

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6701 SENATE STATE AFFAIRS

105

CONTINUATION OF FISCAL NOTE ANALYSIS

For CS House Bill 138 (FIN)

The specific cost of the program for years covered by this fiscal note are outlined below:

FY 90

PERSONAL SERVICES

Regulations Specialist, Range 16A, 3 months, Juneau. (42,702 x 3)	8.1
--	-----

CONTRACTUAL

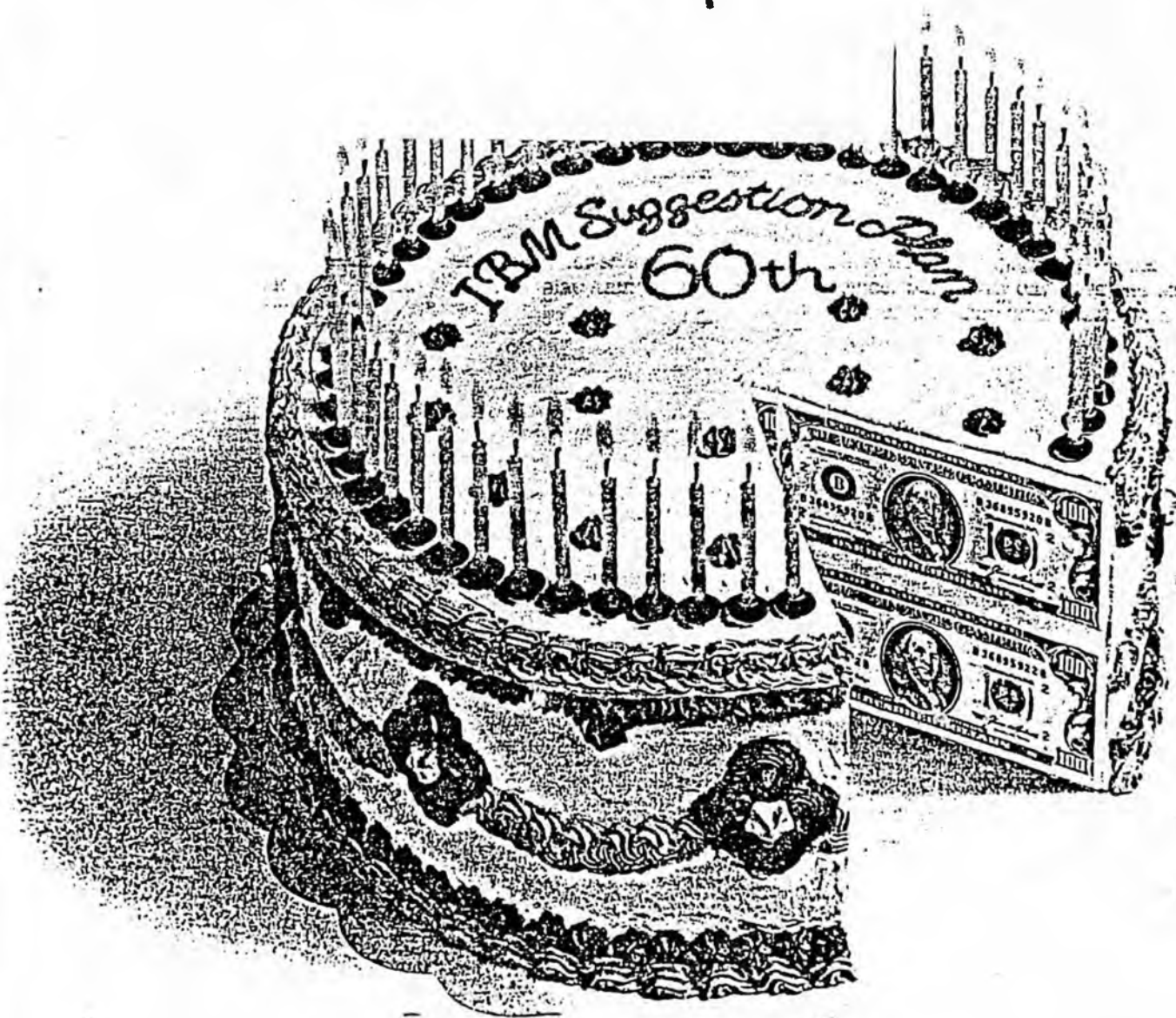
Legal Services--Hearing Officer	3.0
---------------------------------	-----

Costs for FY 91-94 are the same less the one time FY 90 cost for a Regulations Specialist. Total cost per these years \$ 3.0.

What's An Idea Worth?

The Suggestion Plan. It's Worth Thinking About.

IBM's Award Plan
additional
back-up



The IBM Suggestion Plan

Overview

Introduced in 1928 by Thomas J. Watson, Sr.

Goals then:

- Encourage employee creativity
 - Enhance quality throughout the business
 - Reduce costs
 - Provide monetary recognition
-

And now:

- Encourage employee participation in the business
- Eliminate unnecessary work
- Promote safety, health, security
- Increase productivity
- Enhance customer service

The IBM Suggestion Plan

Recognition Policy

Minimum \$50

Maximum \$150,000

Tangible awards – 25 percent of first and second years' savings

For suggestions that:

- Improve methods or operations
 - Save time or materials
 - Increase efficiency, productivity
-

Intangible awards – no direct measurable savings

For suggestions that:

- Improve job safety, health, security
- Improve product quality or reliability
- Enhance customer relations

**The IBM
Suggestion Plan**

**Suggester
Responsibilities**

Be knowledgeable of plan provisions

— Refer to "Your Ideas Have Value" brochure

Clearly state specific problem

Clearly state proposed solution

Identify expected benefits

Identify affected areas

Put yourself in the evaluator's place!

The IBM Suggestion Plan

Evaluator Responsibilities

Read suggestions immediately

Be knowledgeable -- refer to:

- "Evaluator's Guide to the IBM Suggestion Plan"
- "Your Ideas Have Value"

Respond *promptly* -- suggestions are current business

- 2-day turnaround for safety, health, security
- 10-day turnaround for all others

Analyze carefully

- Contact suggester for clarification
- Identify all areas/locations suggestion may benefit
- Review with areas affected
- Establish implementation date
- Calculate savings or intangible benefit
- If not adopted, provide reasons

***Be positive! Look for ideas that will benefit IBM!
Be the advocate of the suggester!***

**The IBM
Suggestion Plan**

**Coordinator
Responsibilities**

Determine correct evaluator

Track and monitor evaluation status

Assure timely evaluations

**Notify Suggestion Department of changes in
responsibilities of your area**

**Review evaluations for completeness and
proper approvals**

***You are the key interface between the
Suggestion Department and the evaluator***

The IBM Suggestion Plan

Management Responsibilities

Be knowledgeable about the plan

- Read "Your Ideas Have Value"
- Refer to Managers Manual, Section 2-24
- Consult with your Suggestion Department

Encourage participation

Assist employees in developing their ideas

Provide training for:

- Coordinators
- Evaluators
- Suggesters

Approve evaluations

Determine employee eligibility

Recognize and reward employees

The IBM Suggestion Plan

Employee Eligibility

Participation

- All regular and supplemental employees, including management
- Employees on approved leaves of absence
- Retirees under the IBM Retirement Plan
- Employees on Medical Disability Income Plan

Awards

- Determined by management based on suggester's performance plan and position description at time of submission
- Program managers without people responsibilities are eligible

Note: Managers with people reporting to them and employees assigned to Suggestion Departments are NOT eligible for awards.

The IBM Suggestion Plan

Subject Eligibility

Subjects to consider:

Ideas that reduce, eliminate, simplify:

- Waste
- Repairs
- Equipment downtime
- Paperwork
- Administrative procedures
- Reports
- Materials
- Efforts
- Energy consumption

Ideas that improve or increase:

- Operating procedures
- Methods, processes
- Packaging, handling, distribution
- Product quality
- Customer satisfaction
- Efficiency, productivity
- Safety, health, security

***Note: Please refer to "Your Ideas Have Value"
for more examples of eligible subjects.***

The IBM Suggestion Plan

Subject Eligibility

Subjects to avoid:

Subjects not awardable

- No savings or value to IBM
- Ideas unrelated to IBM or not within IBM's control

Subjects not normally awarded

- Routine corrections/updates to printed data
- Routine matters with established procedures under periodic review

Predated suggestions not awardable

- Ideas presented by earlier active suggestion
- Ideas already considered by IBM

Subjects in the maturing process not awardable

Aspects of the business in state-of-change, such as:

- Improvements to products prior to release
- Changes to information systems under development
- Ideas related to pilot production

***Note: Please refer to "Your Ideas Have Value"
for Plan provisions on subject eligibility.***

The IBM Suggestion Plan

60th Anniversary!

