.A., Medium Tern Notes | AAA | NR | 6.150 | 09-21-99 | 1,000,000 | 988,339 | 1,002,190 |
| F.N.M.A., Medium Tern Notes | AAA | NR | 6.380 | 06-25-03 | 1,000,000 | 1,000,000 | 935,380 |
| F.N.M.A., Medium Tern Notes | AAA | NR | 6.600 | 03-26-01 | 1,000,000 | 950,655 | 972,300 |
| F.N.M.A., Medium Tern Notes | AAA | NR | 5.250 | 04-22-98 | 1,000,000 | 1,002,602 | 946,800 |
| F.N.M.A., Pool #124641 | AAA | NR | 8.500 | 08-01-22 | 765,154 | 809,493 | 782,868 |
| F.N.M.A., Pool #190561 | AAA | NR | 8.500 | 08-01-23 | 248,633 | 262,404 | 253,145 |
| F.N.M.A., Remic Tr Sec 1993 - G10 Cl | AAA | NR | 5.000 | 10-25-21 | 2,500,000 | 2,396,661 | 1,902,325 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| DESCRIPTION | RATINGS | | INTEREST RATE (%) | MATURITY DATE | PAR VALUE (\$) | BOOK VALUE (\$) | MARKET VALUE (\$) |
|--|---------|-----|-------------------|---------------|----------------|-----------------|-------------------|
| | MOODY'S | S&P | | | | | |
| UNITED STATES GOVERNMENT AND AGENCIES (cont'd) | | | | | | | |
| F.N.M.A., Remic Tr Ser 1991-117 CI G | AAA | NR | 8.000 | 09-25-06 | 2,300,000 | 2,473,162 | 2,338,801 |
| F.N.M.A., Remic Tr Ser 1991-98 Class H | AAA | NR | 8.750 | 08-25-21 | 2,358,549 | 2,410,126 | 2,423,409 |
| F.N.M.A., Remic Tr Ser 1993-032 CI Sc | AAA | NR | 7.841 | 03-25-23 | 1,830,007 | 1,841,370 | 1,053,388 |
| F.N.M.A., Remic Tr Ser 92-117 CI M | AAA | NR | 7.000 | 07-25-22 | 11,249,975 | 9,749,179 | 9,643,254 |
| F.N.M.A., Remic Tr Ser SM-1996-A | AAA | NR | 9.200 | 01-10-96 | 2,000,000 | 2,130,149 | 2,083,120 |
| F.N.M.A., Remic Tr. Ser 1993-116 CI SA | AAA | NR | 4.179 | 07-25-22 | 2,892,373 | 442,916 | 273,618 |
| F.N.M.A., Remic Tr. Ser 93-028 CI SB (Var.) | AAA | NR | 19.188 | 03-25-08 | 74,302 | 28,308 | 28,788 |
| F.N.M.A., Ser SM-1996-E Resdntl | AAA | NR | 8.150 | 08-12-96 | 2,265,000 | 2,374,606 | 2,342,848 |
| G.M.N.A., Pool #368587 | AAA | NR | 7.500 | 03-15-24 | 995,594 | 976,371 | 961,057 |
| G.N.M.A., Pool #278975 | AAA | NR | 8.000 | 06-15-23 | 267,193 | 281,638 | 265,438 |
| G.N.M.A., Pool #00312698 | AAA | NR | 8.000 | 07-15-22 | 577,605 | 584,863 | 573,810 |
| G.N.M.A., Pool #00325110 | AAA | NR | 7.500 | 04-15-22 | 220,432 | 230,185 | 212,785 |
| G.N.M.A., Pool #00331773 | AAA | NR | 8.000 | 07-15-22 | 127,890 | 129,497 | 127,050 |
| G.N.M.A., Pool #278975 | AAA | NR | 8.000 | 08-15-22 | 224,719 | 236,555 | 223,242 |
| G.N.M.A., Pool #323253 | AAA | NR | 8.000 | 07-15-22 | 4,255,410 | 4,469,099 | 4,227,452 |
| G.N.M.A., Pool #337411 | AAA | NR | 8.000 | 04-15-23 | 73,312 | 77,228 | 72,831 |
| G.N.M.A., Pool #342502 | AAA | NR | 7.500 | 01-15-23 | 357,726 | 373,579 | 345,317 |
| G.N.M.A., Pool #36203x | AAA | NR | 7.000 | 10-15-08 | 54 | 57 | 53 |
| G.N.M.A., Pool #36224 | AAA | NR | 8.000 | 08-15-22 | 328,579 | 345,887 | 326,420 |
| Intl Bank For Recon & Dev., Bonds | AAA | NR | 8.750 | 03-01-97 | 1,000,000 | 1,071,876 | 1,050,940 |
| Intl Bank For Recon & Dev., Bonds | AAA | NR | 7.625 | 01-19-23 | 1,000,000 | 1,098,847 | 966,300 |
| Private Export Funding, Notes | AAA | NR | 9.450 | 12-31-99 | 1,000,000 | 1,191,166 | 1,099,990 |
| Resolution Fdg. Corp., Refco Ser B 2030 Bond | AAA | NR | 8.875 | 04-15-30 | 1,000,000 | 1,331,521 | 1,135,000 |
| Resolution Fdg. Corp., Ser A-2020-Bonds | AAA | NR | 8.875 | 07-15-20 | 800,000 | 1,024,725 | 901,496 |
| Resolution Funding Corp., Bonds | AAA | NR | 9.375 | 10-15-20 | 800,000 | 944,649 | 943,000 |
| Resolution Funding Corp., Bonds | AAA | NR | 8.625 | 01-15-21 | 1,700,000 | 2,009,308 | 1,863,098 |
| Student Loan Mtg. Association | AAA | NR | 7.300 | 08-01-12 | 1,000,000 | 1,075,769 | 963,750 |
| Tenn. Val. Auth. Pwr., 1992 Ser D Bonds | AAA | NR | 8.250 | 04-15-42 | 1,200,000 | 1,380,983 | 1,198,380 |
| Tenn. Val. Auth. Pwr., Bonds | AAA | NR | 6.875 | 08-01-02 | 2,000,000 | 1,972,836 | 1,913,120 |
| Tenn. Val. Auth. Pwr., Bonds | AAA | NR | 8.375 | 10-01-99 | 1,500,000 | 1,692,303 | 1,597,035 |
| Tenn. Val. Auth. Pwr., Debs. | AAA | NR | 7.850 | 06-15-44 | 23,800,000 | 22,637,503 | 22,170,176 |
| Tenn. Val. Auth. Pwr., Ser-92-A Bonds | AAA | NR | 6.000 | 01-15-97 | 1,000,000 | 1,024,873 | 986,870 |
| U.S.A. Treasury, Bonds | AAA | NR | 7.250 | 08-15-22 | 6,150,000 | 6,385,156 | 5,918,391 |
| U.S.A. Treasury, Bonds | AAA | NR | 12.375 | 05-15-04 | 2,000,000 | 2,970,981 | 2,710,000 |
| U.S.A. Treasury, Bonds | AAA | NR | 7.625 | 02-15-07 | 900,000 | 990,978 | 909,702 |
| U.S.A. Treasury, Bonds | AAA | NR | 12.500 | 08-15-14 | 2,200,000 | 3,533,677 | 3,174,864 |
| U.S.A. Treasury, Bonds | AAA | NR | 8.750 | 08-15-20 | 5,400,000 | 6,991,526 | 6,075,864 |
| U.S.A. Treasury, Bonds | AAA | NR | 13.875 | 05-15-11 | 1,900,000 | 3,058,293 | 2,855,643 |
| U.S.A. Treasury, Bonds | AAA | NR | 9.000 | 11-15-18 | 749,000 | 859,305 | 860,182 |
| U.S.A. Treasury, Bonds | AAA | NR | 10.375 | 11-15-12 | 2,900,000 | 4,038,680 | 3,587,851 |
| U.S.A. Treasury, Bonds | AAA | NR | 9.125 | 05-15-18 | 4,500,000 | 5,982,632 | 5,223,510 |
| U.S.A. Treasury, Bonds | AAA | NR | 11.625 | 11-15-04 | 47,700,000 | 63,114,664 | 62,621,037 |
| U.S.A. Treasury, Bonds | AAA | NR | 10.750 | 08-15-05 | 5,000,000 | 6,660,308 | 6,293,750 |
| U.S.A. Treasury, Bonds | AAA | NR | 7.250 | 05-15-16 | 6,400,000 | 7,035,168 | 6,152,000 |
| U.S.A. Treasury, Bonds | AAA | NR | 8.125 | 08-15-19 | 104,635,000 | 113,204,818 | 110,193,211 |
| U.S.A. Treasury, Bonds | AAA | NR | 8.500 | 02-15-20 | 3,300,000 | 3,879,716 | 3,616,074 |
| U.S.A. Treasury, Bonds | AAA | NR | 9.375 | 02-15-06 | 4,300,000 | 5,553,312 | 4,998,062 |
| U.S.A. Treasury, Bonds | AAA | NR | 8.125 | 05-15-21 | 5,000,000 | 5,701,078 | 5,283,600 |
| U.S.A. Treasury, Bonds | AAA | NR | 11.250 | 02-15-15 | 15,400,000 | 24,338,716 | 21,184,548 |
| U.S.A. Treasury, Bonds | AAA | NR | 8.000 | 11-15-21 | 7,500,000 | 8,897,245 | 7,832,775 |
| U.S.A. Treasury, Bonds | AAA | NR | 6.250 | 08-15-23 | 10,000,000 | 9,954,611 | 8,484,400 |
| U.S.A. Treasury, Bonds | AAA | NR | 9.875 | 11-15-15 | 2,800,000 | 3,930,479 | 3,458,868 |
| U.S.A. Treasury, Bonds | AAA | NR | 7.625 | 11-15-22 | 15,230,000 | 16,676,371 | 15,327,624 |
| U.S.A. Treasury, Bonds | AAA | NR | 7.125 | 02-15-23 | 16,680,000 | 15,861,468 | 15,814,642 |
| U.S.A. Treasury, Bonds | AAA | NR | 4.625 | 02-29-96 | 64,545,000 | 63,791,707 | 63,415,462 |
| U.S.A. Treasury, Bonds | AAA | NR | 3.875 | 09-30-95 | 5,000,000 | 4,967,749 | 4,910,950 |
| U.S.A. Treasury, Bonds | AAA | NR | 8.750 | 05-15-17 | 6,200,000 | 7,851,717 | 6,938,172 |
| U.S.A. Treasury, Bonds | AAA | NR | 8.125 | 08-15-19 | 580,000 | 669,307 | 610,810 |
| U.S.A. Treasury, Bonds | AAA | NR | 6.500 | 04-30-99 | 2,820,000 | 2,799,606 | 2,790,475 |
| U.S.A. Treasury, Bonds | AAA | NR | 7.250 | 05-15-16 | 1,100,000 | 1,166,512 | 1,057,375 |
| U.S.A. Treasury, Bonds | AAA | NR | 8.125 | 05-15-21 | 222,000 | 264,875 | 234,592 |
| U.S.A. Treasury, Notes | AAA | NR | 4.750 | 10-31-98 | 5,000,000 | 4,963,867 | 4,654,700 |
| U.S.A. Treasury, Notes | AAA | NR | 8.875 | 02-15-19 | 7,400,000 | 9,524,682 | 8,397,816 |
| U.S.A. Treasury, Notes | AAA | NR | 6.750 | 05-31-99 | 4,500,000 | 4,496,633 | 4,495,095 |
| U.S.A. Treasury, Notes | AAA | NR | 6.875 | 04-30-97 | 4,600,000 | 4,868,839 | 4,657,500 |
| U.S.A. Treasury, Notes | AAA | NR | 4.250 | 11-30-95 | 6,000,000 | 6,001,786 | 5,895,960 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| DESCRIPTION | RATINGS | | INTEREST RATE (%) | MATURITY DATE | PAR VALUE (\$) | BOOK VALUE (\$) | MARKET VALUE (\$) |
|--|---------|-----|-------------------|---------------|----------------|-----------------|-------------------|
| | MOODY'S | S&P | | | | | |
| UNITED STATES GOVERNMENT AND AGENCIES (cont'd) | | | | | | | |
| U.S.A. Treasury, Notes | AAA | NR | 6.000 | 06-30-96 | 4,000,000 | 3,987,908 | 3,996,240 |
| U.S.A. Treasury, Notes | AAA | NR | 5.125 | 03-31-96 | 3,000,000 | 2,983,912 | 2,964,360 |
| U.S.A. Treasury, Notes | AAA | NR | 5.000 | 01-31-99 | 2,500,000 | 2,420,412 | 2,338,275 |
| U.S.A. Treasury, Notes | AAA | NR | 5.875 | 02-15-04 | 5,000,000 | 4,897,743 | 4,554,700 |
| U.S.A. Treasury, Notes | AAA | NR | 3.875 | 10-31-95 | 4,000,000 | 3,990,123 | 3,920,000 |
| U.S.A. Treasury, Notes | AAA | NR | 4.250 | 12-31-95 | 4,000,000 | 3,973,214 | 3,924,360 |
| U.S.A. Treasury, Notes | AAA | NR | 5.125 | 11-30-98 | 6,000,000 | 6,003,256 | 5,655,000 |
| U.S.A. Treasury, Notes 2004 | AAA | NR | 7.250 | 05-15-04 | 1,000,000 | 1,005,142 | 1,003,440 |
| U.S.A. Treasury, Ser A-1996 Notes | AAA | NR | 8.875 | 02-15-96 | 4,600,000 | 4,861,003 | 4,789,750 |
| U.S.A. Treasury, Ser A-1997 Notes | AAA | NR | 8.500 | 05-15-97 | 76,300,000 | 80,607,960 | 80,269,889 |
| U.S.A. Treasury, Ser A-1999 Notes | AAA | NR | 8.875 | 02-15-99 | 5,500,000 | 6,307,206 | 5,946,875 |
| U.S.A. Treasury, Ser A-2000 Notes | AAA | NR | 8.500 | 02-15-00 | 12,500,000 | 13,842,606 | 13,425,750 |
| U.S.A. Treasury, Ser A-2001 Notes | AAA | NR | 7.750 | 02-15-01 | 4,400,000 | 4,952,859 | 4,580,136 |
| U.S.A. Treasury, Ser A-2003 Notes | AAA | NR | 6.250 | 02-15-03 | 5,125,000 | 5,206,980 | 4,839,127 |
| U.S.A. Treasury, Ser AE-1998 Notes | AAA | NR | 5.125 | 12-31-98 | 3,000,000 | 3,006,267 | 2,823,750 |
| U.S.A. Treasury, Ser AF-1996 Notes | AAA | NR | 5.875 | 05-31-96 | 6,075,000 | 6,069,066 | 6,059,812 |
| U.S.A. Treasury, Ser B-1999 Notes | AAA | NR | 9.125 | 05-15-99 | 1,000,000 | 1,161,904 | 1,094,370 |
| U.S.A. Treasury, Ser B-2000 Notes | AAA | NR | 8.875 | 05-15-00 | 3,300,000 | 3,848,743 | 3,611,421 |
| U.S.A. Treasury, Ser B-2001 Notes | AAA | NR | 8.000 | 05-15-01 | 1,000,000 | 1,053,755 | 1,054,690 |
| U.S.A. Treasury, Ser B-2002 Notes | AAA | NR | 6.375 | 08-15-02 | 3,000,000 | 3,005,821 | 2,870,160 |
| U.S.A. Treasury, Ser B-2003 Notes | AAA | NR | 5.750 | 08-15-03 | 10,283,000 | 9,792,526 | 9,330,177 |
| U.S.A. Treasury, Ser C-1996 Notes | AAA | NR | 7.375 | 05-15-96 | 89,960,000 | 92,062,559 | 91,913,931 |
| U.S.A. Treasury, Ser C-1998 Notes | AAA | NR | 9.250 | 08-15-98 | 5,100,000 | 5,874,203 | 5,551,044 |
| U.S.A. Treasury, Ser C-2000 Notes | AAA | NR | 8.750 | 08-15-00 | 4,200,000 | 4,891,184 | 4,576,026 |
| U.S.A. Treasury, Ser C-2001 Notes | AAA | NR | 7.875 | 08-15-01 | 30,000,000 | 32,679,489 | 31,429,800 |
| U.S.A. Treasury, Ser C-2004 Notes | AAA | NR | 7.250 | 08-15-04 | 7,500,000 | 7,521,035 | 7,536,300 |
| U.S.A. Treasury, Ser D-1996 Notes | AAA | NR | 7.250 | 11-15-96 | 10,000,000 | 10,440,441 | 10,206,200 |
| U.S.A. Treasury, Ser D-2000 Notes | AAA | NR | 8.500 | 11-15-00 | 66,445,000 | 74,911,166 | 71,666,913 |
| U.S.A. Treasury, Ser D-2001 Notes | AAA | NR | 7.500 | 11-15-01 | 6,700,000 | 7,334,688 | 6,880,029 |
| U.S.A. Treasury, Ser E-1997 Notes | AAA | NR | 7.125 | 04-15-97 | 2,000,000 | 2,208,764 | 2,102,820 |
| U.S.A. Treasury, Ser E-1998 Notes | AAA | NR | 7.875 | 01-15-98 | 108,985,000 | 117,616,585 | 113,293,177 |
| U.S.A. Treasury, Ser E-2000 Notes | AAA | NR | 6.375 | 01-15-00 | 2,000,000 | 2,033,260 | 1,958,740 |
| U.S.A. Treasury, Ser F-1996 Notes | AAA | NR | 9.375 | 04-15-96 | 1,000,000 | 1,055,941 | 1,051,560 |
| U.S.A. Treasury, Ser F-1997 Notes | AAA | NR | 8.500 | 07-15-97 | 5,300,000 | 5,820,036 | 5,588,161 |
| U.S.A. Treasury, Ser F-1998 Notes | AAA | NR | 7.875 | 04-15-98 | 63,869,000 | 68,270,582 | 66,433,979 |
| U.S.A. Treasury, Ser F-1999 Notes | AAA | NR | 7.000 | 04-15-99 | 3,700,000 | 3,879,928 | 3,736,408 |
| U.S.A. Treasury, Ser F-2000 Notes | AAA | NR | 5.500 | 04-15-00 | 2,600,000 | 2,449,201 | 2,439,944 |
| U.S.A. Treasury, Ser G-1996 Notes | AAA | NR | 7.875 | 07-15-96 | 4,500,000 | 4,777,337 | 4,639,230 |
| U.S.A. Treasury, Ser G-1998 Notes | AAA | NR | 8.250 | 07-15-98 | 7,000,000 | 7,781,305 | 7,376,250 |
| U.S.A. Treasury, Ser G-1999 Notes | AAA | NR | 6.375 | 07-15-99 | 2,800,000 | 2,945,540 | 2,754,500 |
| U.S.A. Treasury, Ser H 1998 Notes | AAA | NR | 7.125 | 10-15-98 | 3,000,000 | 3,043,838 | 3,048,750 |
| U.S.A. Treasury, Ser H-1997 Notes | AAA | NR | 6.250 | 01-31-97 | 10,000,000 | 10,372,538 | 9,998,400 |
| U.S.A. Treasury, Ser H-1999 Notes | AAA | NR | 6.000 | 10-15-99 | 3,900,000 | 4,036,071 | 3,765,333 |
| U.S.A. Treasury, Ser J-1996 Notes | AAA | NR | 7.875 | 02-15-96 | 6,500,000 | 6,829,273 | 6,678,750 |
| U.S.A. Treasury, Ser J-1997 Notes | AAA | NR | 6.750 | 02-28-97 | 12,000,000 | 12,123,242 | 12,120,000 |
| U.S.A. Treasury, Ser K-1996 Notes | AAA | NR | 7.500 | 01-31-96 | 5,500,000 | 5,747,792 | 5,623,750 |
| U.S.A. Treasury, Ser K-1998 Notes | AAA | NR | 5.125 | 02-28-98 | 4,100,000 | 3,995,962 | 3,917,427 |
| U.S.A. Treasury, Ser L-1996 Notes | AAA | NR | 7.500 | 02-29-96 | 80,000,000 | 81,878,746 | 81,824,800 |
| U.S.A. Treasury, Ser L-1998 Notes | AAA | NR | 5.125 | 03-31-98 | 3,900,000 | 3,913,659 | 3,719,625 |
| U.S.A. Treasury, Ser M-1996 Notes | AAA | NR | 7.750 | 03-31-96 | 1,000,000 | 1,030,705 | 1,027,190 |
| U.S.A. Treasury, Ser M-1998 Notes | AAA | NR | 5.125 | 04-30-98 | 5,100,000 | 5,021,776 | 4,854,537 |
| U.S.A. Treasury, Ser N-1996 Notes | AAA | NR | 7.625 | 04-30-96 | 4,600,000 | 4,753,639 | 4,719,324 |
| U.S.A. Treasury, Ser N-1998 Notes | AAA | NR | 5.375 | 05-31-98 | 6,681,000 | 6,602,248 | 6,407,480 |
| U.S.A. Treasury, Ser P-1995 Notes | AAA | NR | 5.875 | 05-15-95 | 500,000 | 502,804 | 501,795 |
| U.S.A. Treasury, Ser P-1996 Notes | AAA | NR | 7.625 | 05-31-96 | 7,800,000 | 8,232,844 | 8,003,502 |
| U.S.A. Treasury, Ser Q-1995 Notes | AAA | NR | 4.625 | 08-15-95 | 5,000,000 | 5,003,385 | 4,958,600 |
| U.S.A. Treasury, Ser Q-1997 Notes | AAA | NR | 5.625 | 08-31-97 | 4,800,000 | 4,918,103 | 4,694,976 |
| U.S.A. Treasury, Ser R-1995 Notes | AAA | NR | 5.125 | 11-15-95 | 5,800,000 | 5,866,708 | 5,762,822 |
| U.S.A. Treasury, Ser S-1996 Notes | AAA | NR | 7.250 | 08-31-96 | 5,100,000 | 5,332,672 | 5,202,816 |
| U.S.A. Treasury, Ser S-1997 Notes | AAA | NR | 5.750 | 10-31-97 | 4,000,000 | 4,037,213 | 3,915,000 |
| U.S.A. Treasury, Ser T-1997 Notes | AAA | NR | 6.000 | 11-30-97 | 6,700,000 | 6,924,597 | 6,599,500 |
| U.S.A. Treasury, Ser U-1996 Notes | AAA | NR | 6.875 | 10-31-96 | 4,700,000 | 4,924,118 | 4,763,168 |
| U.S.A. Treasury, Ser V-1996 Notes | AAA | NR | 6.500 | 11-30-96 | 5,000,000 | 5,145,892 | 5,027,350 |
| U.S.A. Treasury, Ser Z-1995 Notes | AAA | NR | 3.875 | 08-31-95 | 7,000,000 | 6,985,028 | 6,887,370 |
| U.S.A. Treasury, Ser Q-1998 Notes | AAA | NR | 5.250 | 07-31-98 | 14,170,000 | 13,975,570 | 13,492,532 |
| TOTAL US GOVERNMENT AND AGENCIES | | | | | 1,335,797,352 | 1,418,203,839 | 1,372,251,693 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| DESCRIPTION | RATINGS | | INTEREST RATE (%) | MATURITY DATE | PAR VALUE (\$) | BOOK VALUE (\$) | MARKET VALUE (\$) |
|--|---------|-----|-------------------|---------------|----------------|-----------------|-------------------|
| | MOODYS | S&P | | | | | |
| CORPORATE BONDS | | | | | | | |
| A T & T Corp., Debs. | AA3 | AA | 8.625 | 12-01-31 | 1,000,000 | 1,143,100 | 1,017,580 |
| Aetna Life Assur., Debs. | A1 | A+ | 7.250 | 08-15-23 | 1,000,000 | 984,726 | 860,260 |
| AFC Home Equity Loan Tr., 1991-3 CL 91-3 | A1 | A+ | 8.400 | 08-15-06 | 10 | 10 | 10 |
| African Dev. Bank Suv., Bonds | AA1 | AA | 8.800 | 09-01-19 | 1,000,000 | 1,244,740 | 1,090,600 |
| Ahmanson H. F., Notes | BAA2 | BBB | 8.250 | 10-01-02 | 1,000,000 | 1,025,227 | 1,023,420 |
| Alabama Power Co., Bonds | A1 | A | 7.750 | 02-01-23 | 1,000,000 | 1,031,443 | 921,400 |
| American Express Credit Corp., Notes | AA3 | AA | 6.125 | 06-15-00 | 1,000,000 | 1,011,247 | 945,430 |
| American Gen. Fin. Corp., Sr Note | A1 | A+ | 6.375 | 03-01-03 | 1,000,000 | 1,000,198 | 913,130 |
| American Home Prods. Corp., Notes | AAA | AAA | 6.500 | 10-15-02 | 1,000,000 | 982,075 | 942,820 |
| Amex Trust, Ser 1992-2 Cl 2-A Bonds | NR | NR | 6.600 | 05-15-00 | 260,000 | 256,136 | 253,011 |
| Amoco Canada Petroleum Co. Ltd., Notes | AA1 | AAA | 6.750 | 02-15-05 | 500,000 | 463,348 | 468,230 |
| Archer Daniels Midland Co., Notes | AA2 | AA- | 6.250 | 05-15-03 | 1,000,000 | 1,018,077 | 916,590 |
| Arco Chemical Co., Bonds | A3 | A | 9.800 | 02-01-20 | 1,000,000 | 1,224,286 | 1,141,850 |
| Arizona Pub. Svc. Co., FM Bonds | BAA2 | BBB | 9.000 | 12-15-21 | 1,000,000 | 1,137,177 | 1,002,070 |
| Associate Corp. North America, Bonds | A1 | AA- | 8.625 | 06-15-97 | 1,450,000 | 1,473,328 | 1,514,946 |
| Associate Corp. North America, Bonds | A1 | AA- | 6.000 | 03-15-00 | 8,000,000 | 7,958,997 | 7,517,040 |
| Associate Corp. North America, Bonds | A1 | AA- | 9.700 | 05-01-97 | 13,000,000 | 14,491,447 | 13,876,070 |
| Associate Corp. North America, Notes | A1 | AA- | 6.625 | 11-15-97 | 10,000,000 | 10,263,135 | 9,891,800 |
| Atlantic Richfield Co., Debs. | A2 | A | 8.250 | 02-01-22 | 1,000,000 | 1,129,818 | 993,990 |
| Avco Financial Services, Bonds | A2 | A | 7.500 | 11-15-96 | 1,000,000 | 1,026,825 | 1,016,750 |
| Baltimore Gas & Electric Co., Bonds | A2 | A | 5.500 | 04-15-04 | 1,000,000 | 949,120 | 855,530 |
| Bank of China, Bonds | A3 | BBB | 8.250 | 03-15-14 | 500,000 | 456,925 | 457,040 |
| BankAmerica Corp., Bonds | A3 | A- | 9.750 | 07-01-00 | 1,000,000 | 1,171,134 | 1,094,010 |
| Bankers Trust N. Y. Corp., Notes | A2 | AA | 4.700 | 07-01-96 | 1,000,000 | 1,000,134 | 969,700 |
| Bear Stearns Cos., Bonds | A2 | A | 6.625 | 01-15-04 | 2,500,000 | 2,447,055 | 2,249,575 |
| Bear Stearns Cos., Notes | A2 | A | 6.750 | 04-15-03 | 500,000 | 499,241 | 456,255 |
| Bell Atlantic Financial Services Inc., Notes | AA3 | AA | 6.625 | 11-30-97 | 1,000,000 | 1,040,408 | 991,880 |
| Bell Telephone Co. PA, Bonds | AA1 | AAA | 7.700 | 01-15-23 | 600,000 | 635,673 | 554,694 |
| BellSouth Telecommunications Inc., Bonds | AA1 | AAA | 6.750 | 10-15-33 | 1,000,000 | 941,802 | 823,430 |
| BellSouth Telecommunications Inc., Notes | AA1 | AAA | 6.250 | 05-15-03 | 1,000,000 | 1,014,046 | 921,370 |
| Berley W. R. Corp., Bonds | A3 | AA- | 8.700 | 01-01-22 | 1,000,000 | 1,046,243 | 1,022,210 |
| BHP Finance U.S.A., Bonds | AA2 | AA- | 8.500 | 12-01-12 | 1,000,000 | 1,020,331 | 1,015,350 |
| Burlington Resources Inc., Debs. | A3 | AA- | 9.875 | 06-15-10 | 1,000,000 | 1,224,753 | 1,148,660 |
| Campbell Soup Co., Debs. | AA2 | AA | 8.875 | 05-01-21 | 1,000,000 | 1,232,704 | 1,084,130 |
| Carolina Power & Light Co., FM Bonds | A2 | A | 6.750 | 10-01-02 | 1,000,000 | 1,043,432 | 947,630 |
| Carolina Tel. & Tel. Co., Debs. | A1 | A | 5.750 | 08-15-00 | 1,000,000 | 1,007,907 | 921,830 |
| CBS Inc., Sr Notes | A3 | A | 7.125 | 11-01-23 | 1,000,000 | 936,972 | 824,270 |
| Chase Manhattan Corp., Sub Notes | BAA1 | A | 10.000 | 06-15-99 | 1,000,000 | 1,163,725 | 1,094,810 |
| Chemical Bank Corp., Sub Bonds | A2 | A- | 7.125 | 03-01-05 | 3,000,000 | 2,988,081 | 2,824,950 |
| Chrysler Financial Corp., Notes | A3 | BBB | 6.625 | 08-15-00 | 1,000,000 | 1,025,724 | 896,429 |
| CIT Group Holdings Inc., Notes | A1 | AA- | 5.875 | 10-15-08 | 1,000,000 | 872,192 | 827,120 |
| CIT Group Holdings Inc., Tr #Sr 00001 M.T.Sr Notes | A1 | A+ | 3.563 | 06-25-97 | 8,523,843 | 8,517,003 | 8,523,843 |
| Citicorp Mtg. Sec., Inc., Remic PTC | AA3 | AA | 7.000 | 09-25-20 | 907,776 | 926,794 | 896,429 |
| CNA Financial Corp., Notes | A1 | A+ | 6.250 | 11-15-03 | 1,000,000 | 976,496 | 895,650 |
| Coca Cola Enterprises, Inc., Debs | A3 | AA- | 6.750 | 09-15-23 | 1,000,000 | 952,934 | 840,740 |
| Comerica Bk. Detroit Mich., Bonds | A2 | A- | 7.125 | 12-01-13 | 1,000,000 | 905,630 | 877,690 |
| Commercial Credit Group, Inc., Bonds | A1 | A+ | 7.700 | 08-15-95 | 1,000,000 | 1,027,923 | 1,016,190 |
| Commercial Credit Group, Inc., Bonds | A2 | A+ | 6.000 | 04-15-00 | 23,000,000 | 22,853,849 | 21,596,310 |
| Commonwealth Edison Co., FM Bonds | BAA2 | BBB | 8.125 | 01-15-07 | 900,000 | 933,729 | 849,969 |
| Commonwealth Edison Co., FM Bonds | BAA2 | BBB | 7.500 | 07-01-13 | 5,000,000 | 5,274,776 | 4,447,850 |
| Consolidated Edison Co., NY Inc., Bonds | AA3 | A+ | 7.600 | 01-15-00 | 500,000 | 538,889 | 501,055 |
| Consolidated Edison Co., NY Inc., Debs. | AA3 | A+ | 7.625 | 03-01-04 | 1,000,000 | 1,109,795 | 999,990 |
| Consolidated Natural Gas, Bonds | A1 | AA- | 5.875 | 10-01-98 | 985,000 | 993,614 | 939,986 |
| CSX Corp., Notes | A3 | BBB | 8.250 | 11-01-96 | 1,000,000 | 1,071,037 | 1,031,500 |
| CWMB5 Inc., Ser 1994-H Cl A-6 M PTC | NR | NR | 6.750 | 05-25-24 | 24,000,000 | 20,359,487 | 20,129,210 |
| Dayton Hudson Corp., Notes | A3 | A | 7.250 | 09-01-04 | 1,000,000 | 1,059,611 | 956,820 |
| Dean Witter Discover & Co., Bonds | A3 | A | 5.000 | 04-01-96 | 1,000,000 | 1,003,384 | 979,570 |
| Diamond Shamrock Inc., Debs. | BAA2 | BBB | 8.000 | 04-01-23 | 1,000,000 | 1,049,835 | 904,850 |
| Dillard Department Store, Bonds | A2 | A+ | 7.875 | 01-01-23 | 1,000,000 | 1,029,256 | 957,820 |
| Discover Card Tr., Ser 1993-B Cl A Bonds | BAA1 | BBB | 6.750 | 02-16-02 | 1,000,000 | 1,036,279 | 971,560 |
| Dow Cap B V, Notes | A1 | A | 7.375 | 07-15-02 | 1,000,000 | 1,078,559 | 983,790 |
| Dow Chemical, Bonds | A1 | A | 7.375 | 03-01-23 | 1,000,000 | 976,141 | 909,790 |
| Duke Power Co., FRM Bonds | AA2 | AA- | 7.000 | 07-01-33 | 8,735,000 | 7,556,612 | 7,479,955 |
| Duke Power Co., FRM Bonds | AA2 | AA- | 6.875 | 08-01-23 | 1,000,000 | 958,205 | 846,240 |
| European Investment Bank, Notes | AAA | AAA | 8.875 | 03-01-01 | 1,000,000 | 1,167,603 | 1,065,660 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| DESCRIPTION | RATINGS | | INTEREST RATE (%) | MATURITY DATE | PAR VALUE (\$) | BOOK VALUE (\$) | MARKET VALUE (\$) |
|---|---------|------|-------------------|---------------|----------------|-----------------|-------------------|
| | MOODY'S | S&P | | | | | |
| CORPORATE BONDS (cont'd) | | | | | | | |
| Export Import Bank Japan, Notes | AAA | AAA | 8.350 | 12-01-99 | 1,000,000 | 1,128,162 | 1,050,100 |
| Exxon Capital Corp., Debs. | AAA | AAA | 7.875 | 08-15-97 | 1,000,000 | 1,051,160 | 1,028,320 |
| Farmers Insurance Exchange, Notes | AAA | AAA | 8.500 | 08-01-04 | 10,000,000 | 9,953,685 | 10,012,500 |
| Financing Corp., Notes | NR | NR | 9.400 | 02-08-18 | 1,000,000 | 1,296,764 | 1,170,620 |
| First Chicago Mas Tr II 94-L Bonds | BAA1 | A- | 7.150 | 04-15-01 | 16,000,000 | 15,957,686 | 15,947,360 |
| Fleet Mtg. Sec., Inc., Remic CFC | A3 | A- | 7.200 | 10-25-23 | 12,003,042 | 12,333,150 | 11,875,570 |
| Florida Power & Light Co., FM Notes | A2 | A+ | 5.500 | 07-01-99 | 1,000,000 | 997,429 | 932,910 |
| Ford Holdings Inc., Bonds | A2 | A | 9.250 | 08-01-01 | 1,000,000 | 1,155,943 | 1,077,910 |
| Ford Motor Co., Debs. | A2 | A | 9.950 | 02-15-32 | 21,000,000 | 26,275,140 | 24,529,680 |
| Ford Motor Credit Co., Bonds | A2 | A | 7.125 | 12-01-97 | 1,230,000 | 1,228,521 | 1,234,010 |
| Ford Motor Credit Co., Debs. | A2 | A | 6.250 | 02-26-98 | 14,000,000 | 14,212,304 | 13,649,440 |
| Ford Motor Credit Co., Notes | A2 | A | 8.875 | 08-01-96 | 1,000,000 | 1,063,704 | 1,041,230 |
| Ford Motor Credit Co., Notes | A2 | A | 7.500 | 01-15-03 | 1,000,000 | 1,068,901 | 983,830 |
| Ford Motor Credit Co., Tr #00178 MT Notes (Var.) | A2 | A | 5.943 | 04-05-99 | 2,200,000 | 2,189,431 | 1,554,520 |
| Fruit of the Loom Inc., Debs. | BAA2 | BBB | 7.375 | 11-15-23 | 1,000,000 | 989,407 | 861,330 |
| GE Cap. Mtg. Svcs. Inc., Group 1993-14 CI A7 M PTC | AAA | AAA | 6.500 | 11-23-23 | 14,400,000 | 11,558,493 | 11,556,000 |
| GE Cap. Mtg. Svcs. Inc., Ser 94-1 CI A6 Remic Mc PTC | AAA | AAA | 6.500 | 01-25-24 | 660,000 | 603,779 | 595,234 |
| General Electric Cap. Corp., Notes | AAA | AAA | 8.000 | 02-01-97 | 1,000,000 | 1,068,001 | 1,028,170 |
| General Electric Cap. Corp., Tr #TRO0131, MT Notes | AAA | AAA | 8.820 | 08-01-96 | 3,000,000 | 3,026,370 | 3,125,640 |
| General Electric Co., Bonds | AAA | AAA | 7.875 | 05-01-96 | 1,840,000 | 1,882,118 | 1,882,540 |
| General Electric Mtg., Bonds | AAA | AAA | 6.000 | 09-25-08 | 4,756,103 | 4,847,604 | 4,580,698 |
| General Motors Accep. Corp., MT Notes | BAA1 | BBB | 8.500 | 01-01-03 | 1,000,000 | 1,103,814 | 1,033,060 |
| General Motors Accep. Corp., Notes | BAA1 | BBB | 8.375 | 05-01-97 | 1,000,000 | 1,065,866 | 1,032,030 |
| General Motors Corp., Notes | BAA1 | BBB | 9.125 | 07-15-01 | 1,000,000 | 1,126,798 | 1,063,270 |
| Georgia Pacific, Bonds | BAA3 | BBB | 8.250 | 03-01-23 | 1,000,000 | 1,013,015 | 940,940 |
| Georgia Power Co., FM Bonds | A2 | A | 7.550 | 08-01-23 | 1,000,000 | 988,397 | 880,360 |
| Goldman Sachs Group LP, Bonds | NR | A+ | 6.200 | 02-15-01 | 12,000,000 | 11,996,207 | 11,300,400 |
| Grace W R & Co., Conn Notes | BAA3 | BBB | 7.400 | 02-01-00 | 1,000,000 | 1,041,225 | 985,300 |
| Great Western Finl. Corp., Notes | NR | BBB+ | 6.125 | 06-15-98 | 1,000,000 | 1,008,151 | 964,330 |
| GTE Corp., Bonds | A3 | A- | 7.830 | 05-01-23 | 1,000,000 | 1,053,257 | 916,560 |
| GTE Hawaiian Telephone Inc., FM Bonds | A2 | A | 6.750 | 02-15-05 | 1,000,000 | 1,040,134 | 926,170 |
| GTE South Inc., Debs | A3 | A | 7.250 | 08-01-02 | 19,360,000 | 18,833,734 | 18,985,190 |
| Gulf States Utilities Co., FM Bonds | BAA2 | BBB | 6.990 | 11-01-97 | 1,000,000 | 1,041,991 | 993,120 |
| Hanson Overseas B V, Gtd Sr Notes | A1 | A+ | 5.500 | 01-15-96 | 1,000,000 | 988,852 | 989,880 |
| Heinz H J Co., Notes | AA2 | AA | 6.750 | 10-15-99 | 1,000,000 | 1,021,502 | 980,330 |
| Heller Financial Inc., Bonds | A2 | A | 8.850 | 04-15-96 | 2,000,000 | 2,022,340 | 2,071,260 |
| Heller Financial Inc., Notes | A2 | A | 6.500 | 05-15-00 | 1,000,000 | 1,021,818 | 955,230 |
| Hertz Corp., Bonds | BAA1 | BBB | 8.125 | 03-11-99 | 1,000,000 | 1,085,320 | 1,022,170 |
| Household Affinity Credit Card Master Tr I | A2 | A+ | 5.600 | 05-15-02 | 2,000,000 | 1,913,260 | 1,842,500 |
| Household Financial Corp., Bonds | A2 | A+ | 7.500 | 03-15-97 | 1,000,000 | 1,039,866 | 1,015,500 |
| Hydro-Quebec, Debs. | A1 | A+ | 8.500 | 12-01-29 | 1,000,000 | 1,140,342 | 976,360 |
| Inter American Dev Bk., Bonds | AAA | AAA | 7.125 | 03-15-23 | 18,775,000 | 17,647,899 | 16,727,399 |
| International Specialty Products Inc., Notes | NR | NR | 9.000 | 03-01-99 | 1,000,000 | 1,020,796 | 1,004,260 |
| Isreal States, U.S. Govt. Gtd Notes | NR | NR | 4.875 | 09-15-98 | 1,000,000 | 986,465 | 920,590 |
| ITT Corp., Notes | A3 | A+ | 8.250 | 08-01-01 | 500,000 | 520,639 | 508,745 |
| ITT Financial Corp., Sr Notes | A3 | A | 8.875 | 06-01-10 | 1,000,000 | 1,216,702 | 1,093,600 |
| ITT Hartford Group Inc., Notes | A1 | AA | 8.300 | 12-01-01 | 1,000,000 | 1,117,603 | 1,033,600 |
| James River Corp., Debs. | BAA3 | BBB | 7.750 | 11-15-23 | 1,000,000 | 997,896 | 876,000 |
| K Mart Corp., Bonds | A2 | A | 7.950 | 02-01-23 | 1,000,000 | 1,068,460 | 928,430 |
| Korea Development Bank., Notes | A1 | A+ | 6.250 | 05-01-00 | 1,000,000 | 1,001,310 | 926,010 |
| Lasmo (U.S.A.) Inc., Notes | BAA3 | BBB | 7.125 | 06-01-03 | 500,000 | 459,815 | 461,715 |
| Lehman Bros. Hldgs. Inc., Tr #TR 00021 MTN (Var.) | A3 | A | 6.400 | 01-12-99 | 2,200,000 | 2,192,721 | 2,206,292 |
| Lehman Bros. Hldgs. Inc., Bonds | A3 | A | 6.375 | 06-01-98 | 1,000,000 | 1,018,697 | 959,710 |
| Limited Inc., Bonds | A1 | A | 8.875 | 08-15-99 | 1,000,000 | 1,102,018 | 1,056,520 |
| Loews Corp., Bonds, Debs. | A1 | AA- | 7.000 | 10-15-23 | 1,000,000 | 929,941 | 820,370 |
| MBNA Cr. Card Trust Ser 1991-A Asset Backed CTF | A3 | A- | 8.250 | 06-30-98 | 13,969,000 | 14,428,087 | 14,187,196 |
| MBNA Master Cr. Card Tr Ser 1992 CI 2-A | A3 | A- | 6.200 | 08-15-99 | 270,000 | 266,578 | 265,275 |
| Mellon Financial Co., Sub Notes | A3 | BBB+ | 9.750 | 06-15-01 | 1,000,000 | 1,128,328 | 1,104,740 |
| Merrill Lynch Mtg. Ser 1994-MI C1 A Bonds | A2 | A | 8.227 | 05-25-21 | 12,520,151 | 12,754,009 | 12,536,176 |
| Merrill Lynch & Co. Inc., Notes | A2 | A | 8.400 | 11-01-19 | 2,000,000 | 2,279,554 | 2,028,120 |
| Merrill Lynch & Co. Inc., TR #00029 MT Notes | A2 | A | 4.330 | 01-19-99 | 10,000,000 | 10,000,000 | 9,400,000 |
| Mobil Corp., Notes | AA2 | AA | 6.500 | 12-17-96 | 1,855,000 | 1,848,113 | 1,849,194 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| DESCRIPTION | RATINGS | | INTEREST RATE (%) | MATURITY DATE | PAR VALUE (\$) | BOOK VALUE (\$) | MARKET VALUE (\$) |
|---|---------|------|----------------------|------------------|-------------------|--------------------|----------------------|
| | MOODY'S | S&P | | | | | |
| CORPORATE BONDS (cont'd.) | | | | | | | |
| Mobil Corp., Notes | AA2 | AA | 6.500 | 02-15-97 | 1,000,000 | 1,039,165 | 995,280 |
| Morgan J P & Co. Inc., Bonds | A1 | A+ | 7.625 | 11-15-98 | 1,000,000 | 1,076,996 | 1,018,630 |
| Motorola Inc., Bonds | AA3 | AA | 8.400 | 08-15-31 | 1,000,000 | 1,139,917 | 1,080,070 |
| Mountain States Tel. & Tel. Co., Bonds | AA3 | AA- | 9.500 | 05-01-00 | 550,000 | 649,850 | 602,492 |
| National Archives Facs. Trust, CTF Partn. | AAA | AAA | 8.500 | 09-01-19 | 2,983,460 | 2,854,049 | 3,116,463 |
| NationsBank Corp., Bonds | A3 | A- | 6.875 | 02-15-05 | 3,500,000 | 3,467,635 | 3,237,220 |
| NationsBank Corp., Bonds | A1 | A+ | 5.375 | 12-01-95 | 500,000 | 499,385 | 495,540 |
| NBD Bank N A, Tr #TR00020 MT Notes | AA2 | AA | 6.400 | 05-27-97 | 1,960,000 | 1,955,476 | 1,946,613 |
| New York Telephone Co., Bonds | A2 | A | 7.250 | 02-15-24 | 19,175,000 | 18,959,786 | 16,592,319 |
| New York Telephone Co., Notes | A2 | A | 5.875 | 09-01-03 | 1,000,000 | 983,143 | 878,280 |
| Niagara Mohawk Power Corp., FM Bonds | BAA2 | BBB | 7.375 | 08-01-03 | 1,000,000 | 1,057,629 | 931,660 |
| Nippon Tel. & Tel. Corp., Notes | AAA | AAA | 9.500 | 07-27-98 | 1,000,000 | 1,083,454 | 1,083,670 |
| Norsk Hydro A S, Debs. | A3 | A- | 7.750 | 06-15-23 | 8,000,000 | 8,241,358 | 7,284,000 |
| Norwest Corp., Tr #TR00168 MT Notes | A1 | AA | 4.340 | 10-15-96 | 1,350,000 | 1,296,815 | 1,294,920 |
| Nova Scotia Prov. Cda., Bonds | A2 | A- | 7.250 | 07-27-13 | 1,000,000 | 1,001,993 | 883,520 |
| Ohio Bell Telephone Co., Debs. | AAA | AAA | 5.375 | 03-01-07 | 1,000,000 | 934,923 | 809,160 |
| Ohio Edison Co., FM Bonds | BAA2 | BBB | 8.750 | 02-15-98 | 1,000,000 | 1,097,635 | 1,056,190 |
| Pacific Gas & Electric Co., F&RM Bonds | A1 | A | 5.875 | 10-01-05 | 1,000,000 | 966,388 | 852,990 |
| Paine Webber Group Inc., Bonds | A3 | BBB | 7.625 | 02-15-14 | 1,000,000 | 892,149 | 906,060 |
| Penney J C Inc., Bonds | A2 | A+ | 5.375 | 11-15-98 | 1,000,000 | 993,520 | 938,270 |
| Penzoil Co., Debs. | BAA2 | BBB | 10.125 | 11-15-09 | 1,000,000 | 1,240,826 | 1,123,720 |
| Pepsico Inc., Bonds | A1 | A | 7.000 | 11-15-96 | 1,000,000 | 1,047,995 | 1,008,560 |
| Philadelphia Electric Co., F&RM Bonds | BAA1 | BBB | 7.250 | 11-01-24 | 900,000 | 865,939 | 765,432 |
| Philip Morris Cos. Inc., Bonds | A2 | A | 9.250 | 02-15-00 | 1,000,000 | 1,020,057 | 1,065,200 |
| Philip Morris Cos. Inc., Bonds | A2 | A | 9.400 | 10-01-95 | 1,000,000 | 1,050,693 | 1,032,060 |
| Philip Morris Cos. Inc., Notes | A2 | A | 7.500 | 01-15-02 | 2,000,000 | 1,933,874 | 1,949,780 |
| Phillips Pete Co., Bonds | BAA2 | BBB | 9.375 | 02-15-11 | 1,000,000 | 1,200,955 | 1,084,860 |
| PNC Funding Corp., Sub Notes | A2 | A- | 6.125 | 09-01-03 | 1,000,000 | 981,295 | 888,370 |
| Potomac Electric Power Co., FM Bonds | A1 | A+ | 8.500 | 05-15-27 | 900,000 | 1,011,586 | 881,802 |
| Premier Auto Tr Ser 1992-1 Asset Backed CTF | NR | NR | 5.750 | 07-15-97 | 5,437,741 | 5,388,491 | 5,424,147 |
| Premier Auto Tr Ser 1993-3 Asset Backed CTF | NR | NR | 5.150 | 12-15-98 | 12,089,838 | 12,024,428 | 11,848,041 |
| Premier Auto Tr Ser 1994-2 Cl A-3 Asset Bkd Notes | NR | NR | 6.350 | 05-02-00 | 1,000,000 | 999,372 | 991,250 |
| Private Expt. Fdg. Corp., Ser JJ Secd. Notes | AAA | AAA | 8.150 | 04-30-97 | 1,000,000 | 1,036,594 | 1,035,320 |
| Pub Service Elec. & Gas Co., Bonds | A2 | A- | 7.500 | 03-01-23 | 500,000 | 463,914 | 444,705 |
| Pub Service Elec. & Gas Co., F&RM Bonds | A2 | A | 7.125 | 11-01-97 | 750,000 | 788,729 | 743,888 |
| Ralston Purina Co., Bonds | BAA1 | A- | 9.250 | 10-15-09 | 1,000,000 | 1,189,625 | 1,067,960 |
| Residential Fdg. Mtg. Secs. 1 Inc., Ser 93-S18 | AA2 | NR | 6.250 | 05-25-23 | 11,708,065 | 11,746,160 | 11,444,633 |
| RJR Nabisco Inc., Sr Notes | BAA3 | BBB | 10.500 | 04-15-98 | 1,000,000 | 1,088,606 | 1,065,200 |
| RJR Nabisco Inc., Bonds | BAA3 | BBB | 8.625 | 12-01-02 | 1,000,000 | 984,744 | 918,550 |
| Seagram Joseph E. & Sons, Inc., Deb. | A2 | A | 6.500 | 04-01-03 | 1,000,000 | 1,018,285 | 914,490 |
| Sears Roebuck & Co., Notes | BAA1 | BBB | 9.000 | 09-15-96 | 1,000,000 | 1,077,930 | 1,043,360 |
| Sears Roebuck & Co., Ser IV, MT Notes | BAA1 | BBB | 9.45 | 04-03-96 | 3,000,000 | 2,999,992 | 3,138,420 |
| Skandinaviska Enskilda Banken, Sub Notes | A3 | BBB+ | 6.875 | 02-15-09 | 500,000 | 433,859 | 438,110 |
| Society Bk. N A, Tr #TR00010 MT Dep Notes | AA3 | A | 6.000 | 04-25-96 | 1,940,000 | 1,938,330 | 1,926,148 |
| Southern California Edison Co., Bonds | AA3 | A+ | 7.500 | 04-15-99 | 2,000,000 | 1,983,476 | 2,011,320 |
| Southern California Edison Co., Bonds | AA3 | A+ | 6.750 | 01-15-00 | 900,000 | 945,996 | 874,962 |
| Southern California Gas Co., Bonds | A2 | A+ | 5.250 | 03-01-98 | 1,000,000 | 998,662 | 944,510 |
| Standard Cr. Card Master, Tr I Ser 1991-6 Cl B | NR | NR | 8.350 | 01-07-00 | 8,055,000 | 8,856,791 | 8,354,485 |
| Standard Cr. Card, Tr 90-3 Cl A Partn CTF | NR | NR | 9.500 | 07-10-98 | 22,125,000 | 24,483,550 | 23,528,389 |
| Suntrust Banks Inc., Notes | A1 | A+ | 7.375 | 07-01-02 | 1,000,000 | 1,070,482 | 983,830 |
| Supervalu Inc., Notes | A3 | A | 7.800 | 11-15-02 | 3,500,000 | 3,573,635 | 3,503,360 |
| Tele-Communications Inc., Debs. | BAA3 | BBB | 7.875 | 08-01-13 | 1,000,000 | 1,053,333 | 888,020 |
| Temple Inland Inc., Bonds | A2 | A | 9.000 | 05-01-01 | 1,000,000 | 1,120,000 | 1,065,220 |
| Tenneco Inc., Notes | BAA2 | BBB | 7.875 | 10-01-02 | 1,000,000 | 1,070,257 | 999,560 |
| Texas Utilities Electric Co., FM Bonds | A1 | A+ | 5.500 | 10-01-98 | 1,000,000 | 993,461 | 936,640 |
| Toronto Dominion Bank NY, Sub Notes | AA3 | AA- | 6.450 | 01-15-09 | 750,000 | 640,017 | 649,665 |
| Travelers Inc., Bonds | A2 | A+ | 6.125 | 06-15-00 | 10,000,000 | 9,930,591 | 9,392,600 |
| U S Leasing International, Bonds | A2 | A | 5.950 | 10-15-03 | 1,000,000 | 919,386 | 875,470 |
| U S Leasing International, Notes | A2 | A | 6.625 | 05-15-03 | 1,000,000 | 1,006,167 | 919,270 |
| Union Pacific Corp., Notes | A2 | A | 6.000 | 09-01-03 | 1,000,000 | 978,193 | 883,240 |
| Union Tank Car Co., ETC Ser 13 Bonds | A2 | A | 9.500 | 12-15-95 | 489,000 | 487,232 | 507,836 |
| USX Corp., Debs. | BAA3 | BB+ | 6.375 | 07-15-98 | 1,000,000 | 992,005 | 961,480 |
| U.S. West Communications Inc., Debs. | AA3 | AA- | 6.875 | 09-15-33 | 20,845,000 | 17,667,480 | 17,424,544 |
| Virginia Electric & Power Co., FRM Bonds | A3 | A- | 8.000 | 03-01-04 | 1,000,000 | 1,121,417 | 1,019,580 |
| Wal-Mart Stores Inc., Notes | AA1 | AA | 5.500 | 03-01-98 | 1,000,000 | 1,011,720 | 957,270 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| DESCRIPTION | RATINGS | | INTEREST RATE (%) | MATURITY DATE | PAR VALUE (\$) | BOOK VALUE (\$) | MARKET VALUE (\$) |
|----------------------------------|---------|------|----------------------|------------------|-------------------|--------------------|----------------------|
| | MOODY'S | S&P | | | | | |
| CORPORATE BONDS (cont'd.) | | | | | | | |
| Wal-Mart Stores Inc., Notes | AA1 | AA | 5.500 | 09-15-97 | 3,000,000 | 2,977,793 | 2,898,930 |
| Waste Management Inc., Bonds | A1 | AA- | 6.375 | 07-01-97 | 1,000,000 | 1,035,181 | 987,950 |
| Waste Management Inc., Notes | A1 | AA- | 7.875 | 08-15-96 | 1,000,000 | 1,000,000 | 1,023,830 |
| Wells Fargo & Co., Sub Notes | A3 | BBB+ | 8.375 | 05-15-02 | 1,000,000 | 1,117,033 | 1,032,290 |
| Westpac Banking, Bonds | A2 | A | 7.875 | 10-15-02 | 750,000 | 749,752 | 747,458 |
| Weyerhaeuser Co., Debs. | A2 | A | 7.250 | 07-01-13 | 1,000,000 | 1,039,686 | 916,850 |
| TOTAL CORPORATE | | | | | 583,058,029 | 587,906,470 | 561,973,044 |