60 years of corporate commitment

- 1928 Plan established/award \$1
- 1948 Minimum award \$10/maximum award \$2,500
- 1959 Minimum award \$25/maximum award \$25,000
15 percent of first year's savings
- 1978 Maximum award \$100,000
25 percent of first year's savings
10 percent of second year's savings
- 1982 Minimum award \$50
25 percent of second year's savings
- 1985 Maximum award \$150,000!

Tangible benefits (past 3 years)

- To IBM: over \$300 million in savings
- To employees: over \$50 million in awards

Intangible benefits

- A better, more productive company
- A safer, more secure work environment

***The IBM Suggestion Plan.
It's worth thinking about!***

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members
FROM: Senator Pat Pourchot, Chairman
RE: April 21 Committee Hearing
DATE: April 21, 1989

On Friday, April 21 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SJR 18, Proposing an amendment to the Constitution of the State of Alaska relating to income from the permanent fund

SJR 18 would amend the Constitution to specify that income of the permanent fund may be appropriated only for dividends, to the fund principal, for administrative costs of the fund, and for other purposes that a majority of the legislature and the voters approve.

A draft committee substitute that makes the following changes has been prepared:

- 1) Provides for a 2/3, rather than a 3/4, majority vote by the legislature.
- 2) Requires that the public renew its approval of SJR 18 every six years.

SB 214, An Act making a special appropriation to the principal of the permanent fund

SB 214 would appropriate the balance in the earnings reserve account of the permanent fund to the principal of the fund. The current balance is approximately \$604 million.

IN ADDITION, THE FOLLOWING BILLS WILL BE BACK BEFORE THE COMMITTEE:

SB 146, An Act allowing gaming devices on ferries

SB 146 would authorize the installation and use of video gaming devices on state ferries, with revenues from the games being appropriated to fund the operation of the ferry system. It is my intent to move this bill from committee on Friday.

SB 168, An Act authorizing gambling enterprises in municipalities

SB 168 would allow certain municipalities, by adoption of an ordinance, to operate a gambling enterprise. To be eligible, a municipality must have a substantial history of gambling and be substantially dependent on tourism. The bill would allow similar gambling operations on the state ferry system.

A draft committee substitute which makes the following changes is being prepared at the sponsor's request:

- 1) Eliminates the provisions regarding the ferry system.
- 2) Transfers the responsibility for state oversight of the municipal operations from the Department of Revenue to the Department of Commerce. This is consistent with Executive Order 74, which transferred games of chance and contests of skill.
- 3) Provides for a share of the gambling proceeds to be used for prevention programs, as well as for treatment and counseling of compulsive gamblers.

It is my intent to move this bill out of committee today.

HB 91, An Act relating to protection for certain public employees and certain other persons who report or participate in a proceeding connected with a matter of public concern

HB 91, the "whistleblower bill", would prohibit public employers from discharging, threatening, or otherwise discriminating against employees simply because they disclose information of public concern before a public body.

A draft committee substitute which makes the following changes is being prepared:

- 1) Exempts the Alaska Railroad. Current statute provides that employees of the railroad are not employees of the state.
- 2) Exempts municipalities that, by ordinance, adopt substantially similar protections. This exemption is

Committee Memo
April 21, 1989
Page 3

consistent with the resolution passed by the Anchorage Municipal Assembly.

A zero fiscal note prepared by the Court System is attached. It is my intent to move this bill out of committee today.

HB 138, An Act establishing a state employee incentive award system

HB 138 would establish a monetary incentive program to encourage employees to improve state operations. A draft committee substitute that makes the following changes is attached:

- 1) Requires an annual report to the Legislature detailing who received awards, the basis for each award, and the amount of the award.
- 2) Prohibits commissioners, deputy commissioners, assistant commissioners, directors, and deputy directors from receiving awards.

It is my intent to move this bill out of committee today.

FISCAL NOTE

REQUEST:

Revision Date: 3/15/89
Title: An act establishing a state employee incentive award
Sponsor: Hammer, Koponen, Ellis.
Requestor: _____

Agency Affected: Dept. of Administration
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	8.1	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	3.0	3.0	3.0	3.0	3.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	11.1	3.0	3.0	3.0	3.0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	11.1	3.0	3.0	3.0	3.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	11.1	3.0	3.0	3.0	3.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	1	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

See attached

House Finance Committee
Rep. Hoffman, Rep. Larson, Co-Chairs

Prepared by: _____ Phone: _____
Division: _____ Date: _____

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION OF FISCAL NOTE ANALYSIS

For CS House Bill 138 (FIN)

The specific cost of the program for years covered by this fiscal note are outlined below:

FY 90

PERSONAL SERVICES

Regulations Specialist, Range 16A, 3 months, Juneau. (42,702 x 3)	8.1
--	-----

CONTRACTUAL

Legal Services--Hearing Officer	3.0
---------------------------------	-----

Costs for FY 91-94 are the same less the one time FY 90 cost for a Regulations Specialist. Total cost per these years \$ 3.0.

Alaska State Legislature

Representative Fran Ulmer



P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

HOUSE OF REPRESENTATIVES

MEMORANDUM

TO: Senator Pat Pourchot, Chairman
Members
Senate State Affairs Committee

FROM: Rep. Fran Ulmer

DATE: April 16, 1989

RE: CSHB 138 (FIN) am-State Employee Incentive Award
System

HB 138 would establish a monetary incentive program to encourage state employees to improve state operations by promoting efficiency and reducing costs without decreasing services.

An incentive awards board would be established within the Division of Personnel in the Department of Administration. This board would review cost saving ideas and grant cash awards in accordance with the amount of money being saved by the state. These awards would not apply to a cost savings suggestion made by an employee in the course of their employment, so we would not be rewarding an employee for just doing their job.

Awards could total from a low of 5% of the first \$10,000 in savings, to an amount not to exceed \$25,000. Please see the attached chart for actual calculations of awards. This type of legislation has been established in many states, and the Federal government has had a similar program in place since 1954. Federal data shows a long term saving of over \$12 for every dollar awarded. I have also attached news articles regarding other savings on the Federal and state level.

EXPLANATION OF CALCULATION OF INCENTIVE AWARDS

The amount of the award is determined by multiplying each increment of the state's actual cost savings during the first 12 months of implementation by the percentages listed below:

- 5% of savings up to \$10,000 plus
- 4% of savings between \$10,000 and \$30,000 plus
- 3% of savings between \$30,000 and \$60,000 plus
- 2% of savings between \$60,000 and \$1,250,000

The maximum award would be capped at \$25,000.

Example: if an employee saved the state \$30,000 in a 12 month period, the award would equal \$1,300.

5% of the first \$10,000=	\$500
	+
4% of the next \$20,000=	<u>800</u>
Total	\$1,300 award

Example: Savings equal \$60,000-award would be \$2,200

5% of the first \$10,000=	\$500
	+
4% of the next \$20,000=	800
	+
3% of the next \$30,000=	<u>900</u>
Total	\$2,200 award

Example: Savings equal \$100,000-award would be \$3,000

5% of the first \$10,000=	\$500
	+
4% of the next \$20,000=	800
	+
3% of the next \$30,000=	900
	+
2% of the next \$40,000=	<u>800</u>
Total	\$3,000 award

Example: Savings equal \$200,000-award would be \$5,000

5% of the first \$10,000=	\$500
+	
4% of the next \$20,000=	800
+	
3% of the next \$30,000=	900
+	
2% of the next \$ 140,000=	<u>2800</u>
Total	\$5,000 award

Example: Savings equal \$1,000,000-award would be \$21,000

5% of the first \$10,000=	\$500
+	
4% of the next \$20,000=	800
+	
3% of the next \$30,000=	900
+	
2% of the next \$ 940,000=	<u>18.800</u>
Total	\$21,000 award

T H E
**NEWS
LETTER**
WASHINGTON STATE
EMPLOYMENT SECURITY

IN THIS ISSUE

Washington Employment Futures

Brown Bag Receipt Fund

Aberdeen . . . A "Can Do" Office

Letters From Clients

Volume 6 Number 1

Winter 1988/89

* **Happy Holidays** *

ES Employees Save State \$530,000

Georgia Van Amerongen's suggestion to modify the UI File and Record Retention System has netted her \$10,000 and pushed ES into first place among state agencies for total cost savings for 1988.

Her employee suggestion won the first maximum award for the department and is expected to save state taxpayers well over \$399,000.

"When I first started working on my suggestion, my motivation was to make my workers' and my job a little easier," said Amerongen, the new Acting JSC Administrator in Everett. "I didn't realize until later what a large impact it would have on the Department."

Amerongen's idea, which was implemented in 1987, eliminated the need for UI Core Files within JSCs. It established a much smaller system in its place to maintain mandatory UI validation information.

When asked about her suggestion and the substantial award, Amerongen said a celebration is definitely warranted.

"I never would have got my suggestion off the ground if it wasn't for all the help I received from my co-workers," said Amerongen. "I think it's only fitting that I have a party to let



Georgia Van Amerongen saves Washington tax payers over \$500,000.

them know I appreciated all their help."