| DESCRIPTION | RATINGS | | INTEREST RATE (%) | MATURITY DATE | PAR VALUE (\$) | BOOK VALUE (\$) | MARKET VALUE (\$) |
|--|---------|------|----------------------|------------------|-------------------|--------------------|----------------------|
| | MOODY'S | S&P | | | | | |
| MISCELLANEOUS BONDS | | | | | | | |
| Italy Republic | A1 | AA | 6.000 | 09-27-03 | 1,000,000 | 977,394 | 885,190 |
| Italy Republic | A1 | AA | 6.875 | 09-27-23 | 9,000,000 | 8,971,083 | 7,414,830 |
| Prov. Manitoba, Canada, Debs. | A1 | A+ | 6.875 | 09-15-02 | 1,000,000 | 1,000,583 | 954,100 |
| Prov. New Brunswick, Canada, Debs. | A1 | AA- | 7.125 | 10-01-02 | 1,000,000 | 1,014,796 | 966,220 |
| Prov. Newfoundland, Canada, Debs. | BAA1 | BBB | 9.875 | 06-01-20 | 1,000,000 | 1,267,685 | 1,099,910 |
| Prov. Ontario, Global Bonds | AA2 | AA | 6.125 | 06-28-00 | 1,000,000 | 978,523 | 939,230 |
| Prov. Ontario, Canada Note | AA3 | AA- | 5.700 | 10-01-97 | 1,500,000 | 1,521,783 | 1,459,245 |
| Prov. Quebec, Bonds | A1 | A+ | 7.500 | 07-15-23 | 11,000,000 | 9,726,919 | 9,738,410 |
| Prov. Saskatchewan, Canada, Bonds | A3 | BBB+ | 8.000 | 02-01-13 | 1,000,000 | 1,084,047 | 957,140 |
| Sweden, Kingdom of, Bonds | AA2 | AA+ | 12.750 | 10-15-97 | 1,000,000 | 1,187,176 | 1,159,390 |
| Victorian Pub. Auth. Fin. Aust., Bonds | AA3 | AA | 8.450 | 10-01-01 | 1,000,000 | 1,087,490 | 1,049,950 |
| Foreign Bonds | | | | | 506,420 | 508,420 | 540,000 |
| TOTAL MISCELLANEOUS | | | | | 30,006,420 | 29,325,899 | 27,163,615 |
| TOTAL INVESTMENT IN BONDS | | | | | 1,948,863,801 | 2,035,436,208 | 1,961,388,352 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