Ten other suggestions by Job Service Specialists were approved in November. According to Commissioner Isiah Turner, these remaining suggestions gave ES what it needed to take the lead.

"I'm extremely proud that our department is leading the way in terms of total cost savings for 1988," said Turner. "But what's important is that these suggestions will save Washington taxpayers over \$500,000."

Jerry Staudenraus, Moses Lake, saved the department over \$18,000 by rewording the conditional pay statements sent to claimants. He will receive \$1,808 for his idea.

Three winners were from Bellingham.

Michael Riber saved the department over \$13,000 by combining three forms

into one. He will receive \$1,331 for his suggestion.

Tammy O'Neil will be awarded a total of \$1,585 for two suggestions. Her ideas to streamline a computer process are expected to save the department over \$15,000.

Catherine Kunamann came up with a computer modification that will save \$12,500. She will receive \$1,256 for her suggestion.

Joseph Jones, Tacoma, will receive \$834 for the modification of UI forms. His suggestion is expected to save over \$8,000 in duplication costs and will improve service.

Barbara Schmidt, Mt. Vernon, will receive \$814 for her idea to incorporate two forms into one. Her idea is expected to save the department \$8,000 in copy costs and storage requirements.

Anita Robinson, Spokane, will receive \$450 for streamlining a computer process. Her idea is expected to save the department over \$4,500.

Kathie Dolton, Everett, came up with the idea to automate the tallying of Appeals and Petitions for Review. She will receive \$336 for her idea, which is expected to save the department over \$3,000.

The Employee Suggestion Program, established by the 1982 Legislature, provides cash awards to employees who suggest workable ways to reduce costs and improve state operations. From January to November, the department has generated savings and cost reductions totaling \$530,208. ■

13. A-1 Anchorage Times 2-17-89

Worker saves military \$7 million

MONTPELIER, Vt. (AP) — A military technician who was worried about the safety of a \$4,500 infrared light tester used on helicopters went to the local hardware store and built his own — for \$8.75.

Now, after saving the military more than \$6 million a year, John Ledoux is getting his reward: a check for \$25,000.

Ledoux, a part-time sergeant in the Vermont Army National Guard and a full-time civilian employee of an Army National Guard base in Burlington, Vt., received a \$10,000 incentive prize from the government more than a year ago.

Today he was to receive the larger prize from the federal Office of Personnel Management.

"I'm just kind of glad I'm finally getting the monetary award. It seems like it's a long time coming," said Ledoux, who explained that bureaucratic errors delayed the check.

"I feel like it's been put off for so long it's lost its glow," he said. "But I'm glad things are finally coming to a head."

The award is the maximum allowed by law and the largest given to a federal employee, said Joseph Jamele, press secretary for Sen. Patrick Leahy, D-Vt. He said only 20 such awards have

ever been granted.

Ledoux, 33 and father of five, said the money would come in handy.

"My wife and I have a big family so, of course, the money is nice," he said.

Ledoux said he developed his hand-held device in 1986 after watching engineers with the Lockheed Aircraft Corp. install infrared lights on helicopters using the standard-issue testing device, which was built into a pair of goggles.

Ledoux said the engineers often perched in precarious positions on the helicopters to test the lights. Concerned for their safety, he went down to a local electronics store and picked up a phototransistor, a light-emitting diode, a switch and a nine-volt battery. After fiddling around with the parts for a couple of days, he put the device together.

He said it took the Army a bit longer to realize the potential savings. First he sent a diagram of the device, but it was only after he sent the device itself that the Army congratulated him on his ingenuity.

Army officials are crediting the device with saving 967,000 hours of labor a year, for a total of \$8.85 million.

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot, Chairman

RE: April 19 Committee Hearing

DATE: April 18, 1989

On Wednesday, April 19 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SB 252, An Act exempting amounts held in the judicial retirement system from execution

SB 252 would protect from execution or attachment funds held in the Judicial Retirement System. Current law provides such an exemption for funds in the Teachers' and Public Employees' Retirement Systems. The current statutory exception to protection for payment of child support would apply.

A draft committee substitute, prepared at the sponsor's request, would provide the same protection from execution for funds held in the elected public officers' retirement system.

CSHB 91(Jud), An Act relating to protection for certain public employees and other persons who report or participate in a proceeding connected with a matter of public concern

HB 91 would prohibit public employers from discharging, threatening, or otherwise discriminating against employees who disclose information of public concern before a public body. The protection would apply only if the disclosure is made in good faith. A violation of the provision would be punishable by a civil fine of not more than \$10,000.

The bill would apply to employees of the state, the federal government, political subdivisions including municipalities and school districts, the University, and public corporations including the Alaska Railroad.

Similar "whistle blower" protection exists on the federal level and under Alaska's long term care ombudsman law.

Committee Memo
April 18, 1989
Page 2

CSHB 138(Fin), An Act establishing a state employee incentive award system

HB 138 would establish an Incentive Awards Board in the Department of Administration to authorize payment of cash awards to state employees who make superior contributions to the efficiency and economy of state operations. The contribution must result in a net savings to the agency and must have been developed outside normal working hours. The bill establishes a formula for calculating the amount of the award, to a maximum of \$25,000.

SENATE COMMITTEE REPORT



FURTHER

FIN

4/11/89

DATE TURNED INTO OFFICE 4-22-89

Mr. President:

STATE AFFAIRS Committee considered CSHB 138 (FIN) am
establishing a state employee incentive award system

and recommended

replace with _____ CS HB 138 (ST AFF) same title
 or adopt _____ CS _____ new title
 attached amendment(s) and technical title change (HB only)
 _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

Tim Kelly

OTHER RECOMMENDATIONS

Jim Smith No Rec
Val Adams No Rec

[Signature]
Chairman signature and recommendation

Committee Backup attached

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 1, 1989.

FURTHER REFERRALS:

Date of Committee Action: 3/20/89

The FINANCE Committee considered:

HB 138

HOUSE BILL NO. 138 [STATE EMPLOYEES INCENTIVE AWARD SYSTEM]
"An Act establishing a state employee incentive award system."

RECOMMENDS:

- replacing with CS HB 138 (Fin) the same title
- the attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

- fiscal impact
- zero fiscal note
- zero with analysis

- fiscal note(s) published: _____
- zero fiscal notes(s) published: _____

SIGNING DO PASS:

SIGNING OTHER THAN DO PASS:

(Do Not Pass, No Recommendation, Amend)

[Signature] HEFFMAN
[Signature] BROWN
[Signature] KOPONEN
[Signature] ULMER

[Signature] LARSON No Rec.
[Signature] SHULTZ Do Not Pass
[Signature] PHILLIPS No Rec.
[Signature] RIEGER No Recommendation

[Signature]
 CO-Chairman's signature
[Signature]

Item 6



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 30, 1987

MEMORANDUM

TO: Representative Niilo Koponen
ATTN: Lisa McLaren
FROM: Mary Jennings *mg*
Legislative Analyst
RE: Employee Suggestion Award Programs in Other States
Research Request 87.205 (Supplemental Information)

You requested that we provide a description of the appeal process used in three other states with employee suggestion award programs.

Florida

Although the Florida Department of Personnel administers the suggestion award program, each agency handles appeal cases internally. The state used to have a centralized committee for appeals, but had difficulty enforcing the committee's decisions. Currently, the Department of Personnel oversees the proceedings of any appeal within an agency, provides documentation and may make suggestions, but the case is ultimately decided by the particular agency. According to Derek Daniels of the department, the state had one past case of an employee who felt he had made a suggestion that was later implemented without any compensation to the employee. The employee appealed to the agency and was compensated for the suggestion.

Michigan

Each of the state departments in Michigan has a committee that accepts or rejects suggestions to the suggestion award program. Appeals are handled by the Suggestion Award Program Central Board. The board makes a decision based upon the employee's claim and documentation kept by the particular agency. The decision is then sent to the agency involved for comment. If the agency agrees, the process is complete. If the agency disagrees with the decision, the board reviews the case again and makes a final decision. Mr. Leo Bell, coordinator for the suggestion award program, stated that employees frequently appeal because they feel a suggestion has been implemented but they have not been compensated. Mr. Bell stated that the solution to this type of problem is to keep accurate records of all suggestions. Mr. Bell added that in Michigan, suggestion records are kept for five years.

Representative Koponen

March 30, 1987

Page 2

Connecticut

~~Since the suggestion award program was opened to the public as well as employees.~~ As a result, the Suggestion Award Oversight Panel was created to review suggestions and handle appeals. The panel, which represents the general public, meets monthly and receives no compensation. (Prior to last year, appeals were handled informally by the program coordinator.) Currently, if an appeal situation arises, the panel monitors the decision process of the involved agency as the suggestion is sent through the system again. The panel then accepts or rejects the decision of the agency. A decision of the panel may be appealed to the State Claim Commission. Tom Barnett, communications coordinator for the program, stressed that well maintained records of the suggestion award program are always helpful in an appeal situation.

I hope you find this information useful. I have requested program regulations from Florida, Michigan and Connecticut and will forward them to you upon receipt. It should be noted that the National Association of Suggestion Systems recommends that a formal appeal process be adopted by states with award programs. Please contact me if you have any questions.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 27, 1987

MEMORANDUM

TO: Representative Niilo Koponen

ATTN: Lisa McLaren

FROM: Mary Jennings *mg*
Legislative Analyst

RE: Employee Suggestion Award Programs in Other States and Inclusion
of Universities
Research Request 87.205

You requested that we determine if other states with employee suggestion award programs include state university employees in the program. You also requested that we determine the level of control that these states have over state university funding.

Conclusion

I contacted the states of California, Florida, Georgia, Missouri, New Jersey, New York and Washington--all of which have employee suggestion award programs. In California, New Jersey, and New York, where the level of legislative control over university funding is moderate to high, state university employees are included in the suggestion award program.¹ In Washington, where legislative control is relatively low, university employees are also included in the program, although these employees have a history of nonparticipation. The state university employees of Georgia, where funding control is low, are not eligible for participation. In Missouri, where legislative control is moderate, state agencies participate at their discretion and the university system has chosen not

¹The following criteria were used to determine the level of legislative control over university funding: the nature of the funding appropriation (e.g., lump sum; campus by campus; or line item); the university's ability to move funds among programs; and the percentage of state funds relative to total funds.

to participate. Florida, where control is also moderate, has a separate suggestion award program for university employees. The following section of this memorandum provides details of my conversations with state personnel departments and state university system budget offices.

California

California includes State University System employees in the suggestion award program. According to Dr. James Jenson, Legislative Analyst for the California State University System, the legislature has a fairly high level of control over the State University System. He stated that funding is received on a program by program basis, although the university has the discretion to transfer funds between programs. According to Mr. Jenson, state funds account for over 90 percent of total funds. He added that state university employees are unionized and that the personnel policies for state university employees are very similar to other state employees.

New Jersey

According to the New Jersey Department of Personnel, State University employees are included in the employee suggestion award program and are active participants. The majority of university employees are unionized and follow personnel policies similar to other state employees. Each institution within the State University System receives an appropriation which is then allocated by the institution. Institutions with more than one campus receive one appropriation which is allocated among the campuses. State funds account for approximately 70 percent of total funds.

New York

According to Carl Reynolds, coordinator for the New York employee suggestion award program, state university employees are included in the program. He added that university employees do not seem to participate as actively as other State employees. All University employees, except certain management personnel, are unionized. A major faction of employees are represented by the Civil Service Union, which represents other state civil service employees.

State universities in New York are funded on a campus-by-campus basis. Within each campus appropriation, the legislature makes four line item appropriations. Each university may make transfers among these line item appropriations. State funds account for approximately 57 percent of total funding.

Washington

According to Carolyn Smith of the Washington State Productivity Board, the State University System is included in the employee suggestion award program, although the employees do not participate at this time. Ms. Smith explained that, due to a lack of staff, it has not been possible to implement the program within the university system. She added that the board hopes to obtain funding this year that would allow for additional staff and a liaison that could work with the university system in order to implement the program. University civil service employees are unionized, although they do not have collective bargaining power.

The Washington State University System is funded by a single appropriation which is allocated among the institutions by the Board of Regents. According to Bill Robinson, Legislative Analyst for the State University System, the legislature may include some line item appropriations within the general appropriation but this does not happen on a regular basis. State funds account for approximately 85 percent of the funding for regional universities and approximately 33 percent of the funding for larger research-related universities.

Georgia

Georgia's State University employees are not included in the state's suggestion award program. According to Jacob Wamslee of the State University System, state university employees have personnel policies that are completely separate from other state employees. Mr. Wamslee said that the State University System receives an annual appropriation which is allocated among the various institutions by the Board of Regents. State funds account for approximately 65 percent of total funding. Mr. Wamslee stated that the university system has not considered adopting its own suggestion award program.

Missouri

Participation in the Missouri employee suggestion award program is at the option of each agency of the state. According to the State Personnel Department, the university system has chosen not to participate in the program. University employees and all other state employees are nonunion and have similar personnel policies. Appropriations to the State University System are made on a campus-by-campus basis and each campus may allocate these funds at their discretion. State funds account for approximately 69 percent of all funds.

Representative Koponen
March 27, 1987
Page 4

Florida

Florida State University employees have an employee suggestion program that is separate from the program for other state employees. According to Anna Gray of the State University Office of Human Relations, as a result of legislation adopted last year, the State University System was given an autonomous personnel department for programs such as employee suggestion award. Ms. Gray stated that her office is currently promulgating regulations for the suggestion award program, which is statutorily identical to the state program. She added that the program will differ in one major aspect because, beside career service employees, faculty will also be allowed to participate.

The Florida State Universities System is funded by a single appropriation to the Board of Regents which is then allocated among the institutions. The state legislature frequently designates line item appropriations within the general appropriation. State funds account for approximately 90 percent of total funding.

I hope you find this information useful. Please feel free to contact me if you have any questions.

Alaska State Legislature

Representative Fran Ulmer



P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

HOUSE OF REPRESENTATIVES

MEMORANDUM

TO: Senator Pat Pourchot, Chairman
Members
Senate State Affairs Committee

FROM: Rep. Fran Ulmer

DATE: April 16, 1989

RE: CSHB 138 (FIN) am-State Employee Incentive Award
System

HB 138 would establish a monetary incentive program to encourage state employees to improve state operations by promoting efficiency and reducing costs without decreasing services.

An incentive awards board would be established within the Division of Personnel in the Department of Administration. This board would review cost saving ideas and grant cash awards in accordance with the amount of money being saved by the state. These awards would not apply to a cost savings suggestion made by an employee in the course of their employment, so we would not be rewarding an employee for just doing their job.

Awards could total from a low of 5% of the first \$10,000 in savings, to an amount not to exceed \$25,000. Please see the attached chart for actual calculations of awards. This type of legislation has been established in many states, and the Federal government has had a similar program in place since 1954. Federal data shows a long term saving of over \$12 for every dollar awarded. I have also attached news articles regarding other savings on the Federal and state level.

HB

216

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER MB 216

SPONSOR Koponen

BILL TITLE University retirement program

DATE REFERRED 4-21-89

HEARING SCHEDULED

FISCAL NOTE PREPARED ✓

SPONSOR CONTACTED Lisa

INTERESTED PARTIES CONTACTED

Hot
Telecom Bill Kaufman Brian Rogers, Univ
Sally Smith, Div. Retirement
Bob Stalnaker
Wes Coyner

OTHER

HB 216 OPTIONAL UNIVERSITY RETIREMENT PROGRAM

TO TESTIFY

REP. KOPONEN, SPONSOR (LISA McLAREN)

BILL KAUFMAN, UNIVERSITY (TELECONFERENCE FROM FAIRBANKS)

SALLY SMITH/BOB STALNAKER, DIV. RETIREMENT

F.Y.I.

BILL IS INTENDED TO ATTRACT PROFESSORS BY PROVIDING A MORE PORTABLE RETIREMENT SYSTEM. YOU WOULD BE IMMEDIATELY VESTED, RATHER THAN HAVING TO PARTICIPATE THE 5 OR 8 YEARS THAT P.E.R.S. AND T.R.S. REQUIRE.

ZERO FISCAL NOTE. PROGRAM COSTS WILL BE COVERED BY RATES PAID BY PARTICIPANTS. I ASSUME THE UNIVERSITY WILL BE PAYING THE EMPLOYER SHARE -- WILL IT BE MORE OR LESS THAN THAT CURRENTLY PAID INTO P.E.R.S./T.R.S.?

Sally Smith says same

ACCORDING TO BILL SPONSOR, 36 STATES AND 1000 PRIVATE COLLEGES AND UNIVERSITIES OFFER THIS TYPE OF RETIREMENT OPTION.

*It's called a
"defined contribution
retirement plan"*

from Koponen

Notes on HB 216

- * It will provide the University with a PORTABLE retirement system to offer prospective faculty.
- * It will provide the University management with greater flexibility in attracting faculty from other universities.
- * It will not adversely impact either the Teachers' or Public Employees' Retirement Systems.
- * The election to participate in the alternative system will be irrevocable for current members of the Teachers' or Public Employees' Retirement Systems and new employees of the University.
- * The administration supports this bill.
- * The new system cost to the university will be more easily controlled by the University.
- * This bill will help the University to attract better qualified teachers.

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members
FROM: Senator Pat Pourchot, Chairman
RE: May 1 Committee Hearing
DATE: April 28, 1989

On Monday, May 1 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SB 192, An Act relating to legislators' eligibility for long-term per diem

A draft committee substitute prepared at the sponsor's request is attached. In addition to allowing long-term per diem to be paid for days spent attending a meeting of a legislative committee, the CS would make eligible attendance at a public meeting called by a governmental entity and days during which at least four hours are spent on legislative or constituent business.