INVESTMENT IN STOCKS

As of August 31, 1994

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|--|---------------------|-------------------|----------------------|
| AEROSPACE | | | |
| Allied Signal, Inc. | 189,300 | 4,729,986 | 7,075,087 |
| Boeing Co. | 207,900 | 8,438,916 | 9,459,450 |
| Coltec Inds. Inc. | 120,000 | 2,184,100 | 2,250,000 |
| General Dynamics Corp. | 25,440 | 459,500 | 1,147,980 |
| Lockheed Corp. | 25,400 | 944,840 | 2,000,250 |
| Loral Corp. | 106,500 | 2,600,797 | 4,446,375 |
| Martin-Marietta Corp. | 99,400 | 3,366,280 | 5,056,975 |
| McDonnell Douglas Corp. | 16,000 | 904,818 | 1,892,000 |
| Northrop Gruman Corp. | 20,000 | 359,853 | 900,000 |
| Textron, Inc. | 35,900 | 924,580 | 1,983,475 |
| TRW, Inc. | 74,500 | 4,881,380 | 5,587,500 |
| TOTAL | 920,340 | 29,795,050 | 41,799,092 |
| AIRLINES- TRANSPORTATION | | | |
| AMR Corp. | 110,400 | 6,810,820 | 6,651,600 |
| Atlantic Southeast Airlines, Inc. | 29,200 | 839,183 | 854,100 |
| Delta Airlines, Inc. | 20,500 | 1,082,334 | 1,019,875 |
| Southwest Airlines Co. | 386,150 | 6,772,824 | 10,232,975 |
| U.S. Air Group | 24,100 | 591,427 | 162,675 |
| TOTAL | 570,350 | 16,096,588 | 18,921,225 |
| ALUMINUM | | | |
| Alcan Aluminum, Ltd. | 91,200 | 1,974,841 | 2,371,200 |
| Aluminum Co. of America | 65,700 | 4,954,141 | 5,518,800 |
| Reynolds Metals Co. | 24,400 | 1,336,580 | 1,338,950 |
| TOTAL | 181,300 | 8,265,562 | 9,228,950 |
| AUTOMOTIVE CARS & ACCESSORIES | | | |
| Armor All Products Inc. | 88,350 | 1,881,234 | 1,910,568 |
| Borg Warner Sec Corp. | 21,425 | 320,898 | 259,777 |
| Briggs & Stratton Corp. | 5,900 | 197,526 | 455,037 |
| Chrysler Corp. | 362,900 | 7,185,946 | 17,419,200 |
| Cummins Engine Co., Inc. | 16,800 | 699,804 | 676,200 |
| Dana Corp. | 191,200 | 3,344,013 | 5,329,700 |
| Echlin Inc. | 56,800 | 1,696,818 | 1,753,700 |
| Ford Motor Co. | 778,200 | 14,357,727 | 22,762,350 |
| General Motors Corp. | 527,000 | 22,969,613 | 26,481,750 |
| Genuine Parts Co. | 50,600 | 1,406,390 | 1,859,550 |
| Magna International Class A | 136,100 | 6,228,092 | 5,324,912 |
| Snap-On Inc. | 36,500 | 1,469,601 | 1,336,812 |
| SPX Corp. | 5,700 | 157,891 | 99,750 |
| Superior Industries Intl., Inc. | 20,000 | 767,025 | 592,500 |
| TOTAL | 2,297,475 | 62,682,578 | 86,261,806 |
| BANKING & FINANCE | | | |
| Ahmanson H F & Co. | 47,600 | 854,391 | 1,047,200 |
| American Express Co. | 459,200 | 12,160,339 | 12,915,000 |
| American General Corp. | 88,200 | 1,807,309 | 2,634,975 |
| Banc One Corp. | 196,927 | 5,161,673 | 6,843,213 |
| Bancorp Hawaii Inc. | 12,450 | 353,165 | 403,069 |
| Bank of Boston Corp. | 46,600 | 829,472 | 1,223,250 |
| BankAmerica Corp. | 251,400 | 8,855,605 | 12,412,875 |
| Bankers Trust New York Corp. | 33,200 | 1,340,867 | 2,444,350 |
| Barnett Banks, Inc. | 39,600 | 1,353,276 | 1,861,200 |
| Beneficial Corp. | 21,000 | 574,902 | 903,000 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|--|---------------------|--------------------|----------------------|
| BANKING & FINANCE (cont'd.) | | | |
| Boatmen's Bancshares, Inc. | 42,400 | 921,138 | 1,425,700 |
| Chase Manhattan Corp. | 194,500 | 6,038,029 | 7,342,375 |
| Chase Manhattan Corp., rights | 1,427 | 0 | 10,703 |
| Chemical Banking Corp. | 202,268 | 6,263,241 | 7,837,885 |
| Citicorp | 329,700 | 10,587,954 | 14,589,225 |
| Comerica, Inc. | 67,300 | 2,020,796 | 2,044,238 |
| CoreStates Financial Corp. | 53,200 | 860,363 | 1,502,900 |
| Countrywide Credit Industries, Inc. | 28,500 | 539,825 | 423,938 |
| Dean Witter Discover & Co. | 194,676 | 6,500,901 | 8,298,065 |
| Equifax Inc. | 39,800 | 1,080,549 | 1,174,100 |
| Federal Home Loan Mtg. Corp. | 309,600 | 14,092,626 | 19,233,900 |
| Federal National Mtg. Association | 284,400 | 17,677,092 | 25,276,050 |
| First Bank System, Inc. | 99,500 | 2,350,222 | 3,681,500 |
| First Commerce Corp. | 5,100 | 141,338 | 144,075 |
| First Fidelity Bancorp | 33,600 | 847,749 | 1,541,400 |
| First Interstate Bancorp | 54,700 | 2,248,384 | 4,369,163 |
| First Union Corp. | 178,100 | 6,772,830 | 8,192,600 |
| Fleet Financial Group, Inc. | 55,800 | 1,240,458 | 2,211,075 |
| Golden West Financial Corp. | 26,100 | 833,578 | 1,132,088 |
| Great Western Fin Corp. | 53,700 | 933,394 | 1,107,563 |
| Greentree Financial Corp. | 62,100 | 1,146,899 | 2,064,825 |
| Household Intl., Inc. | 157,800 | 3,764,466 | 6,233,100 |
| Key Corp | 98,300 | 3,077,413 | 3,231,613 |
| Lehman Brothers Hldgs. Inc. | 16,000 | 283,226 | 260,000 |
| Marsh & McLennan Co's., Inc. | 30,200 | 2,194,584 | 2,570,775 |
| MBNA Corp. | 60,400 | 750,860 | 1,525,100 |
| Mellon Bank Corp. | 40,800 | 1,668,286 | 2,417,400 |
| Merrill Lynch & Co., Inc. | 90,900 | 1,437,927 | 3,692,813 |
| Morgan J.P. & Co., Inc. | 82,900 | 3,274,462 | 5,461,038 |
| NationsBank Corp. | 291,500 | 14,133,999 | 16,251,125 |
| NBD Bancorp, Inc. | 65,350 | 1,479,074 | 2,034,019 |
| Northern Trust Corp. | 59,450 | 2,356,718 | 2,273,963 |
| Norwest Corp. | 244,300 | 4,590,353 | 6,504,488 |
| PNC Bank Corp. | 145,100 | 3,012,070 | 4,062,800 |
| Price T Rowe Associates, Inc. | 100,000 | 2,867,130 | 3,200,000 |
| Roosevelt Financial Group Inc. | 58,500 | 926,250 | 939,627 |
| Rouse Co. | 153,150 | 2,953,160 | 2,909,850 |
| Salomon, Inc. | 45,100 | 1,045,313 | 1,956,213 |
| Shawmut National Corp. | 38,800 | 630,229 | 873,000 |
| Shawmut National Corp. Wt. | 434 | 0 | 2,279 |
| Standard Federal Bank of Troy, Mich. | 26,000 | 658,641 | 718,250 |
| State St. Boston Corp. | 98,200 | 3,695,410 | 3,928,000 |
| Sun Trust Banks, Inc. | 49,800 | 1,188,299 | 2,546,025 |
| U.S. Bancorp | 40,450 | 478,704 | 1,122,488 |
| Wachovia Corp. | 70,000 | 2,660,088 | 2,450,000 |
| Wells Fargo & Co. | 22,700 | 1,645,029 | 3,626,325 |
| World Acceptance Corp. | 48,200 | 851,400 | 976,050 |
| TOTAL | 5,646,982 | 178,011,456 | 238,057,841 |
| BUILDING | | | |
| Agco Corp. | 17,000 | 654,458 | 841,500 |
| Armstrong World Industries, Inc. | 153,500 | 4,471,565 | 7,483,125 |
| Centex Corp. | 12,900 | 265,804 | 341,850 |
| Clayton Homes, Inc. | 21,000 | 335,449 | 454,125 |
| Dover Corp. | 23,000 | 865,690 | 1,331,125 |
| Fleetwood Enterprises, Inc. | 18,600 | 257,834 | 490,575 |
| Fluor Corp. | 115,800 | 4,395,553 | 6,137,400 |
| Interface Inc. | 171,650 | 2,129,138 | 2,274,363 |
| Johnson Controls | 16,500 | 500,834 | 876,563 |
| Kaufman & Broad Home Corp. | 33,200 | 632,237 | 514,600 |
| Louisiana-Pacific Ccrp. | 84,500 | 1,916,209 | 2,999,750 |
| Masco Corp. | 62,200 | 1,560,514 | 1,726,050 |
| Morrison-Knudsen, Inc. | 12,800 | 349,396 | 230,400 |
| Payless Cashway Inc. | 212,400 | 2,945,785 | 2,655,000 |
| Schuler Homes | 3,000 | 72,750 | 71,250 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|---|---------------------|--------------------|----------------------|
| BUILDING (cont'd.) | | | |
| Sherwin-Williams Co. | 36,200 | 676,531 | 1,199,125 |
| Skyline Corp. | 4,600 | 69,634 | 92,575 |
| Stanhome Inc. | 73,760 | 2,481,314 | 2,590,820 |
| T.J. International Inc. | 3,300 | 86,163 | 63,525 |
| TOTAL | 1,075,910 | 24,666,858 | 32,373,721 |
| CHEMICALS | | | |
| Air Products & Chemicals, Inc. | 275,300 | 11,060,789 | 13,696,175 |
| Ashworth Inc. | 82,700 | 937,588 | 733,963 |
| Betz Lab, Inc. | 55,700 | 2,728,322 | 2,631,825 |
| Crompton & Knowles Corp. | 12,000 | 275,131 | 190,500 |
| Dow Chemical Co. | 111,600 | 7,286,855 | 8,383,950 |
| DT Inds. Inc. | 28,900 | 469,625 | 447,950 |
| du Pont, (E.I.) de Nemours & Co. | 381,300 | 23,368,594 | 23,068,650 |
| Eastman Chemical Co. | 33,600 | 1,068,704 | 1,772,400 |
| Ecolab, Inc. | 139,400 | 2,845,131 | 3,223,625 |
| First Mississippi Corp. | 8,200 | 111,919 | 130,175 |
| Fusion System Corp | 44,100 | 715,275 | 1,091,475 |
| Georgia Gulf Corp. | 34,700 | 945,993 | 1,309,925 |
| Grace, W R & Co. | 118,300 | 5,294,853 | 4,761,575 |
| Great Lakes Chemical Corp. | 29,000 | 1,452,845 | 1,747,250 |
| Hercules, Inc. | 40,900 | 1,741,289 | 4,406,975 |
| Monsanto Co. | 101,700 | 8,181,233 | 8,402,963 |
| Morton Intl., Inc. Ind. | 59,700 | 1,770,452 | 1,761,150 |
| Nalco Chemicals Co. | 68,100 | 2,283,888 | 2,306,888 |
| Pall Corp. | 47,200 | 508,737 | 849,600 |
| PPG Industries | 485,500 | 14,840,430 | 20,208,938 |
| Praxair, Inc. | 401,600 | 7,780,983 | 9,136,400 |
| Protein Design Labs, Inc. | 44,200 | 976,126 | 1,127,100 |
| Pulte Corp. | 11,200 | 120,487 | 277,200 |
| Raychem Corp. | 17,400 | 580,767 | 726,450 |
| Rohm & Haas Co. | 40,000 | 1,956,719 | 2,490,000 |
| Union Carbide Corp. | 336,900 | 9,856,478 | 11,580,938 |
| TOTAL | 3,009,200 | 109,159,213 | 126,464,040 |
| COAL | | | |
| Mapco Inc. | 3,200 | 202,479 | 183,200 |
| Nacco Industries, Inc. Class A | 3,600 | 209,576 | 224,550 |
| Pittston Service Group | 16,800 | 447,022 | 468,300 |
| TOTAL | 23,600 | 859,077 | 876,050 |
| COMMUNICATIONS | | | |
| Airtouch Communications | 476,500 | 10,249,766 | 13,461,125 |
| CBS Inc. | 16,081 | 4,085,774 | 5,168,031 |
| Capital Cities ABC, Inc. | 144,600 | 9,019,385 | 12,110,250 |
| Comcast Corp., Class A | 113,850 | 2,467,346 | 1,821,600 |
| DSC Communications Corp. | 158,400 | 3,911,397 | 4,534,200 |
| Ericsson L.M. Telephone Co., Class B, ADR | 99,500 | 4,349,471 | 5,385,438 |
| EZ Communications Inc., Class A | 73,800 | 811,924 | 996,300 |
| General Instrument Corp. | 199,000 | 5,664,641 | 5,970,000 |
| Intelcom Group Inc. | 10,000 | 151,308 | 138,750 |
| Jacor Communications Inc., Class A | 53,000 | 819,874 | 768,500 |
| Lin Broadcasting Corp. | 9,400 | 1,088,362 | 1,259,600 |
| McCaw Cellular Communications, Class A | 143,700 | 6,010,700 | 7,777,763 |
| MCI Communications Corp. | 586,600 | 11,632,048 | 14,261,418 |
| Mobile Telecommunications Techs. | 6,400 | 163,048 | 146,400 |
| Newbridge Networks Corp. | 11,300 | 498,267 | 361,600 |
| QUALCOMM, Inc. | 9,700 | 253,251 | 218,250 |
| Sprint Corp. | 232,600 | 8,796,301 | 9,216,775 |
| Telecommunications, Inc., Class A | 436,500 | 8,718,789 | 9,848,312 |
| Time Warner, Inc. | 233,180 | 6,686,471 | 8,889,987 |
| Viacom Inc. | 3,900 | 139,458 | 128,700 |
| Wellfleet Communications, Inc. | 147,400 | 4,153,604 | 3,334,925 |
| TOTAL | 3,165,411 | 89,651,185 | 105,797,924 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|---|---------------------|-------------------|----------------------|
| COMMON FUND ASSETS | | | |
| ANB multiple Minicap Equity Fd. | 4,320,524 | 83,546,836 | 86,438,995 |
| CONGLOMERATES & MISCELLANEOUS | | | |
| Brunswick Corp. | 38,800 | 634,049 | 892,400 |
| Cephalone, Inc. | 140,000 | 1,860,000 | 1,750,000 |
| Colgate-Palmolive Co. | 199,200 | 11,488,133 | 11,404,200 |
| Dial Corp. | 126,600 | 2,434,360 | 2,975,100 |
| Duracell International Inc. | 84,700 | 3,420,024 | 3,896,200 |
| Entergy Corp. | 94,100 | 2,033,929 | 2,340,737 |
| First Brands Corp. | 124,075 | 4,345,313 | 4,311,606 |
| Gillette Co. | 214,700 | 14,224,118 | 15,538,912 |
| Genesco, Inc. | 9,900 | 57,027 | 29,700 |
| Harcourt General, Inc. | 31,677 | 741,633 | 1,069,098 |
| Interpublic Group of Companies | 53,400 | 1,635,319 | 1,842,300 |
| Moore Corp., Ltd. | 40,500 | 1,111,632 | 774,563 |
| National Intergroup Inc. | 5,200 | 90,324 | 94,250 |
| Newell Co. | 98,300 | 3,986,284 | 4,681,537 |
| Ogden Corp. | 17,700 | 439,547 | 396,038 |
| Owens Corning Fiberglass Corp. | 17,400 | 383,373 | 619,875 |
| Proctor & Gamble Co. | 580,000 | 31,133,983 | 35,307,500 |
| Rubbermaid, Inc. | 65,300 | 1,295,289 | 1,836,562 |
| Tyco International Ltd. | 18,900 | 814,859 | 831,600 |
| Tyco Toys Inc. | 170,700 | 1,215,605 | 1,237,575 |
| Valspar | 7,300 | 237,271 | 250,938 |
| TOTAL | 2,138,452 | 83,582,072 | 92,080,691 |
| CONTAINERS | | | |
| Ball Corp. | 12,000 | 331,712 | 334,500 |
| Bemis Co., Inc. | 25,100 | 427,904 | 614,950 |
| Crown Cork & Seal Co. | 36,100 | 1,271,351 | 1,344,725 |
| TOTAL | 73,200 | 2,030,967 | 2,294,175 |
| DRUGS | | | |
| Abbott Laboratories | 333,600 | 9,696,679 | 10,008,000 |
| Alza Corp. | 31,600 | 932,694 | 742,600 |
| American Cyanamid Co. | 68,900 | 5,018,481 | 6,648,850 |
| American Home Products Corp. | 114,800 | 6,840,956 | 6,816,250 |
| Bergen Brunswig Corp. | 134,437 | 2,303,990 | 2,016,555 |
| Bristol Myers Squibb Co. | 208,800 | 11,354,793 | 12,032,100 |
| Forest Laboratories, Inc. | 15,500 | 622,874 | 728,500 |
| IMRE Corp. | 320,000 | 836,875 | 720,000 |
| Lam Research Corp. | 32,400 | 964,627 | 1,150,200 |
| Lilly, Eli & Co. | 119,100 | 6,736,740 | 6,788,700 |
| Liposome Technology, Inc. | 90,000 | 1,279,375 | 669,330 |
| Long Drug Stores Corp. | 116,550 | 4,059,907 | 4,050,113 |
| Merck & Co., Inc. | 540,100 | 15,338,427 | 18,430,912 |
| Perrigo Co. | 29,900 | 581,381 | 455,975 |
| Revco D S Inc. | 107,532 | 1,583,969 | 2,043,107 |
| Schering-Plough Corp. | 157,100 | 10,216,621 | 10,977,362 |
| Upjohn Co. | 101,600 | 3,188,526 | 3,670,300 |
| Wamer Lambert Co. | 64,400 | 4,650,016 | 5,377,400 |
| Zenith Labs, Inc. | 43,100 | 784,851 | 1,050,562 |
| TOTAL | 2,629,419 | 86,991,782 | 94,376,816 |
| EDUCATION | | | |
| DeVRY Inc. | 36,780 | 979,969 | 965,475 |
| ELECTRONICS & MISC. TECHNOLOGY | | | |
| Advanced Micro Devices, Inc. | 37,600 | 416,560 | 1,090,400 |
| Amgen, Inc. | 91,200 | 4,551,604 | 4,810,800 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|---|---------------------|------------|----------------------|
| ELECTRONICS & MISC. TECHNOLOGY (cont'd.) | | | |
| AMP, Inc. | 177,100 | 9,720,555 | 12,861,887 |
| Applied Materials, Inc. | 172,100 | 6,943,732 | 8,691,050 |
| Autodesk Inc. | 9,700 | 504,400 | 589,275 |
| Cabletron Systems, Inc. | 28,900 | 2,605,875 | 3,059,787 |
| Catalina Marketing Corp. | 17,000 | 821,202 | 875,500 |
| Ceridian Corp. | 46,800 | 617,938 | 1,251,900 |
| Cisco Systems, Inc. | 483,600 | 8,795,340 | 11,999,082 |
| Compaq Computer Corp. | 174,300 | 5,316,368 | 6,492,675 |
| Compression Laboratories, Inc. | 37,500 | 977,500 | 396,075 |
| Cooper Industries, Inc. | 46,500 | 1,914,470 | 1,842,563 |
| Corning Inc. | 136,800 | 3,612,809 | 4,223,700 |
| Cypress Semiconductor Corp. | 49,900 | 716,693 | 985,525 |
| Digital Equipment Corp. | 56,100 | 1,284,940 | 1,374,450 |
| E-Systems, Inc. | 13,700 | 411,164 | 589,100 |
| E G & G Inc. | 23,300 | 442,780 | 361,150 |
| Eaton Corp. | 174,500 | 6,655,140 | 8,659,563 |
| Electroglas Inc. | 23,600 | 824,109 | 1,038,400 |
| Electronic Arts | 46,900 | 950,125 | 832,475 |
| Electronic for Imaging Inc. | 70,200 | 1,189,805 | 1,719,900 |
| EMC Corp. | 211,400 | 3,217,564 | 3,778,775 |
| Emerson Electric Co. | 228,200 | 12,581,216 | 14,176,925 |
| Fisher Scientific Intl. Inc. | 14,900 | 503,769 | 497,288 |
| FMC Corp. | 14,600 | 497,820 | 854,100 |
| General Datacomm Industries Inc. | 3,800 | 64,042 | 75,050 |
| General Electric Company | 1,394,600 | 53,569,089 | 69,381,350 |
| General Motors Corp., Class E | 418,300 | 12,509,981 | 15,215,663 |
| General Motors Corp., Class H | 13,000 | 476,800 | 487,500 |
| General Signal Corp. | 19,200 | 539,876 | 691,200 |
| Grainger, W.W., Inc. | 25,000 | 1,008,086 | 1,625,000 |
| Gupta Corp. | 50,000 | 1,318,125 | 493,750 |
| Harris Corp. | 16,200 | 546,295 | 783,675 |
| Hewlett-Packard Co. | 137,000 | 8,491,529 | 12,312,875 |
| Honeywell, Inc. | 54,200 | 1,730,475 | 1,944,425 |
| Intel Corp. | 432,000 | 19,749,762 | 28,404,000 |
| Integrated Device Technolgy Inc. | 34,000 | 1,052,184 | 794,750 |
| Integrated Silicon Sys. Inc. | 7,800 | 201,399 | 195,000 |
| Intergraph Corp. | 18,500 | 375,316 | 178,063 |
| ITT Corp. | 177,400 | 9,117,580 | 14,546,800 |
| Kendall Square Research Corp. | 100,000 | 1,273,438 | 200,000 |
| Linear Technologies Corp. | 74,000 | 2,347,559 | 3,293,000 |
| Lotus Development Corp. | 18,000 | 1,084,500 | 735,750 |
| M/A-Corn, Inc. | 10,400 | 46,311 | 87,100 |
| Marshall Industries | 14,200 | 277,092 | 356,775 |
| McWhorter Tech. Inc. | 3,650 | 57,842 | 67,525 |
| Motorola, Inc. | 684,700 | 13,012,762 | 36,973,800 |
| National Semiconductor Corp. | 48,800 | 460,498 | 908,900 |
| Northern Telecom Ltd. | 102,100 | 2,626,958 | 3,611,788 |
| Oracle Systems Corp. | 395,400 | 9,393,056 | 16,878,440 |
| Orbital Science Corp. | 52,900 | 970,123 | 978,650 |
| Parametric Technologies Corp. | 125,400 | 3,555,626 | 3,620,925 |
| Perkin-Elmer Corp. | 17,900 | 430,177 | 534,763 |
| Platinum Technology, Inc. | 105,000 | 1,106,250 | 1,522,500 |
| Powersoft Corp. | 37,500 | 2,050,918 | 1,640,625 |
| Proton, Inc. | 100,000 | 1,021,250 | 350,000 |
| Raytheon Co. | 55,200 | 3,449,247 | 3,732,900 |
| Rockwell International Corp. | 90,000 | 3,244,913 | 3,251,250 |
| Sanmia Corp. | 41,400 | 923,749 | 838,350 |
| Schlumberger Ltd. | 91,100 | 5,180,319 | 5,192,700 |
| Scientific-Atlanta, Inc. | 15,300 | 265,108 | 680,850 |
| Sensomatic Electric Corp. | 143,750 | 4,449,820 | 4,977,343 |
| Shared Medical Systems Corp. | 9,200 | 118,175 | 230,000 |
| Silicon Graphics, Inc. | 246,900 | 5,944,224 | 6,481,125 |
| Solectron Corp. | 44,000 | 1,053,652 | 1,342,000 |
| Standard Microsystems Corp. | 52,700 | 954,137 | 1,034,237 |
| Symantec Corp. | 72,500 | 1,421,562 | 1,005,938 |
| Synopsys, Inc. | 52,500 | 1,908,437 | 2,178,750 |
| Tektronix, Inc. | 12,300 | 176,614 | 422,813 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|---|---------------------|--------------------|----------------------|
| ELECTRONICS & MISC. TECHNOLOGY (cont'd.) | | | |
| Teledyne, Inc. | 22,600 | 619,147 | 396,901 |
| Texas Instruments, Inc. | 73,400 | 4,177,882 | 5,716,025 |
| Thomas & Betts Corp. | 7,700 | 453,735 | 496,650 |
| Trinz Corp. | 257,500 | 1,894,135 | 885,028 |
| United Technologies Corp. | 50,900 | 3,258,475 | 3,238,513 |
| Walker Interactive Systems, Inc. | 122,500 | 1,736,562 | 1,225,000 |
| Western Digital Corp. | 55,500 | 758,962 | 832,500 |
| Westinghouse Electric Corp. | 143,900 | 4,922,567 | 2,032,588 |
| Xerox Corp. | 108,600 | 7,259,544 | 11,633,775 |
| Xilinx Inc. | 27,800 | 1,527,975 | 1,230,150 |
| Xyplex Inc. | 18,300 | 247,050 | 333,975 |
| Zenith Electronics Corp. | 16,200 | 152,729 | 166,050 |
| 3 Com Corp. | 76,100 | 3,672,249 | 5,093,905 |
| TOTAL | 8,985,200 | 286,309,346 | 376,591,303 |
| ENERGY | | | |
| Dresser Industries Inc. | 78,200 | 1,802,320 | 1,573,775 |
| Eastern Enterprises | 9,200 | 274,484 | 238,050 |
| Enron Corp. | 178,700 | 4,026,318 | 5,450,350 |
| Jacobs Engineering Group, Inc. | 11,800 | 310,458 | 286,150 |
| Maxus Energy Corp. | 54,600 | 493,199 | 286,650 |
| Mitchell Energy and Dev. Corp. | 11,100 | 249,516 | 215,063 |
| Noram Energy Corp. | 49,800 | 1,000,838 | 361,050 |
| Office Depot Inc. | 48,850 | 1,085,665 | 1,160,187 |
| Peco Energy Co. | 90,100 | 1,526,790 | 2,455,225 |
| Trigen Energy Corp. | 39,100 | 640,657 | 698,913 |
| Williams Co., Inc. | 41,800 | 684,843 | 1,301,025 |
| Zum Industries, Inc. | 5,000 | 213,486 | 95,625 |
| TOTAL | 618,250 | 12,308,574 | 14,122,063 |
| FOOD - STORES, CONFEC. & RESTAURANTS | | | |
| American Stores Co. | 58,000 | 1,018,975 | 1,464,500 |
| Archer-Daniels-Midland Co. | 133,042 | 2,714,986 | 3,597,122 |
| Borden, Inc. | 57,400 | 744,497 | 638,575 |
| Brown-Forman, Inc., Cl. B | 28,200 | 631,516 | 849,525 |
| Bruno's, Inc. | 31,800 | 619,713 | 266,325 |
| Campbell Soup Co. | 102,100 | 2,744,464 | 3,956,375 |
| Conagra, Inc. | 152,400 | 3,757,344 | 4,991,100 |
| CPC Intl., Inc. | 178,900 | 7,574,982 | 9,548,787 |
| Dean Foods Co. | 15,000 | 459,602 | 480,000 |
| Dole Food, Inc. | 56,000 | 2,044,007 | 1,708,000 |
| Evans Bob Farm, Inc. | 73,733 | 1,582,914 | 1,566,825 |
| Fleming Companies, Inc. | 15,000 | 533,134 | 425,625 |
| General Mills, Inc. | 76,600 | 3,285,929 | 4,126,825 |
| Giant Food Inc., Cl. A | 24,300 | 679,911 | 534,600 |
| Great Atlantic & Pacific Tea Co., Inc. | 15,600 | 863,835 | 374,400 |
| Heinz H J Co. | 102,800 | 3,449,560 | 3,765,050 |
| IHOP Corp. | 38,000 | 1,239,499 | 1,140,000 |
| Hershey Foods Corp. | 35,400 | 1,201,136 | 1,699,200 |
| Kellogg Co. | 93,000 | 4,787,147 | 5,266,125 |
| Kroger Co. | 43,600 | 607,279 | 1,106,350 |
| Luby's Cafeterias, Inc. | 10,700 | 173,947 | 251,450 |
| McCormick & Co., Inc. | 100,450 | 2,149,495 | 1,983,888 |
| McDonald's Corp. | 575,800 | 7,443,481 | 16,266,350 |
| Outback Steakhouse Inc. | 18,900 | 509,420 | 574,088 |
| Pet, Inc. | 193,900 | 3,796,451 | 3,926,475 |
| Petsmart Inc. | 8,200 | 220,979 | 284,950 |
| Pioneer Hi-Bred Intl., Inc. | 36,400 | 1,308,800 | 1,137,500 |
| Premark International, Inc. | 18,400 | 672,603 | 832,600 |
| Quaker Oats Co. | 27,200 | 1,308,236 | 2,182,800 |
| Quality Food Centers, Inc. | 16,600 | 570,162 | 373,500 |
| Ralston-Ralston Purina Group | 40,800 | 1,500,327 | 1,652,400 |
| RJR Nabisco Hldgs. Corp. | 490,400 | 3,164,280 | 3,432,800 |
| Ryan's Family Steak Houses, Inc. | 21,700 | 172,569 | 146,475 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|---|---------------------|-------------------|----------------------|
| FOOD - STORES, CONFEC. & RESTAURANTS (cont'd.) | | | |
| Sara Lee Corp. | 337,200 | 7,416,443 | 7,797,750 |
| Shoney's, Inc. | 16,600 | 232,096 | 226,175 |
| Starbucks Corp. | 12,500 | 233,096 | 353,125 |
| Stop & Shop Cos., Inc. | 61,000 | 1,502,551 | 1,662,250 |
| Super Valu, Inc. | 29,300 | 778,693 | 868,012 |
| Sysco Corp. | 304,000 | 7,094,730 | 7,714,000 |
| Taco Cabana | 49,600 | 774,718 | 582,800 |
| Wendy's Intl., Inc. | 58,700 | 557,653 | 931,863 |
| Whole Foods Mkt. | 29,300 | 496,019 | 439,500 |
| Winn-Dixie Stores, Inc. | 30,400 | 986,118 | 1,615,000 |
| Wrigley Wm Jr. Co. | 47,400 | 1,307,725 | 1,937,475 |
| TOTAL | 3,866,325 | 84,911,022 | 104,678,535 |
| FURNISHINGS- APPLIANCES | | | |
| Bassett Furniture Industries, Inc. | 5,887 | 111,962 | 172,195 |
| Black & Decker Corp. | 34,100 | 619,782 | 788,562 |
| industrie Natuzzi S P A, ADR | 11,700 | 321,324 | 368,550 |
| Leggett & Platt Inc. | 46,790 | 1,804,619 | 1,731,230 |
| Maytag Corp. | 282,400 | 4,745,749 | 5,118,500 |
| Miller, Herman, Inc. | 114,740 | 3,254,519 | 2,868,500 |
| Mohawk Inds., Inc. | 27,800 | 764,500 | 493,450 |
| Stanley Works | 18,200 | 622,939 | 789,425 |
| Whirlpool Corp. | 122,000 | 4,182,123 | 6,694,750 |
| TOTAL | 663,617 | 16,427,517 | 19,025,162 |
| HEALTH CARE & COSMETICS | | | |
| Airgas Inc. | 27,000 | 618,369 | 668,250 |
| Alberto-Culver Co., Cl. B | 11,500 | 256,239 | 270,250 |
| Alteon, Inc. | 55,000 | 1,280,938 | 426,250 |
| Atrix Laboratories, Inc. | 65,000 | 999,375 | 487,500 |
| Avon Products, Inc. | 69,100 | 3,442,815 | 4,068,263 |
| Bard C R, Inc. | 21,200 | 445,430 | 590,950 |
| Bausch & Lomb, Inc. | 24,000 | 987,384 | 939,000 |
| Baxter Intl., Inc. | 112,400 | 2,341,840 | 3,189,350 |
| Becton Dickinson & Co. | 77,200 | 2,796,338 | 3,309,950 |
| Beverly Enterprises, Inc. | 33,300 | 247,879 | 453,713 |
| Biogen, Inc. | 52,500 | 1,808,927 | 2,644,687 |
| Biomet, Inc. | 46,900 | 328,548 | 527,625 |
| Boston Scientific Corp. | 46,800 | 750,321 | 778,050 |
| Centocor | 145,200 | 1,872,855 | 2,050,950 |
| Chiron Corp. | 1,800 | 103,912 | 125,550 |
| Clorox Co. | 97,700 | 4,695,726 | 5,092,612 |
| Cognex Corp. | 37,400 | 487,284 | 710,600 |
| Columbia/HCA Healthcare Corp. | 306,900 | 11,100,733 | 13,043,250 |
| Community Psychiatric Center | 66,500 | 1,085,049 | 931,000 |
| Cygnus Therapeutic Systems | 72,500 | 1,430,625 | 570,938 |
| Genzyme Corp. | 900 | 26,437 | 30,600 |
| Health Management Associates Inc., "A" | 76,950 | 1,654,003 | 1,837,180 |
| Healthtrust Inc., The Hospital Co. | 75,800 | 2,360,351 | 2,330,850 |
| International Flavors & Fragrances Inc. | 46,100 | 1,666,745 | 2,022,638 |
| Johnson & Johnson | 368,200 | 16,006,097 | 18,456,025 |
| Lincare Holdings | 33,100 | 710,442 | 819,225 |
| Mallinckrodt Group Inc. | 124,700 | 4,379,138 | 4,021,575 |
| Manor Care, Inc. | 25,350 | 273,930 | 697,125 |
| McKesson Corp. | 16,400 | 1,102,965 | 1,681,000 |
| Medimmune, Inc. | 42,500 | 1,260,625 | 201,875 |
| Medtronic, Inc. | 97,100 | 7,664,436 | 9,588,625 |
| Millipore Corp. | 11,400 | 519,384 | 636,975 |
| National Medical Enterprises, Inc. | 102,500 | 1,787,152 | 1,870,625 |
| Patterson Dental Co. | 27,700 | 484,750 | 491,675 |
| Pfizer, Inc. | 189,800 | 11,850,680 | 12,953,850 |
| Sierra Health Services Inc. | 5,400 | 149,664 | 141,750 |
| St. Jude Medical Center, Inc. | 18,900 | 523,144 | 652,050 |
| Sullivan Dental Prods Inc. | 56,800 | 836,115 | 852,000 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|--|---------------------|--------------------|----------------------|
| HEALTH CARE & COSMETICS (cont'd.) | | | |
| Sunglass Hut Intl. Inc. | 20,100 | 694,205 | 753,750 |
| Sybron International Corp. | 15,900 | 481,929 | 518,737 |
| United Healthcare Corp. | 254,000 | 10,476,952 | 13,271,500 |
| U.S. Healthcare, Inc. | 256,200 | 10,324,783 | 11,080,650 |
| United States Surgical Corp. | 22,800 | 2,397,658 | 587,100 |
| Vivra Inc. | 31,200 | 764,147 | 799,500 |
| TOTAL | 3,289,700 | 115,476,319 | 127,175,618 |
| INSURANCE - LIFE, FIRE & CASUALTY | | | |
| Aetna Life & Casualty Co. | 45,400 | 2,279,937 | 2,241,625 |
| AFLAC Inc. | 30,000 | 719,532 | 1,076,250 |
| Alexander & Alexander Services, Inc. | 16,800 | 446,481 | 344,400 |
| Allstate Corp. | 84,300 | 2,145,811 | 2,191,800 |
| American International Group, Inc. | 170,325 | 9,855,219 | 16,010,550 |
| Chubb Corp. | 35,700 | 1,642,378 | 2,615,025 |
| Cigna Corp. | 29,300 | 1,446,769 | 1,963,100 |
| Continental Corp. | 22,400 | 652,405 | 336,000 |
| Equitable Co. | 19,000 | 489,607 | 406,125 |
| EXEL Limited | 65,300 | 2,853,467 | 2,709,950 |
| General Re Corp. | 62,800 | 5,855,188 | 7,010,050 |
| Humana Inc. | 82,500 | 1,401,212 | 1,753,125 |
| Jefferson-Pilot Corp. | 20,450 | 568,259 | 1,104,300 |
| Lincoln National Corp. | 38,300 | 1,112,550 | 1,474,550 |
| MBIA Corp. | 63,235 | 3,698,929 | 3,873,143 |
| Progressive Corp. | 79,700 | 1,955,729 | 3,008,675 |
| Provident Corp. | 40,800 | 416,814 | 1,371,900 |
| SAFECO Corp. | 25,600 | 944,881 | 1,398,400 |
| St. Paul Companies, Inc. | 43,400 | 1,370,501 | 1,877,500 |
| Torchmark Corp. | 30,050 | 909,265 | 1,280,880 |
| Transamerica Corp. | 78,612 | 2,916,320 | 4,195,915 |
| Travelers Corp. | 202,114 | 5,891,629 | 7,478,217 |
| Unum Corp. | 81,800 | 3,863,327 | 4,008,200 |
| USF & G Corp. | 34,600 | 993,527 | 467,100 |
| USLIFE Corp. | 9,200 | 229,849 | 330,050 |
| TOTAL | 1,411,686 | 54,659,586 | 70,526,380 |
| LEISURE & ENTERTAINMENT | | | |
| Bally Manufacturing Corp. | 19,100 | 185,641 | 143,250 |
| Caesars World, Inc. | 178,250 | 8,588,883 | 8,244,063 |
| Carnival Corp., Class A | 6,000 | 300,735 | 266,250 |
| Circus Circus Enterprises, Inc. | 8,100 | 309,361 | 197,438 |
| CML Group, Inc. | 18,000 | 309,300 | 207,000 |
| Dorsey Trailers Inc. | 35,400 | 475,515 | 606,225 |
| Grand Casinos Inc. | 28,300 | 673,458 | 551,850 |
| Hasbro, Inc. | 214,975 | 6,293,745 | 6,744,840 |
| Hilton Hotels Corp. | 19,500 | 1,003,160 | 1,148,062 |
| Hospitality Franchise Sys., Inc. | 200 | 5,819 | 5,875 |
| International Game Technology | 20,100 | 601,544 | 469,838 |
| Johnson Worldwide Assoc. | 56,500 | 1,332,010 | 1,327,750 |
| King World Productions, Inc. | 93,200 | 3,498,479 | 3,518,300 |
| Marriott Corp. | 104,300 | 2,640,885 | 3,076,850 |
| Mattel, Inc. | 104,500 | 1,912,148 | 3,004,375 |
| Mirage Resorts Inc. | 58,900 | 1,568,177 | 1,244,263 |
| Outboard Marine Corp. | 8,100 | 186,734 | 200,475 |
| Promus Cos., Inc. | 104,050 | 2,870,161 | 3,823,837 |
| Royal Caribbean Cruises, Ltd. | 32,300 | 959,943 | 948,813 |
| Transatlantic Holdings, Inc. | 4,500 | 238,982 | 242,438 |
| Walt Disney Co. | 443,000 | 15,970,320 | 18,273,750 |
| TOTAL | 1,557,275 | 49,925,000 | 54,245,542 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|-------------------------------------|---------------------|-------------------|----------------------|
| MACHINERY & TOOLS | | | |
| Caterpillar Inc. | 215,200 | 23,393,294 | 24,828,700 |
| Cincinnati Milacron | 13,600 | 259,406 | 319,600 |
| Clark Equipment | 29,100 | 915,999 | 2,055,187 |
| Crane Co. | 12,200 | 291,123 | 318,725 |
| Dimac Corp. | 50,200 | 515,442 | 571,025 |
| Deere & Co. | 171,100 | 12,234,134 | 12,704,175 |
| Foster Wheeler Corp. | 94,100 | 2,681,027 | 3,834,575 |
| General Binding Corp. | 107,570 | 1,840,267 | 2,043,830 |
| Giddings & Lewis Inc., Wis. | 13,900 | 316,225 | 260,625 |
| Greenfield Industries, Inc. | 6,100 | 122,725 | 132,675 |
| Harnischfeger Industries, Inc. | 10,300 | 206,309 | 238,188 |
| Illinois Tool Works, Inc. | 46,800 | 1,126,646 | 2,024,100 |
| Navistar International Corp. | 30,540 | 817,993 | 500,093 |
| Paccar, Inc. | 15,770 | 558,244 | 788,500 |
| Parker-Hannifin Corp. | 99,400 | 4,269,202 | 4,174,800 |
| Stewart-Stevenson Services, Inc. | 57,200 | 2,322,504 | 2,130,700 |
| Timken Co. | 12,500 | 417,562 | 485,937 |
| Trinova Corp. | 130,900 | 3,126,936 | 4,941,475 |
| Varsity Corp. | 17,900 | 844,652 | 675,725 |
| TOTAL | 1,134,380 | 56,259,690 | 63,028,635 |
| MERCHANDISING | | | |
| Albertson's, Inc. | 243,300 | 5,326,320 | 7,025,287 |
| Aldia Inc. | 32,300 | 468,069 | 403,750 |
| American Greetings Corp., Class A | 153,950 | 4,100,567 | 4,618,500 |
| Angelica Corp. | 75,300 | 1,954,118 | 2,080,162 |
| Avery Dennison Corp. | 23,200 | 667,811 | 783,000 |
| Blockbuster Entertainment Corp. | 185,700 | 4,114,022 | 4,804,987 |
| Brothers Gourmet Coffees Inc. | 67,000 | 787,773 | 904,500 |
| Brown Group, Inc. | 7,100 | 188,100 | 264,475 |
| Charming Shoppes, Inc. | 41,800 | 207,934 | 370,975 |
| Circuit City Stores, Inc. | 393,200 | 8,636,684 | 9,338,500 |
| CUC International, Inc. | 154,600 | 4,511,479 | 5,295,050 |
| Dayton-Hudson Corp. | 141,600 | 9,460,125 | 12,000,600 |
| Dillard Dept. Stores, Inc., Class A | 234,500 | 8,114,972 | 6,566,000 |
| Federated Department Stores, Inc. | 136,100 | 2,924,028 | 2,875,113 |
| Fingerhut Companies, Inc. | 105,200 | 2,978,500 | 3,032,706 |