SB 301, An Act relating to the power cost equalization program

SB 301 would restructure the Power Cost Equalization (PCE) program to establish residential customers as the first priority for funding, community facilities as the second priority, and commercial users as the third. In addition, eligible consumption levels would be reduced.

Included in the packet are proposed amendments that would adjust the percentage of costs eligible for subsidy, the minimum level to which rates may be subsidized, and eligibility requirements for participation in the program.

The PCE program became effective in October 1985. It is intended to lower power rates statewide to levels somewhat comparable to rates in Anchorage, Fairbanks, and Juneau. PCE funds are distributed to eligible utilities, and passed on to consumers through a credit on the consumer's electric bill. The Governor requested \$17,872,600 to fully fund the program in FY 90; the House budget proposes a 10% reduction, the Senate budget a 5% reduction. A fiscal note for SB 301 is being prepared.

It is not my intent to move SB 301 out of committee today.

HB 50, An Act establishing the Commission on the Future of the Permanent Fund and providing for public testimony on the use that should be made of the income of the permanent fund

HB 50 would establish a nine member commission in the Department of Revenue. The commission would conduct public hearings in each judicial district on inflation proofing, the dividend program, and other uses that could be made of the income of the Permanent Fund, and would submit a report to the Governor and Legislature by February 1, 1990.

Costs of the commission (\$155,600) would be paid from Permanent Fund earnings.

CSHB 66(Fin)am, An Act establishing the Alaska Commission on Children and Youth; abolishing the Office of Child Advocacy; relating to the Alaska children's trust fund

HB 66 would establish a commission to continue the work of the Governor's Interim Commission on Children and Youth created by Administrative Order in June 1987. The commission would be established in the Office of the Governor and would consist of four executive branch members and seven public members. It would be charged with developing a plan to address the needs of and problems facing children, and would be required to submit an annual report to the Legislature and the Governor.

HB 66 was amended in the House to give the commission responsibility for administration of the Alaska Children's Trust Fund, to authorize a \$10 check-off on the permanent fund dividend form (this would be the funding source for the commission and the Trust Fund), and to require that the commission's office be located in Anchorage or a location determined to be appropriate by a majority of the commission.

The commission would expire in 1994. The interim commission will cease to exist on May 15, 1989.

CSHB 216(Fin), An Act establishing an optional university retirement program for certain employees of the University of Alaska and certain community colleges

HB 216 would authorize the University Board of Regents to establish an optional retirement program for faculty members and certain administrative staff. In a defined contribution retirement plan, benefits would be immediately vested in individual participants. Participants become vested in PERS after 5 years and in TRS after 8 years.

HB 216 is intended to enhance the University's efforts to attract qualified professionals.

Alaska State Legislature
Representative Niilo Koponen

Pouch V
Juneau, Alaska 99811
(907) 465-4992

House District 21

119 N. Cushman, Suite 207
Fairbanks, Alaska 99701
(907) 456-8172

SPONSOR STATEMENT FOR HB 216

House Bill 216 provides for an effective means for the University of Alaska to compete in the national academic market to attract and retain qualified professionals, with no additional cost to the State.

House Bill 216 would allow the Board of Regents to adopt an optional defined contribution retirement plan for its faculty and a small number of administrative officers. A choice of retirement plans is currently available to faculty and administrative officers in publicly supported institutions in thirty-six states and the District of Columbia, and in over 1,000 private colleges and universities.

In a defined contribution retirement plan the retirement benefits provided by the plan are fully and immediately vested in individual participants. Faculty and administrative officers would not then be constrained by pension considerations from moving within institutions of higher education within the country. Because an optional defined contribution plan eliminates the concern for future funding liability the University's pension obligation is discharged concurrently with the termination of employment.

FISCAL NOTE

REQUEST:

Revision Date: 3/28/89 Agency Affected: University of Alaska
 Title: "An Act establishing an optional university retirement program for certain employees of the University of Alaska and certain community colleges; and providing for an effective date." BRU: All
 Components: _____
 REQUESTOR: HESS Committee
 SPONSOR: Koponen, Boyer, Ulmer, Ellis, Collir, Gruenberg, and Hudson

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		-0-	-0-	-0-	-0-	-0-
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE		-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) The cost of the alternative optional university retirement program is projected at zero. It is the university's intent to establish rates for the optional retirement program at levels which will result in no additional cost. The optional retirement program will, however, increase the university's competitiveness in recruiting faculty and top administrators.

Prepared by: Jim Lynch Phone: 474-6573
 Division: Controller and Associate Vice President Date: 3/28/89
 Approved by Commissioner: Brian Rogers Date: 3/28/89
 Agency: Vice President for Finance

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: "An act establishing an optional university retirement program." BRU: Retirement and Benefits
 Sponsor: Koponen Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached financial implication statement.

Prepared By: Sally Smith Phone: 465-4470
 Division: Retirement and Benefits Date: 3/29/89

Approved by Commissioner: John M. Andrews Date: 3/29/89
 Agency: Department of Administration

Distribution (by preparer):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

House Bill 216
Analysis of Fiscal Implications to the Retirement Funds
Prepared by Division of Retirement & Benefits
Department of Administration
March 23, 1989

Analysis: This bill would allow the University of Alaska to establish an additional retirement system for its faculty and administrator positions. Participation in this system would be optional and provide an alternative to participating in the appropriate Public Employees' (PERS) or Teachers' (TRS) Retirement System. The election will be irrevocable.

There would not be an adverse impact on the actuarial soundness of either the PERS or the TRS funds. The increase in the unfunded liability and the decrease in the funding ratio in each would be negligible.



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

March 27, 1989

To: Representative Johnny Ellis, Chair
Members, House HESS Committee

Re: House Bill No. 216: "An Act establishing an optional university retirement program for certain employees of the University of Alaska and certain community colleges; and providing for an effective date."

NEA-Alaska supports the basic concepts and purposes of HB 216 and encourages favorable consideration by the Committee.

This legislation would be valuable to the University as it seeks to recruit and attract faculty in that it gives faculty the option to have greater mobility within higher education vis a vis their retirement programs and planning.

Presently a person is not vested in the Teachers' Retirement System until after eight years of membership service. In the event a faculty person does not receive tenure within the University system they have no vested retirement benefit.

The relatively modest and low pay scales of the University of Alaska combined with the fact of no raises in recent years makes recruitment and retention of faculty more difficult each year.

The implementation of HB 216 would provide faculty with the option to utilize other retirement systems such as the TIAA/CREFF which is generally available to them in other institutions of higher education through-out the country. Therefore, service at the University of Alaska would not be a deterrent to their retirement planning.

Thank you for your consideration of our position.

Respectfully submitted,

B Manners

Bob Manners
Executive Secretary

Judy Salo

Judy Salo
President

cc: Representative Niilo Koponen

THE PARTICIPANT

February 1989



In This Issue...

CREF Stock Account: Long-term Growth Continues	Page 1
CREF Money Market Milestone	Page 2
IPRO Now Available in Most States	Page 3
Expanded Automated Telephone Service	Page 3
Another Step Toward New Flexibilities, New Accounts	Page 3
Medicare Changes Bring Expanded Catastrophic Coverage	Page 4
Research Notebook	Page 4
Update on Tax Law Changes	Page 6

CREF STOCK ACCOUNT: LONG-TERM GROWTH CONTINUES

The CREF Stock Account once again outperformed the S&P 500 in 1988, as it has in most of the last ten years. CREF Stock's net total return for the year was 17.46%, versus 16.72% for the S&P 500. These results mark a rebound from 1987, when the October stock market crash limited the year's returns to a 5.12% increase for CREF and 5.11% for the S&P 500.

As the common stock component of a nationwide pension system, CREF's Stock Account takes a long-term approach to investing the funds that participants allocate to it. CREF Stock's cumulative results over the last 10 years show how favorable long-term rates of return outweigh the effects of temporary downturns:

1 Year (1/1/88 thru 12/31/88)	17.46%
3 Years (1/1/86 thru 12/31/88)	50.42%
5 Years (1/1/84 thru 12/31/88)	108.94%
10 Years (1/1/79 thru 12/31/88)	360.19%

In dollar terms, \$100 invested at the beginning of 1988 in the CREF Stock Account grew to \$117.46 by the end of the year. Similarly, \$100 invested ten years ago grew to \$460.19 by the end of 1988 (reflecting an increase of 360.19%). These results show how effective long-term participation in the CREF Stock Account has been in accumulating retirement benefits. CREF Stock's investment philosophy seeks total returns (market value changes plus dividends) that are expected to be somewhat better than those of the market over the long run, without varying significantly from overall market returns year by year. Past performance is not necessarily indicative of future results. For a more complete look at the performance of the CREF Stock Account see the chart on the next page.