| Fruit of the Loom, Class A | 21,900 | 707,051 | 577,613 |
| Gap, Inc. | 274,800 | 10,005,262 | 11,816,400 |
| General Nutrition Cos., Inc. | 55,500 | 1,333,792 | 1,252,191 |
| Handleman Co. | 13,600 | 231,510 | 144,500 |
| Hartmarx Corp. | 13,000 | 142,620 | 74,750 |
| Home Depot, Inc. | 513,133 | 15,580,279 | 23,219,267 |
| Ingersoll-Rand Co. | 122,400 | 4,321,176 | 4,666,500 |
| Jostens, Inc. | 18,500 | 475,864 | 339,938 |
| K Mart Corp. | 166,300 | 2,976,641 | 2,842,732 |
| Kellwood Co. | 5,700 | 148,428 | 141,788 |
| Kohl's Corp. | 72,500 | 3,441,428 | 3,525,312 |
| Lands End Inc. | 26,000 | 618,107 | 523,250 |
| Limited, Inc. | 160,300 | 3,492,303 | 3,185,963 |
| Liz Claiborne, Inc. | 87,900 | 2,245,778 | 1,944,788 |
| Lowe's Companies, Inc. | 81,600 | 1,176,849 | 2,947,800 |
| May Department Stores Co. | 433,800 | 12,778,346 | 17,785,800 |
| Melville Corp. | 42,900 | 2,123,702 | 1,624,838 |
| Mercantile Stores Co., Inc. | 15,000 | 596,168 | 562,500 |
| Meyer (Fred) Inc. | 7,000 | 256,635 | 232,750 |
| Musciand Stores Corp. | 23,000 | 320,275 | 414,000 |
| Nordstrom, Inc. | 50,700 | 1,714,806 | 2,382,900 |
| Penney, J.C. Co., Inc. | 230,500 | 6,748,943 | 12,130,062 |
| Pep Boys-Manny, Moe & Jack | 124,500 | 2,874,100 | 4,341,938 |
| Phillips-Van Heusen Corp. | 23,400 | 588,945 | 541,125 |
| Pier 1 Imports, Inc. | 19,000 | 179,937 | 154,375 |
| Price/Costco, Inc. | 262,400 | 4,982,360 | 4,116,269 |
| Rite Aid Corp. | 35,000 | 632,202 | 721,875 |
| Sears, Roebuck & Co. | 216,500 | 7,522,332 | 10,256,687 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|----------------------------------|---------------------|--------------------|----------------------|
| MERCHANDISING (cont'd.) | | | |
| Stride Rite Corp. | 70,500 | 1,000,496 | 1,119,187 |
| Tandy Corp. | 25,939 | 902,849 | 1,044,045 |
| TJX Cos., Inc. | 29,900 | 418,120 | 650,325 |
| Toys "R" Us, Inc. | 271,600 | 8,777,774 | 10,015,250 |
| Urban Outfitters Inc. | 21,300 | 511,208 | 521,850 |
| Venture Stores, Inc. | 55,000 | 1,541,560 | 1,017,500 |
| Walgreen Co. | 123,800 | 3,307,595 | 4,657,975 |
| Wal-Mart Stores, Inc. | 1,497,200 | 29,089,844 | 36,868,550 |
| Wamaco Group, Inc., Class A | 40,000 | 1,402,800 | 1,460,000 |
| Whitman Corp. | 78,600 | 970,914 | 1,355,850 |
| Woolworth Corp. | 53,700 | 1,710,011 | 872,625 |
| TOTAL | 7,379,222 | 192,289,512 | 232,414,673 |
| MISCELLANEOUS | | | |
| Miller Inds., Inc., Tenn. | 44,700 | 538,092 | 603,450 |
| Nu-Kote Hldg., Inc. | 51,800 | 1,025,937 | 1,036,000 |
| Parcplace Sys., Inc. | 100,000 | 1,538,125 | 2,150,000 |
| Perseptive Biosystems Inc. | 50,400 | 1,242,675 | 667,800 |
| Stewart Enterprises Inc. | 7,400 | 193,269 | 185,000 |
| Tencor Instrs. | 52,100 | 949,098 | 1,341,575 |
| TOTAL | 306,400 | 5,487,196 | 5,983,825 |
| MOTOR CARRIERS | | | |
| Consolidated Freightways, Inc. | 14,400 | 270,906 | 345,600 |
| Roadway Services, Inc. | 16,600 | 738,655 | 1,062,400 |
| Ryder Systems, Inc. | 230,400 | 5,178,427 | 6,336,000 |
| Yellow Corp. | 11,400 | 314,612 | 230,850 |
| TOTAL | 272,800 | 6,502,600 | 7,974,850 |
| NON-FERROUS METALS | | | |
| American Barrick Resources Corp. | 114,200 | 3,207,592 | 2,583,775 |
| Asarco, Inc. | 17,000 | 465,256 | 514,250 |
| Cyprus Amax Minerals Co. | 37,200 | 935,919 | 1,209,000 |
| Echo Bay Mines, Ltd. | 47,900 | 636,789 | 610,725 |
| Engelhard Corp. | 39,075 | 329,977 | 1,050,141 |
| Homestake Mining Co. | 55,900 | 958,085 | 1,055,113 |
| Inco, Ltd. | 47,200 | 1,235,962 | 1,357,000 |
| Minnesota Mining and Mfg. | 314,100 | 16,124,855 | 17,314,762 |
| Newmont Mining Corp. | 34,735 | 1,178,810 | 1,489,262 |
| Placer Dome, Inc. | 96,800 | 1,297,965 | 2,202,200 |
| Phelps Dodge Corp. | 84,300 | 4,760,554 | 5,353,050 |
| TOTAL | 888,410 | 31,131,764 | 34,739,278 |
| OFFICE EQUIPMENT | | | |
| Amdahl Corp. | 46,600 | 579,205 | 431,050 |
| Andrew Corp. | 10,240 | 81,183 | 496,640 |
| Apple Computer, Inc. | 47,700 | 1,680,851 | 1,726,120 |
| Computer Associates Intl., Inc. | 67,500 | 985,210 | 2,708,437 |
| Computer Sciences Corp. | 20,500 | 360,111 | 919,938 |
| Cray Research, Inc. | 36,700 | 930,721 | 793,638 |
| Data General Corp. | 14,400 | 135,396 | 127,800 |
| Easel Corp. | 60,000 | 1,176,875 | 225,000 |
| Hunt Mfg., Co. | 80,000 | 1,268,238 | 1,310,000 |
| Intl. Business Machines Corp. | 288,700 | 17,602,448 | 19,775,950 |
| Microsoft Corp. | 418,700 | 21,600,961 | 24,336,937 |
| Novell, Inc. | 317,500 | 5,357,012 | 4,960,937 |
| Sun Microsystems, Inc. | 38,000 | 1,090,707 | 1,007,000 |
| Tandem Computers, Inc. | 46,400 | 517,592 | 696,000 |
| Unisys Corp. | 66,400 | 985,930 | 655,700 |
| United Stationers Inc. | 139,750 | 1,446,095 | 1,327,625 |
| TOTAL | 1,699,090 | 55,798,535 | 61,498,772 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|---|---------------------|-------------|----------------------|
| OIL SERVICES | | | |
| Baker Hughes Inc. | 57,200 | 1,104,978 | 1,072,500 |
| Coastal Corp. | 42,500 | 1,380,934 | 1,301,563 |
| Freeport McMoran, Inc. | 141,000 | 2,684,848 | 2,432,250 |
| Halliburton Co. | 144,900 | 4,353,556 | 4,383,225 |
| Helmerich & Payne, Inc. | 9,900 | 314,156 | 262,350 |
| Idex Corp. | 7,800 | 299,742 | 316,875 |
| McDermott Intl., Inc. | 21,700 | 660,714 | 566,913 |
| Rowan Companies, Inc. | 34,100 | 275,006 | 251,488 |
| Santa Fe Energy Res., Inc. | 36,546 | 823,972 | 347,187 |
| TOTAL | 495,646 | 11,897,906 | 10,934,351 |
| PAPER | | | |
| Boise Cascade Corp. | 15,500 | 554,016 | 441,750 |
| Champion International Corp. | 37,800 | 1,137,233 | 1,360,800 |
| Federal Paper Board Co., Inc. | 17,100 | 366,099 | 519,413 |
| Georgia-Pacific Corp. | 75,900 | 4,346,698 | 5,645,062 |
| International Paper Co. | 188,600 | 13,120,680 | 14,545,775 |
| James River Corp. of Va. | 33,200 | 848,249 | 776,050 |
| Kimberly-Clark Corp. | 65,500 | 3,711,757 | 3,889,063 |
| Mead Corp. | 24,100 | 786,762 | 1,217,050 |
| Pottlatch Corp. | 11,900 | 489,472 | 523,600 |
| Riverwood Intl. Corp. | 179,400 | 3,327,876 | 3,139,500 |
| Scott Paper Corp. | 43,600 | 2,184,762 | 2,855,800 |
| Sealright Co. | 105,200 | 1,570,289 | 1,696,350 |
| Shorewood Packaging Corp. | 132,300 | 2,311,498 | 2,745,225 |
| Stone Container Co. | 35,674 | 775,481 | 704,562 |
| Temple Inland, Inc. | 142,200 | 6,092,245 | 8,016,525 |
| Union Camp Corp. | 127,900 | 5,996,445 | 6,442,962 |
| Westvaco Corp. | 27,200 | 719,492 | 986,000 |
| Weyerhaeuser Co. | 165,800 | 4,489,072 | 7,564,625 |
| TOTAL | 1,428,874 | 52,828,126 | 63,070,112 |
| PETROLEUM - DOMESTIC & INTERNATIONAL | | | |
| Amerada Hess Corp. | 87,800 | 4,102,027 | 4,411,950 |
| Amoco Corp. | 264,100 | 11,730,828 | 15,284,787 |
| Anadarko Petroleum Corp. | 9,900 | 430,710 | 464,063 |
| Apache Corp. | 61,700 | 1,602,303 | 1,557,925 |
| Ashland Oil, Inc. | 24,400 | 895,440 | 924,150 |
| Atlantic Richfield Co. | 83,000 | 9,466,082 | 8,891,375 |
| Burlington Resources, Inc. | 109,200 | 4,783,236 | 4,108,650 |
| Chevron Corp. | 242,900 | 10,715,384 | 10,292,888 |
| Diamond Shamrock, Inc. | 25,000 | 537,000 | 671,875 |
| Exxon Corp. | 541,700 | 28,177,611 | 32,231,150 |
| Kerr-Mc Gee Corp. | 21,000 | 931,126 | 1,021,125 |
| Louisiana Land & Exploration Co. | 13,500 | 585,798 | 582,188 |
| Mobil Corp. | 179,200 | 12,165,069 | 15,120,000 |
| Occidental Petroleum Corp. | 123,800 | 3,326,858 | 2,754,550 |
| Oil-Dri Corp. of America | 61,900 | 1,189,855 | 1,145,150 |
| Oryx Energy Co. | 39,400 | 1,772,375 | 566,375 |
| Owens Illinois Inc. | 142,600 | 1,655,108 | 1,657,725 |
| Pennzoil Co. | 18,700 | 1,377,828 | 958,375 |
| Phillips Petroleum Co. | 181,400 | 4,693,448 | 6,008,875 |
| Royal Dutch Pete Co. | 218,200 | 23,777,286 | 24,574,775 |
| Sun Co., Inc. | 43,300 | 1,646,159 | 1,206,988 |
| Tenneco, Inc. | 69,000 | 4,144,398 | 3,406,875 |
| Texaco, Inc. | 118,100 | 7,606,295 | 7,307,438 |
| Triton Energy Corp. | 45,000 | 1,433,185 | 1,434,375 |
| Tosco Corp. | 20,000 | 547,684 | 600,000 |
| Union Texas Pete Holdings, Inc. | 103,000 | 2,540,944 | 1,841,125 |
| Unocal Corp. | 197,400 | 5,101,529 | 5,650,575 |
| USX - Marathon Group | 116,600 | 3,338,477 | 2,011,350 |
| TOTAL | 3,161,800 | 150,274,043 | 156,686,677 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|-----------------------------------|---------------------|-------------------|----------------------|
| PHOTOGRAPHIC | | | |
| Eastman Kodak | 140,200 | 4,688,507 | 6,974,950 |
| Polaroid Corp. | 297,600 | 8,988,990 | 10,416,000 |
| TOTAL | 437,800 | 13,677,497 | 17,390,950 |
| PRINTING AND PUBLISHING | | | |
| Central Newspaper Inc., Class A | 98,700 | 2,795,578 | 2,689,575 |
| Commerce Clearing House Inc. | 68,100 | 1,191,468 | 1,293,900 |
| Deluxe Corp. | 33,600 | 1,124,298 | 1,016,400 |
| Donnelley R.R. & Sons Co. | 64,500 | 1,501,321 | 1,951,125 |
| Dow Jones & Co., Inc. | 40,400 | 1,513,240 | 1,282,700 |
| Enquirer/Star Group Inc., Class A | 183,475 | 3,186,917 | 3,050,272 |
| Gannett Co., Inc. | 89,300 | 4,295,985 | 4,465,000 |
| Harte-Hanks Communications Inc. | 81,100 | 1,532,119 | 1,581,450 |
| Hartland, John H. Co. | 12,500 | 293,719 | 264,063 |
| Knight-Ridder, Inc. | 22,200 | 1,106,252 | 1,148,850 |
| Mc Graw-Hill, Inc. | 20,100 | 1,118,735 | 1,399,462 |
| Meredith Corp. | 5,900 | 183,283 | 284,675 |
| Merrill Corp | 25,300 | 598,699 | 531,300 |
| New York Times Co., Class A | 43,000 | 992,262 | 1,053,500 |
| News Corp., ADR | 8,500 | 450,485 | 461,125 |
| Times Mirror Co., Class A | 52,300 | 1,625,710 | 1,719,363 |
| Tribune Co. | 32,200 | 1,462,046 | 1,722,700 |
| Western Atlas Inc | 18,600 | 555,140 | 825,375 |
| TOTAL | 899,775 | 25,527,257 | 26,740,835 |
| RAILROADS | | | |
| Burlington Northern, Inc. | 36,100 | 1,291,477 | 1,895,250 |
| CSX Corp. | 130,600 | 7,129,812 | 10,088,850 |
| Conrail, Inc. | 156,500 | 6,644,337 | 8,607,500 |
| Illinois Central Corp. | 29,700 | 992,987 | 939,263 |
| Norfolk Southern Corp. | 141,200 | 7,231,817 | 9,089,750 |
| Santa Fe Pacific Corp. | 135,208 | 1,878,127 | 2,906,972 |
| Southern Pacific Rail Corp. | 100,200 | 2,070,558 | 2,029,050 |
| Union Pacific Corp. | 182,900 | 7,382,480 | 10,539,612 |
| TOTAL | 912,408 | 34,621,595 | 46,096,247 |
| RUBBER | | | |
| Cooper Tire & Rubber Co. | 34,000 | 333,533 | 879,750 |
| Goodrich, B.F. Co. | 10,400 | 450,103 | 496,600 |
| Goodyear Tire & Rubber Co. | 224,600 | 6,128,202 | 7,861,000 |
| TOTAL | 269,000 | 6,911,838 | 9,237,350 |
| SERVICE INDUSTRIES | | | |
| Alco Standard Corp. | 21,100 | 1,164,087 | 1,376,775 |
| Automatic Data Processing, Inc. | 86,600 | 3,108,572 | 4,687,225 |
| Block, H & R, Inc. | 172,000 | 5,155,076 | 7,525,000 |
| Brinker International, Inc. | 127,705 | 2,649,798 | 3,096,846 |
| Browning-Ferris Industries, Inc. | 130,800 | 4,490,894 | 4,136,550 |
| Comdisco, Inc. | 20,000 | 404,850 | 437,500 |
| Duff & Phelps Corp. | 96,300 | 1,816,878 | 1,781,550 |
| Dun & Bradstreet Corp. | 72,000 | 4,153,681 | 4,149,000 |
| Federal Express Corp. | 22,600 | 1,365,672 | 1,601,775 |
| Federal Signal Corp. | 13,000 | 265,473 | 258,375 |
| First Data Corp. | 15,150 | 649,755 | 738,563 |
| First Financial Management Corp. | 38,600 | 1,902,344 | 2,344,950 |
| Franklin Resources Inc. | 27,700 | 1,327,866 | 1,090,688 |
| leasing Solutions Inc. | 68,000 | 717,250 | 561,000 |
| Merry Land and Investment | 58,510 | 1,184,827 | 1,148,259 |
| National Education Corp. | 12,000 | 57,067 | 69,000 |
| National Service Industries, Inc. | 20,200 | 557,108 | 542,875 |
| Omnicom Group, Inc. | 87,400 | 4,163,912 | 4,380,925 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|--|---------------------|-------------------|----------------------|
| SERVICE INDUSTRIES (cont'd.) | | | |
| Paychex, Inc. | 1,600 | 47,260 | 52,400 |
| Pitney Bowes, Inc. | 64,200 | 1,547,405 | 2,471,700 |
| Rollins Environmental Services, Inc. | 24,600 | 339,880 | 150,675 |
| Safety-Kleen Corp. | 23,500 | 574,868 | 396,563 |
| Service Corp. Intl. | 290,000 | 7,232,137 | 7,685,000 |
| SPS Transaction Service Inc. | 17,800 | 988,968 | 961,200 |
| Sungard Data Systems | 24,400 | 962,375 | 847,900 |
| Sybase Inc. | 14,100 | 582,600 | 613,350 |
| WMX Technologies, Inc. | 206,900 | 3,957,927 | 6,207,000 |
| TOTAL | <u>1,756,765</u> | <u>51,368,530</u> | <u>59,312,644</u> |
| STEEL | | | |
| Allegheny Ludlum Corp. | 40,000 | 788,981 | 855,000 |
| Allergan Inc. | 26,600 | 656,665 | 728,175 |
| Amco, Inc. | 42,300 | 373,500 | 274,950 |
| Bethlehem Steel Corp. | 43,300 | 779,043 | 995,900 |
| Inland Steel Industries, Inc. | 16,400 | 558,632 | 678,550 |
| Nucor Corp. | 44,200 | 993,717 | 3,049,800 |
| USX-US Steel Group | 30,420 | 805,507 | 1,239,615 |
| Worthington Industries, Inc. | 36,850 | 366,104 | 792,275 |
| TOTAL | <u>280,070</u> | <u>5,322,149</u> | <u>8,614,265</u> |
| TEXTILES/SHOES | | | |
| Cygne Designs Inc. | 36,000 | 685,080 | 963,000 |
| Nautica Enterprises Inc. | 40,500 | 961,462 | 1,093,500 |
| Nike, Inc. Class B | 68,700 | 3,365,255 | 4,422,563 |
| Oshkosh B Gosh, Inc., Class A | 5,900 | 185,673 | 90,713 |
| Reebok International | 34,400 | 624,095 | 1,251,300 |
| Russell Corp. | 113,625 | 3,249,594 | 3,678,608 |
| Shaw Industries, Inc. | 126,300 | 2,037,869 | 2,194,463 |
| Springs Industries, Inc., Class A | 7,200 | 224,993 | 265,500 |
| ST. John Knits Inc. | 27,000 | 738,666 | 729,000 |
| Unifi, Inc. | 66,800 | 1,639,272 | 1,603,200 |
| V.F. Corp. | 36,200 | 1,306,803 | 1,914,075 |
| TOTAL | <u>562,625</u> | <u>15,018,762</u> | <u>18,205,922</u> |
| TOBACCO AND BEVERAGES | | | |
| American Brands, Inc. | 81,200 | 2,719,622 | 2,923,200 |
| Anheuser-Busch Companies, Inc. | 162,300 | 7,112,162 | 8,845,350 |
| Coca Cola Co. | 660,600 | 17,161,241 | 30,387,600 |
| Coors Adolph Co., Class B | 15,500 | 225,358 | 315,813 |
| Pepsico, Inc. | 630,500 | 17,950,452 | 20,885,312 |
| Phillip Morris Companies, Inc. | 565,500 | 27,270,650 | 34,495,500 |
| Seagram Co. Ltd - La Compagnie Seagram | 151,400 | 3,497,816 | 4,920,500 |
| Unilever N.V. | 65,100 | 6,721,673 | 7,429,538 |
| UST, Inc. | 188,500 | 4,332,406 | 5,890,625 |
| TOTAL | <u>2,520,600</u> | <u>86,991,380</u> | <u>116,093,438</u> |
| UTILITIES - ELECTRIC | | | |
| American Electric Power Co. | 75,100 | 2,200,974 | 2,365,650 |
| Baltimore Gas & Electric Co. | 59,350 | 1,188,368 | 1,365,050 |
| Carolina Power & Light Co. | 65,400 | 1,421,884 | 1,733,100 |
| Central & South West Corp. | 76,700 | 1,549,777 | 1,725,750 |
| Consolidated Edison Co. N.Y., Inc. | 95,200 | 2,434,700 | 2,594,200 |
| DQE Inc. | 22,000 | 688,172 | 673,750 |
| Detroit Edison Co. | 88,800 | 2,379,240 | 2,419,800 |
| Dominion Resources, Inc., VA | 67,400 | 2,022,625 | 2,535,925 |
| Duke Power Co. | 83,400 | 2,324,179 | 3,231,750 |
| FPL Group, Inc. | 77,100 | 2,377,046 | 2,419,013 |
| General Public Utilities Corp. | 26,000 | 703,700 | 679,250 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

| NAME | NUMBER OF SHARES | COST (\$) | MARKET VALUE (\$) |
|---|---------------------|---------------|----------------------|
| UTILITIES - ELECTRIC (cont'd.) | | | |
| Houston Industries, Inc. | 53,100 | 1,736,935 | 1,845,225 |
| Niagara Mohawk Power Corp. | 57,800 | 807,705 | 859,775 |
| Northern States Power Co. | 27,200 | 984,371 | 1,176,400 |
| Ohio Edison Co. | 62,100 | 1,240,103 | 1,203,188 |
| PSI Resources, Inc. | 23,200 | 392,385 | 519,100 |
| Pacific Gas & Electric Co. | 176,700 | 3,913,466 | 4,351,238 |
| PacifiCorp | 114,100 | 2,487,789 | 1,939,700 |
| Public Ser. Enterprise Group, Inc. | 98,400 | 2,608,849 | 2,730,600 |
| SCE Corp. | 182,200 | 3,395,017 | 2,482,475 |
| Southern Co. | 261,500 | 2,497,251 | 4,935,812 |
| Texas Utilities Co. | 91,300 | 2,606,020 | 3,058,550 |
| Unicom (Formerly: Comm. Ed. Co.) | 86,900 | 2,863,698 | 2,085,600 |
| Union Electric Co. | 41,600 | 1,395,350 | 1,487,200 |
| TOTAL | 2,012,550 | 46,219,604 | 50,418,101 |
| UTILITIES - NATURAL GAS | | | |
| Columbia Gas System, Inc. (11 Bankruptcy) | 23,200 | 762,456 | 623,500 |
| Consolidated Natural Gas Co. | 37,800 | 1,741,785 | 1,507,275 |
| Enserch Corp. | 27,100 | 684,407 | 430,213 |
| Nicor, Inc. | 22,200 | 430,570 | 541,125 |
| Oneok, Inc. | 10,800 | 146,478 | 194,400 |
| Pacific Enterprises | 34,100 | 1,469,821 | 728,888 |
| Panhandle Eastern Corp. | 48,600 | 1,159,717 | 1,063,125 |
| Peoples Energy Corp. | 14,200 | 326,280 | 379,850 |
| Sonat, Inc. | 35,400 | 885,478 | 1,079,700 |
| Transco Energy Co. | 16,400 | 519,305 | 250,100 |
| TOTAL | 269,800 | 8,126,297 | 6,798,176 |
| UTILITIES - TELEPHONE | | | |
| AT & T Corp. | 734,632 | 30,451,832 | 40,129,272 |
| Ameritech Corp. | 331,500 | 11,418,450 | 13,715,813 |
| Bell Atlantic Corp. | 175,500 | 8,598,502 | 9,608,625 |
| BellSouth Corp. | 199,700 | 8,028,637 | 11,857,188 |
| GTE Corp. | 388,900 | 12,721,946 | 12,347,575 |
| Nynex Corp. | 168,100 | 7,039,037 | 6,492,863 |
| Pacific Telesis Group | 171,600 | 4,543,587 | 5,662,800 |
| Rochester Telephone Corp. | 21,900 | 501,722 | 492,750 |
| Southwestern Bell Corp. | 358,400 | 11,371,370 | 14,828,800 |
| U.S. West | 178,900 | 6,578,499 | 7,223,087 |
| TOTAL | 2,729,132 | 101,253,582 | 122,358,773 |
| FOREIGN | | | |
| Foreign Equity | | 217,510,356 | 267,638,712 |
| TOTAL INVESTMENT IN STOCK | 75,898,143 | 2,571,354,776 | 3,087,537,990 |