Teachers Insurance and Annuity Association
College Retirement Equities Fund
730 Third Avenue, New York, New York 10017
© Teachers Insurance and Annuity Association, 1989

This publication must be accompanied or preceded by a current prospectus. Additional copies of the current prospectus may be obtained by writing CREF or calling toll free 1 800 842-2733, extension 5509.

CREF Stock Account vs. S&P 500

Average annual compound rates of total return:	S&P 500 Index	Retirement Annuities	Supplemental Retirement Annuities
1 Year (Jan. 1, 1988, to Dec. 31, 1988)	16.72%	17.46%	16.88%
3 Years (Jan. 1, 1986, to Dec. 31, 1988)	13.23%	14.58%	14.39%
5 Years (Jan. 1, 1984, to Dec. 31, 1988)	15.23%	15.88%	15.76%
10 Years (Jan. 1, 1979, to Dec. 31, 1988)	16.22%	16.49%	16.43%

The CREF investment results shown here are net of all investment, administrative, and distribution expenses. The results for CREF Supplemental Retirement Annuities (SRAs) also reflect a 0.5% deduction from premiums to cover the extra costs associated with these annuities. The Standard & Poor's 500 Index (S&P 500), an unmanaged index, is a widely used measure of the performance of the U.S. stock market.

The past performance shown here is not indicative of future rates of return from the CREF Stock Account. These returns—and the value of the principal you've invested in the Stock Account—will fluctuate, so the units you own in the Stock Account may be worth more or less than their original price.

As of April 1, 1988, a registration statement for CREF variable annuities became effective under the rules and regulations of the Securities and Exchange Commission, but CREF Stock's management and its investment objectives did not change.

CREF MONEY MARKET MILESTONE

On January 31, 1989 the CREF Money Market Account reached \$1 billion in assets. Reaching this milestone only ten months after its introduction indicates how readily the Money Market Account has been adopted by CREF participants as part of their

overall pension planning. Virtually each week since its inception, the Money Market Account has outperformed Donoghue's Money Fund Averages for 7-day yields.

CREF Money Market Account vs. Donoghue's Money Fund Averages

For the seven days ending January 31, 1989:	Donoghue's Money Fund Averages™	CREF Money Market Account
Net annualized current yield	8.40%	8.93%
Net annualized effective yield	8.76%	9.33%
Average maturity	32 Days	22 Days

The CREF yields shown above are net of all investment, administrative, and distribution expenses, but do not reflect the 0.5% deduction from SRA premiums.

The Donoghue's Money Fund averages shown above are compiled from money market mutual funds investing in taxable securities. Yields are net of management fees and expenses.

The past performance shown here is not indicative of future yields from the CREF Money Market Account. These yields will fluctuate.

For a recorded message quoting the latest CREF accumulation unit values and Money Market yields, call 1 800 223-1290.

IPRO NOW AVAILABLE IN MOST STATES

TIAA's new Interest Payment Retirement Option (IPRO) was introduced in January to provide TIAA participants with an additional payment option and greater flexibility in their retirement planning. As of February 10, approval has been granted to offer IPRO in 43 states and the District of Columbia. You may call our Participant Information Center toll-free at 1 800 842-2776 for updated information on additional states where approval has been granted since this issue went to press. The 7 states in which IPRO was not yet available as of February 10 are:

Alabama	Montana
Connecticut	North Carolina
Massachusetts	South Carolina
West Virginia	

Policyholders who choose to begin receiving income from their TIAA annuities can select from among several lifetime annuity options and two payment methods. These elections are irrevocable. IPRO, however, pays you "interest-only" income from your TIAA annuity, while leaving the principal amount intact and allowing you to postpone final retirement decisions. IPRO is available to TIAA participants generally between the ages of 55 and 69½. The selection of a payment method and annuity option can be deferred (to as late as April 1 of the year following the year in which you turn 70½, while interest payments are received in the interim).

A detailed article on IPRO appeared in the November issue of *The Participant*. A full explanation of IPRO's features and restrictions is contained in TIAA's new brochure, *Introducing . . . TIAA's Interest Payment Retirement Option*. Copies may be ordered by calling toll-free 1 800 842-2733, extension 5509. You may also call the Participant Information Center toll-free for further information, or to request illustrations showing TIAA benefits under IPRO and under the Level and Graded methods.

Just a reminder . . .

TIAA's new dividend scale for accumulating annuities becomes effective March 1, 1989. Look for details in your next Annuity Benefits Report, which will be mailed to all policyholders shortly.

EXPANDED AUTOMATED TELEPHONE SERVICE

You can now use your telephone 24 hours a day, 7 days a week to keep in touch with your TIAA-CREF retirement funds. By calling toll-free 1 800 842-2252, you can use your telephone at any time to:

- change your allocation of future premiums among TIAA, CREF Stock, and CREF Money Market, or
- transfer part or all of your accumulation in CREF Stock to CREF Money Market, or vice versa, or from either or both to TIAA, and
- if you have a touch-tone phone, find out your TIAA, CREF Stock, or CREF Money Market accumulation, as of the latest daily valuation.

If you have a rotary phone, or prefer not to use your Personal Identification Number (PIN), you may give your instructions to a TIAA-CREF representative. From 8 am to 8 pm ET on "business days," TIAA-CREF representatives are standing by. Just call our toll-free number and one will be happy to assist you. From 8 pm to 8 am ET on "business days" and all other days, a voice-activated message recorder will record your instructions for a response the next business day. If you want to make a transfer and/or future premium allocation change and if your instructions are complete, we'll make the change and mail you a written confirmation. If your transaction instructions are incomplete, we'll call you back.

CREF transfer and allocation-change transactions completed by phone are effective as of the close of business on the day the instructions are received if your phone call is received prior to the close of the New York Stock Exchange, normally 4:00 pm ET. Instructions received after the close of the New York Stock Exchange are effective at the close of the next business day.

If you have any questions, or if you need help using the service, stay on the line. A TIAA-CREF representative will assist you or the message recorder will record your question and a representative will return your call on the next business day. Keep in mind also that you can obtain the latest CREF accumulation unit values and Money Market yields, as well as TIAA Interest Rate information, 24 hours a day, 7 days a week by calling toll-free 1 800 223-1290.

ANOTHER STEP TOWARD NEW FLEXIBILITIES, NEW ACCOUNTS

With each issue of *The Participant* we have reported on progress toward the day when CREF can offer

policyholders and institutions new investment options and a new CREF transferability option. We can now report another significant step toward that goal.

On December 21, 1988, a formal agreement between TIAA-CREF and several higher education institutions, associations and others was presented to the Securities and Exchange Commission. This agreement follows up the "agreement in principle" reached in late October with most of the parties that intervened in TIAA-CREF's proceeding before the SEC. The proceeding arose from CREF's request for certain exemptive relief under U.S. securities law. The SEC granted temporary relief last January, allowing CREF to offer the Money Market Account.

This agreement also reaffirms TIAA-CREF's earlier plans to introduce some of the retirement savings flexibilities called for by our Boards of Trustees in "TIAA-CREF: The Future Agenda" and approved in their April 1988 meeting. We plan to introduce a CREF transfer option allowing policyholders, if they wish to do so and if permitted by their institution's retirement plan, to move accumulated funds to alternative funding vehicles approved by their employers. In addition, we plan to simultaneously introduce two new investment options to complement CREF's Stock and Money Market Accounts.

We expect to introduce these new options within six months of the SEC's final order, assuming other regulatory approvals are also obtained. That order now is anticipated to be issued in the Spring. Well prior to the introduction date, we will provide policyholders and participating institutions with information on the new options and the procedures to be followed.

MEDICARE CHANGES BRING EXPANDED CATASTROPHIC COVERAGE

The Catastrophic Coverage Act of 1988 contains some of the most extensive changes in Medicare in its 23-year history. Some provisions became effective on January 1, 1989, while others will be phased in over the next few years. Since the need for adequate health insurance protection becomes more pronounced during retirement, the changes in Medicare will have important implications for your retirement planning. The following provisions are some of the Act's key highlights.

In 1989, the Act greatly expands Medicare's Part A coverage for stays in the hospital. Inpatient hospital stays are now covered for the entire year. You pay one yearly deductible amount of \$560, regardless of the number of days you are hospitalized. Previously, only the first 60 days of each hospital stay were covered in full, and a \$540 deductible applied to each stay.

Coverage for care in a skilled nursing facility has been expanded to 150 days per calendar year without prior hospitalization. Costs for this coverage in the form of copayments have also been substantially reduced. Beneficiaries will now be required to pay daily coinsurance amounts of \$25.50 for the first eight days of care. However, Medicare still does not pay for long-term or custodial nursing-home care.