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

SHORT-TERM INVESTMENTS

As of August 31, 1994

| ISSUE | CURRENT YIELD(%) | DUE DATE | RATINGS | | PAR VALUE (\$) | COST (\$) |
|-------------------------------------|---------------------|----------|---------|-----|-------------------|------------|
| | | | MOODY'S | S&P | | |
| Banc One Fdg. Corp., Com'l. Paper | 4.81 | 10-26-94 | A1 | P1 | 650,000 | 644,559 |
| Ford Mtr. Cr. Corp., Com'l. Paper | 4.63 | 10-26-94 | A1 | P1 | 188,000 | 186,409 |
| SBT Fdg. Inc., Com'l. Paper | 4.83 | 10-26-94 | A1+ | P1 | 650,000 | 644,449 |
| U. S. Treasury, Bill | 4.54 | 09-22-94 | (1) | (1) | 150,000 | 148,438 |
| U. S. Treasury, Bill | 4.55 | 11-17-94 | (1) | (1) | 370,000 | 359,884 |
| MFB Collective Step | 4.59 | | (2) | (2) | 10,943,178 | 13,250,000 |
| TOTAL SHORT-TERM INVESTMENTS | | | | | 12,951,178 | 15,233,739 |

(1) U.S.A. Government, Governmental Agencies and Securities secured by Government, no short-term ratings.

(2) Common Trust Fund, registered by OCC.

**INVESTMENT AUTHORITY
ARTICLE I OF THE ILLINOIS PENSION CODE****SECTION 5/1-113. INVESTMENT AUTHORITY.**

The investment authority of a board of trustees of a retirement system or pension fund established under this Code shall, if so provided in the Article establishing such retirement system or pension fund, embrace the following investments:

1. Bonds, notes and other direct obligations of the United States Government; bonds, notes and other obligations of any United States Government agency or instrumentality, whether or not guaranteed; and obligations the principal and interest of which are guaranteed unconditionally by the United States Government or by an agency or instrumentality thereof.
2. Obligations of the Inter-American Development Bank, the International Bank for Reconstruction and Development, the African Development Bank, the International Finance Corporation and the Asian Development Bank.
3. Obligations of any state, or of any political subdivision in Illinois, or of any county or city in any other state having a population as shown by the last federal census of not less than 30,000 inhabitants provided that such political subdivision is not permitted by law to become indebted in excess of 10% of the assessed valuation of property therein and has not defaulted for a period longer than 30 days in the payment of interest and principal on any of its general obligations or indebtedness during a period of 10 calendar years immediately preceding such investment.
4. Nonconvertible bonds, debentures, notes and other corporate obligations of any corporation created or existing under the laws of the United States or any state, district or territory thereof, provided there has been no default on the obligations of the corporation or its predecessor(s) during the 5 calendar years immediately preceding the purchase.
5. Obligations guaranteed by the Government of Canada, or by any Province of Canada, or by any Canadian city with a population of not less than 150,000 inhabitants, provided (a) they are payable in United States currency and are exempt from any Canadian withholding tax; (b) the investment in any one issue of bonds shall not exceed 10% of the amount outstanding; and (c) the total investments at book value in Canadian securities shall be limited to 5% of the total investment account of the board at book value.
 - 5.1. Direct obligations of the State of Israel for the payment of money, or obligations for the payment of money which are guaranteed as to the payment of principal and interest by the State of Israel, or common or preferred stock or notes issued by a bank owned or controlled in whole or part by the State of Israel, on the following conditions:
 - a. The total investments in such obligations shall not exceed 5% of the book value of the aggregate investments owned by the board;
 - b. The State of Israel shall not be in default in the payment of principal or interest on any of its direct general obligations on the date of such investment;
 - c. The bonds, stock or notes, and interest thereon shall be payable in currency of the United States;

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

- d. The bonds shall (1) contain an option for the redemption thereof after 90 days from date of purchase or (2) either become due 5 years from the date of their purchase or be subject to redemption 120 days after the date of notice for redemption;
 - e. The investment in these obligations has been approved in writing by investment counsel employed by the board, which counsel shall be a national or state bank or trust company authorized to do a trust business in the State of Illinois, or an investment advisor qualified under the Federal Investment Advisors Act of 1940 and registered under the Illinois Securities Act of 1953;
 - f. The fund or system making the investment shall have at least \$5,000,000 of net present assets.
6. Notes secured by mortgages under Sections 203, 207, 220 and 221 of the National Housing Act which are insured by the Federal Housing Commissioner, or his successor assigns, or debentures issued by such Commissioner, which are guaranteed as to principal and interest by the Federal Housing Administration, or agency of the United States Government, provided the aggregate investment shall not exceed 20% of the total investment account of the board at book value, and provided further that the investment in such notes under Sections 220 and 221 shall in no event exceed one-half of the maximum investment in notes under this paragraph.
7. Loans to veterans guaranteed in whole or part by the United States Government pursuant to Title III of the Act of Congress known as the "Servicemen's Readjustment Act of 1944," 58 Stat. 284, 38 U.S.C. 693, as amended or supplemented from time to time, provided such guaranteed loans are liens upon real estate.
8. Common and preferred stocks and convertible debt securities authorized for investment of trust funds under the laws of the State of Illinois, provided:
- a. the common stocks, except as provided in subparagraph (h), are listed on a national securities exchange as defined in the Federal Securities Exchange Act, or quoted in the National Association of Securities Dealers Automated Quotation System (NASDAQ);
 - b. the securities are of a corporation created or existing under the laws of the United States or any state, district or territory thereof;
 - c. the corporation is not in arrears on payment of dividends on its preferred stock;
 - d. the total book value of all stocks and convertible debt owned by any pension fund or retirement system shall not exceed 40% of the aggregate book value of all investments of such pension fund or retirement system, except for that system governed by Article 17, where the total of all stocks and convertible debt shall not exceed 50% of the aggregate book value of all fund investments;
 - e. the book value of stock and convertible debt investments in any one corporation shall not exceed 5% of the total investment account at book value in which such securities are held, determined as of the date of the investment, and the investments in the stock of any one corporation shall not exceed 5% of the total outstanding stock of such corporation, and the investments in the convertible debt of any one corporation shall not exceed 5% of the total amount of such debt that may be outstanding;

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

- f. the straight preferred stocks or convertible preferred stocks and convertible debt securities are issued or guaranteed by a corporation whose common stock qualifies for investment by the board; and
- g. that any common stocks not listed or quoted as provided in subdivision 8(a) above be limited to the following types of institutions: (a) any bank which is a member of the Federal Deposit Insurance Corporation having capital funds represented by capital stock, surplus and undivided profits of at least \$20,000,000; (b) any life insurance company having capital funds represented by capital stock, special surplus funds and unassigned surplus totalling at least \$50,000,000, and (c) any fire or casualty insurance company, or a combination thereof, having capital funds represented by capital stock, net surplus and voluntary reserves of at least \$50,000,000.

9. Withdrawable accounts of State chartered and federal chartered savings and loan associations insured by the Federal Savings and Loan Insurance Corporation; deposits or certificates of deposit in State and national banks insured by the Federal Deposit Insurance Corporation; and share accounts or share certificate accounts in a State or federal credit union, the accounts of which are insured as required by The Illinois Credit Union Act or the Federal Credit Union Act, as applicable.

No bank or savings and loan association shall receive investment funds as permitted by this subsection (9), unless it has complied with the requirements established pursuant to Section 6 of The Public Funds Investment Act.

10. Trading, purchase or sale of listed options on underlying securities owned by the board.

11. Contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized to do business in Illinois.

12. Conventional mortgage pass-through securities which are evidenced by interests in Illinois owner-occupied residential mortgages, having not less than an "A" rating from at least one national securities rating service. Such mortgages may have loan-to-value ratios up to 95%, provided that any amount over 80% is insured by private mortgage insurance. The pool of such mortgages shall be insured by mortgage guaranty or equivalent insurance, in accordance with industry standards.

13. Pooled or commingled funds managed by a national or State bank which is authorized to do a trust business in the State of Illinois, shares of registered investment companies as defined in the federal Investment Company Act of 1940 which are registered under that Act, and separate accounts of a life insurance company authorized to do business in Illinois, where such pooled or commingled funds, shares, or separate accounts are comprised of common or preferred stocks, bonds, or money market instruments.

14. Pooled or commingled funds managed by a national or State bank which is authorized to do a trust business in the State of Illinois, separate accounts managed by a life insurance company authorized to do business in Illinois, and commingled group trusts managed by an investment adviser registered under the federal Investment Advisors Act of 1940 (15 U.S.C. 80b-1 et seq.) and under The Illinois Securities Law of 1953, where such pooled or commingled funds, separate accounts or commingled group trusts are comprised of real estate or loans upon real estate secured by first or second mortgages. The total investment in such pooled or commingled funds, commingled group trusts and separate accounts shall not exceed 10% of the aggregate book value of all investments owned by the fund.

15. Investment companies which (a) are registered as such under the Investment Company Act of

INVESTMENT SECTION

Public School Teachers' Pension and Retirement Fund of Chicago

1940, (b) are diversified, open-end management investment companies and (c) invest only in money market instruments.

16. Up to 10% of the assets of the fund may be invested in investments not included in paragraphs (1) through (15) of this Section, provided that such investments comply with the requirements and restrictions set forth in Sections 1-109, 1-109.1, 1-109.2, 1-110 and 1-111 of this Code.

SECTION 5/17-146. TO MAKE INVESTMENTS.

To make investments. To invest the moneys of the fund in accordance with the provisions set forth in Section 1-113 of this Act. The total book value of all stocks and convertible debt owned by the fund shall not exceed 50% of the aggregate book value of all investments of the fund, calculated on the basis of amortized cost.

The board of trustees of any fund established under this Article may not transfer its investment authority, nor transfer the assets of the fund to any other person or entity for the purpose of consolidating or merging its assets and management with any other pension fund or public investment authority, unless the board resolution authorizing such transfer is submitted for approval to the contributors and pensioners of the fund at elections held not less than 30 days after the adoption of such resolution by the board, and such resolution is approved by a majority of the votes cast on the question in both the contributors election and the pensioners election. The election procedures and qualifications governing the election of trustees shall govern the submission of resolutions for approval under this paragraph, insofar as they may be made applicable.

SECTION 5/17-146.1 PARTICIPATION IN COMMINGLED INVESTMENT FUNDS — TRANSFER OF INVESTMENT FUNCTIONS AND SECURITIES.

Participation in commingled investment funds-Transfer of investment functions and securities.

- a. The retirement board may invest in any commingled investment fund or funds established and maintained by the Illinois State Board of Investment under the provisions of Article 22A of this Code. The book value of all commingled equity participations plus the book value of other stock investments owned by this system shall not exceed the maximum permissible percentage rate for equity investments prescribed in Section 17-146. All commingled fund participations shall be subject to the law governing the Illinois State Board of Investment and the rules, policies and directives of that Board.
- b. The retirement board may, by resolution duly adopted by a majority vote of its membership, transfer to the Illinois State Board of Investment created by Article 22A of this Code, for management and administration, all investments owned by the Fund of every kind and character. Upon completion of such transfer, the authority of the retirement board to make investments shall terminate. Thereafter, all investments of the reserves of the Fund shall be made by the Illinois State Board of Investment in accordance with the provisions of Article 22A of this Code.

Such transfer shall be made not later than the first day of the fourth month next following the date of such resolution. Before such transfer an audit of such investments shall be completed by a certified public accountant selected by the Illinois State Board of Investment and approved by the Auditor General of the State of Illinois.

SECTION 5/17-146.2. TO LEND SECURITIES

To lend securities. The board of trustees may lend securities owned by the Fund to a borrower upon such written terms and conditions as may be mutually agreed. The agreement shall provide that during the period of the loan the Fund (or the custodian of the Fund, or agent thereof, as applicable) shall retain the right to receive or collect from the borrower all dividends, interest and distributions to which the Fund would have otherwise been entitled. The borrower shall deposit with the Fund collateral for the loan equal to the market value of the securities at the time the loan is made, and shall increase the amount of collateral if the Board requests an additional amount because of subsequent increased market value of the securities. The Board may accept from the borrower cash collateral or collateral consisting of assets described in Section 1-113 of this Act. To the extent that the Fund participates in a securities lending program established and maintained by (1) a national or State bank which is authorized to do business in the State of Illinois, or (2) an investment manager, the Board may accept collateral consisting of an undivided interest in a pool of commingled collateral that has been established by the bank or investment manager for the purpose of pooling collateral received for the loans of securities owned by substantially all of the participants in such bank's or investment manager's securities lending program. Nothing in Sections 1-109, 1-110 or 1-113 of this Act shall be construed to prohibit the Fund's lending of securities in accordance with this Section.

SECTION 5/17-147. CUSTODY OF FUND-BONDS-LEGAL PROCEEDINGS

Custody of fund-Bonds-Legal proceedings. The city treasurer, ex-officio, shall be the custodian of the fund, and shall secure and safely keep it, subject to the control and direction of the board. He shall keep his books and accounts concerning the fund in the manner prescribed by the board. The books and accounts shall always be subject to the inspection of the board or any member thereof. The city treasurer shall be liable on his official bond for the proper performance of his duties and the conservation of the fund.

Payments from the fund shall be made upon warrants signed by the president and the secretary of the Board of Education, the president of the Board of Trustees, and countersigned by the executive director or by such person as the Board of Trustees may designate from time to time by appropriate resolution.

Neither the treasurer nor any other officer having the custody of the fund is entitled to retain any interest accruing thereon, but such interest shall accrue and inure to the benefit of such fund, become a part thereof, subject to the purposes of this Article.

Any legal proceedings necessary for the enforcement of the provisions of this Article shall be brought by and in the name of the Board of Trustees of the fund.

NOTES

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Chicago, Illinois 60601
Telephone 312-641-4464**