In 1989, the premiums beneficiaries are required to pay for Medicare Part B coverage rise to \$31.90 a month, up from \$24.80 a month in 1988. Beginning in 1990, the Act puts a cap of \$1,370 per calendar year on your out-of-pocket expenses (deductibles and copayments) under Part B. The new dollar cap will increase in subsequent years. Currently, after paying a \$75 deductible, the individual pays 20% of all "approved" charges without a dollar cap. Beginning in 1991, Medicare will provide partial coverage of out-patient prescription drug expenses, which are generally not covered at the present time.

With increased benefits will come increased costs. The new catastrophic coverage will be financed through a combination of an income tax surcharge for persons eligible for Medicare, and an increase in the Part B premium. A full explanation of all the changes brought about by the Act is included in TIAA's revised booklet, *Planning For Health Coverage in Retirement -- Medicare and Health Insurance -- 1989*. You can obtain a copy of the booklet by calling toll-free 1 800 842-2733, extension 5509.

RESEARCH NOTEBOOK

TIAA-CREF frequently conducts research to better understand the needs of policyholders and the environment in which they live and work. In addition, TIAA-CREF sponsors research that explores personnel and career-related issues in higher education. Some of our recent efforts, described below, concern employee benefit programs that assist troubled employees, early retirement programs, and the extent of group health care coverage for retired policyholders. Some of the surveys noted below were reported in *Research Dialogues*, a TIAA-CREF publication primarily for administrators of participating institutions. Copies are available to policyholders by calling 1 800 842-2733, extension 5509.

- How are working TIAA-CREF policyholders preparing for retirement? A recent survey was conducted by our Policyholder and Institutional Research group to find out. More than 1,300 premium-paying policyholders between the ages of 55 and 70 participated in the survey, which asked about their plans for retirement and how the 1986 Tax Reform Act and federal legislation prohibiting

age-based mandatory retirement have affected their plans for retirement.

The respondents reported that the age at which they retire will be determined primarily by their expected retirement income. The survey indicates that after years of high inflation and skyrocketing medical costs, policyholders are no longer relying on Social Security to provide the bulk of their income in retirement. Instead, they expect TIAA-CREF annuities to be their major source of income, followed by Social Security and other tax-deferred annuities. Nine out of ten said they have personal savings or investments for use in retirement in addition to their employer's pension plans.

Most respondents reported that the elimination of age-based mandatory retirement had not affected their career or retirement plans. One-third said that the Tax Reform Act did have some impact on the ways in which they save and invest. IRAs, for example, are now less attractive as a source of retirement income. Generally, the survey showed that policyholders are taking an active part in planning their retirement income, and believe employers should play a role in helping them plan ahead for retirement. TIAA-CREF will shortly release a full report of the results of this survey.

- What is the current economic status of TIAA-CREF annuitants in comparison to the elderly in America? TIAA-CREF recently completed a study which draws on recent Social Security Administration statistics as well as findings from a survey of TIAA-CREF retirees. The study found that in households headed by TIAA-CREF annuitants age 65 and over, occupational pensions such as their TIAA-CREF annuities provide 30% of their income. This is twice the national average as reported by the Social Security Administration. In addition, most TIAA-CREF annuitant households (90%) receive income from their personal assets, which is considerably above the national average (67%). Most TIAA-CREF retiree households (98%) receive Social Security, and in contrast to the expectations of premium-paying policyholders as reported in the above study, 36% report that social security provides the largest single source of income. A full report of this study appears in the January 1989 issue of *Research Dialogues*.
- Should an employer help an employee who's having marital or personal financial problems? Beyond compassion, employers recognize that these employees may represent substantial indirect costs -- in sliding productivity, high absenteeism, and excessive use of medical benefits. As a result, according to a TIAA-CREF survey, employers in

higher education have followed the lead of those in private industry by offering a relatively new kind of employee benefit: Employee Assistance Programs (EAPs). These programs use counselors that confidentially assess the nature and extent of an employee's problem and refer the employee to services that may help. Employees can go to the EAP on their own, or a supervisor may refer them.

Some of the surveyed institutions offer an EAP to their employees. While these programs were originally created to assist with alcohol abuse problems, the vast majority (87%) of the institutions that offer EAPs (and that sent us descriptive literature) have programs that deal with all types of problems. For example, the University of Missouri at Columbia, one of the first educational institutions to set up an EAP, found that 25% of their referrals dealt with family or marital problems, 21% were alcohol-related, 19% involved personal finances, and 18% concerned emotional stress. The survey was reported in the February 1988 issue of *Research Dialogues*, which also provides an overview of how EAPs work and the use of these programs in higher education.

- Currently, institutions of higher education may impose a mandatory retirement age of 70 on tenured faculty. For all other employees (with some exceptions) and for tenured faculty beginning in 1994, no mandatory retirement age is permitted. With the imminent demise of mandatory retirement, there has been a surge of interest among campus administrators in early retirement programs. The July 1988 issue of *Research Dialogues* pulled together some of the information available about these programs. It explores the question of how to define early retirement, what factors are important in an individual's decision to retire, and the types of incentives available for institutions of higher education to use in early retirement programs.
- TIAA has conducted a survey among its participating institutions to find out what kinds of group health insurance coverage their retired employees have. Of the institutions that responded to our survey, we found that about three-quarters of the colleges and universities and 54% of the secondary schools provide coverage for retired employees. The vast majority of the surveyed institutions provide identical coverage for spouses or dependents, and most also provide for continuation of the spouse's coverage after the death of the retiree. The most commonly reported cost arrangement was for retirees to pay the full premium for continued group health coverage. This survey's results were discussed in the October 1988 issue of *Research Dialogues*.

UPDATE ON TAX LAW CHANGES

The interpretations set forth in the articles below reflect TIAA-CREF's understanding of the Tax Reform Act of 1986, the Technical and Miscellaneous Revenue Act of 1988 (TAMRA), and relevant IRS regulations. TIAA-CREF is not permitted to provide legal or tax advice. We suggest that you seek the advice of your own counsel to determine the applicability of these laws to your own situation.

Withdrawal Restrictions for SRAs Clarified

In the November issue of *The Participant*, we reported on the Technical and Miscellaneous Revenue Act (TAMRA) which made "technical corrections" to the Tax Reform Act of 1986. The Tax Reform Act prohibited the withdrawal of all pre-tax contributions from 403(b) annuities like TIAA-CREF SRAs before age 59½, except under certain circumstances. These exceptions are (1) withdrawals following a policyholder's disability or death, (2) withdrawals following a policyholder's termination of employment, or (3) when the policyholder has a "financial hardship". TAMRA changed this provision of the Tax Reform Act by modifying these withdrawal restrictions to apply only to contributions made and earnings accruing on and after January 1, 1989 and not to those before then.

In addition to this recent action by Congress, the IRS has issued regulations for determining "financial hardship" which will likely apply to 403(b) annuities. TIAA-CREF will distribute funds from your SRA contracts for reasons of financial hardship, if your institution authorizes payment. In order to qualify for a hardship distribution, you must have an immediate and heavy financial need when other resources are not reasonably available to meet this need. The IRS has published the following list of specific situations which are deemed to constitute "immediate and heavy financial need" for employers to use in determining whether they can authorize payment for hardship requests:

- Medical expenses for an employee, spouse, or dependent;
- the purchase of a primary residence;
- post-secondary education tuition for the next semester or quarter for the employee, spouse or dependents; and
- prevention of eviction of the employee from a principal residence or foreclosure on the mortgage of a principal residence.

Before a hardship request is submitted to your employer you must try to satisfy the need from other sources. The IRS regulations specify guidelines for employers to follow in determining whether a distribution is necessary to satisfy the financial need. The

amount of a hardship withdrawal cannot exceed your financial need. In addition, withdrawals can only be made from contributions to your SRAs, and not the earnings on your contributions. Even if you meet the criteria for a hardship withdrawal from your SRA, a withdrawal before age 59½ may be subject to a 10% additional tax.

NOTE: The same withdrawal restrictions may also apply to income you receive before age 59½ from most salary reduction contributions to 403(b) annuities like your TIAA-CREF Retirement Annuities if you haven't terminated employment.

Non-U.S. Citizens Lose Estate Tax Deduction

Alien spouses have lost an estate tax deduction as a result of the Technical and Miscellaneous Revenue Act of 1988 (TAMRA). Under previous tax law, U.S. citizens were entitled to a marital deduction whereby they could leave unlimited amounts tax-free to a surviving spouse who is not a U.S. citizen. Under TAMRA, property passing to a spouse who is not a U.S. citizen is no longer eligible for the marital deduction provided under estate tax laws. This change in estate tax law is effective for estates of U.S. citizens who die after November 10, 1988.

There is still a way, however, for a U.S. citizen to defer estate taxes on property transferred to a non-citizen spouse. This can happen if the property passes under a Qualified Domestic Trust (QDT) in which the surviving spouse has a qualifying life income interest. Even in this case, estate taxes apply to the principal amount (i) when it is withdrawn by the spouse, (ii) when the trust no longer qualifies as a QDT, or (iii) upon the spouse's death.

In addition, TAMRA provides a new rule for aliens with a surviving spouse who is a U.S. citizen. Effective for the estates of nonresident aliens dying after November 10, 1988 the marital deduction will be allowed for property passing to a surviving spouse who is a U.S. citizen but only with respect to certain property located in the U.S. on the date of the nonresident's death.

TAMRA also affects federal gift taxes. Gifts made after July 13, 1988 from a U.S. citizen to his or her non-citizen spouse no longer qualify for the marital deduction. TAMRA does not change current law under which the marital deduction is not allowed in computing taxable gifts from aliens to spouses who are U.S. citizens. TAMRA does, however, raise the gift tax exclusion of \$10,000 to \$100,000 both for gifts from U.S. citizens to alien spouses and for gifts from alien spouses to U.S. citizens.

CREF

ANNUAL REPORT

COLLEGE RETIREMENT EQUITIES FUND
AUDITED FINANCIAL STATEMENTS
INCLUDING
STATEMENTS OF INVESTMENTS
DECEMBER 31, 1988

As required by the Investment Company Act of 1940, CREF provides its policyholders with this report of the financial condition and portfolio holdings of its two Accounts -- the Stock Account and the Money Market Account. A similar report, as of mid-year 1989, will be distributed toward the end of August 1989, and semi-annually thereafter.

COLLEGE RETIREMENT EQUITIES FUND
INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Auditors	2
Audited Financial Statements:	
Statement of Assets and Liabilities—December 31, 1988	3
Statement of Operations for the Year Ended December 31, 1988 (Stock Account) and for the Nine Month Period Ended December 31, 1988 (Money Market Account) ...	4
Statements of Changes in Net Assets for the Years Ended December 31, 1988 and 1987 (Stock Account) and for the Nine Month Period Ended December 31, 1988 (Money Market Account)	5
Notes to Financial Statements	6
Statements of Investments—December 31, 1988	11

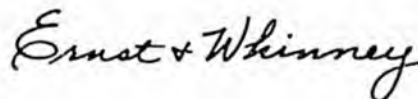
REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
College Retirement Equities Fund
New York, New York

We have audited the accompanying statement of assets and liabilities, including the statements of investments, of College Retirement Equities Fund (comprising the Stock Account and the Money Market Account) as of December 31, 1988, and the related statement of operations for the year ended December 31, 1988 (Stock Account) and for the nine month period ended December 31, 1988 (Money Market Account), the statement of changes in net assets for each of the two years in the period ended December 31, 1988 (Stock Account) and for the nine month period ended December 31, 1988 (Money Market Account), and the selected accumulation unit data and ratios for each of the five years in the period ended December 31, 1988 (Stock Account) and for the nine month period ended December 31, 1988 (Money Market Account). These financial statements and accumulation unit data and ratios are the responsibility of management. Our responsibility is to express an opinion on these financial statements and accumulation unit data and ratios based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and accumulation unit data and ratios are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1988, by correspondence with the custodians and others. 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 and selected accumulation unit data and ratios referred to above present fairly, in all material respects, the financial position of each of the respective accounts constituting the College Retirement Equities Fund at December 31, 1988, and the results of their operations, the changes in their net assets, and the selected accumulation unit data and ratios for each of the respective periods referred to in the first paragraph above, in conformity with generally accepted accounting principles.



New York, New York
February 15, 1989

COLLEGE RETIREMENT EQUITIES FUND
STATEMENT OF ASSETS AND LIABILITIES
December 31, 1988

	Stock Account	Money Market Account
ASSETS		
Investments, at value (cost: Stock Account—\$24,523,425,435; Money Market Account—\$906,442,240)	\$30,586,405.129	\$906,432.117
Cash	1,933.593	103,000
Dividends and interest receivable	94,619,996	1,559,464
Receivable from securities transactions	79,561,047	635,835
Amounts due from TIAA	5,631,270	292,524
TOTAL ASSETS	30,768,151,035	909,022,940
LIABILITIES		
Deposits for securities loaned—Note 4	1,176,435,237	
Due to banks—Note 4	233,625,521	
Payable for securities transactions	69,974,838	
TOTAL LIABILITIES	1,480,035,596	
NET ASSETS		
Accumulation Fund	24,997,796,014	902,568,319
Annuity Fund	4,290,319,425	6,454,621
TOTAL NET ASSETS	\$29,288,115,439	\$909,022,940
NET ASSET VALUE, PER ACCUMULATION UNIT—Notes 5 and 6		
(Stock Account—\$24,997,796,014 ÷ 680,441,728 units; Money Market Account—\$902,568,319 ÷ 85,354,900 units)	\$36.74	\$10.57

See notes to financial statements.

COLLEGE RETIREMENT EQUITIES FUND
STATEMENT OF OPERATIONS

	<u>Stock Account</u>	<u>Money Market Account</u>
	Year Ended December 31, 1988	From April 1, 1988 (date of inception) to December 31, 1988
INVESTMENT INCOME		
Income:		
Dividends—Note 4	\$ 917,712,668	
Interest	55,482,489	\$28,777,535
Miscellaneous, net—Note 2	5,247,490	339,304
TOTAL INCOME	978,442,647	29,116,839
Expenses—Note 3:		
Investment	30,206,996	311,080
Operating	63,353,299	777,608
TOTAL EXPENSES	93,560,295	1,088,688
INVESTMENT INCOME—NET	884,882,352	28,028,151
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS—Note 4		
Net realized gain on investments	1,382,761,536	25,451
Net change in unrealized appreciation (depreciation) on investments	2,200,162,608	(10,123)
NET GAIN ON INVESTMENTS	3,582,924,144	15,328
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$4,467,806,496	\$28,043,479

See notes to financial statements.

COLLEGE RETIREMENT EQUITIES FUND
STATEMENTS OF CHANGES IN NET ASSETS

	<u>Stock Account</u>		<u>Money Market Account</u>
	<u>Year Ended December 31, 1988</u>	<u>Year Ended December 31, 1987</u>	<u>From April 1, 1988 (date of inception) to December 31, 1988</u>
FROM OPERATIONS			
Investment income—net	\$ 884,882,352	\$ 787,966,387	\$ 28,028,151
Net realized gain on investments	1,382,761,536	5,546,803,650	25,451
Net change in unrealized appreciation (depreciation) on investments	<u>2,200,162,608</u>	<u>(4,965,088,051)</u>	<u>(10,123)</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	4,467,806,496	1,369,681,986	28,043,479
FROM PARTICIPANT TRANSACTIONS			
Premiums	1,232,351,869	1,163,510,969	97,047,257
Disbursements and transfers:			
Transfers to TIAA	1,063,418,859	1,272,410,594	23,757,034
Net transfers between accounts	861,636,408		(861,636,408)
Annuity payments	352,170,065	329,705,232	161,026
Withdrawals and repurchases—Note 1	72,355,263	82,518,625	52,865,426
Death benefits	<u>59,460,582</u>	<u>51,234,679</u>	<u>920,718</u>
TOTAL DISBURSEMENTS AND TRANSFERS	<u>2,409,041,177</u>	<u>1,735,869,130</u>	<u>(783,932,204)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM PARTICIPANT TRANSACTIONS	<u>(1,176,689,308)</u>	<u>(572,358,161)</u>	<u>880,979,461</u>
TOTAL NET INCREASE IN NET ASSETS	<u>3,291,117,188</u>	<u>797,323,825</u>	<u>909,022,940</u>
NET ASSETS			
At beginning of period	<u>25,996,998,251</u>	<u>25,199,674,426</u>	
AT END OF PERIOD	<u>\$29,288,115,439</u>	<u>\$25,996,998,251</u>	<u>\$ 909,022,940</u>

See notes to financial statements.

COLLEGE RETIREMENT EQUITIES FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION

College Retirement Equities Fund ("CREF") was established by a special act of the New York State Legislature in March 1952 and commenced operations in July 1952. CREF was formed for the express purpose of aiding and strengthening nonprofit educational and research organizations by providing variable retirement benefits for the faculties and other employees of these organizations.

As originally established, CREF invested primarily in equity securities. CREF is registered under the Investment Company Act of 1940 as an open-end, diversified management investment company and has filed registration statements with the Securities and Exchange Commission ("Commission") for certain of its variable annuity certificates. These registration statements were declared effective on March 31, 1988 and, in conjunction therewith, CREF was restructured to consist of two investment portfolios: a Stock Account, which represents the continuation of CREF's equity portfolio, and a Money Market Account, a new portfolio investing primarily in money market instruments.

The Money Market Account commenced operations on April 1, 1988 with a \$50,000,000 investment by Teachers Insurance and Annuity Association ("TIAA"), a companion organization, which purchased 5,000,000 Accumulation Units valued at the \$10 initial Accumulation Unit value established for the Money Market Account. Such Accumulation Units shared in the pro rata investment experience and were subject to the same valuation procedures and expense deductions as were all other Accumulation Units in the Money Market Account. Prior to December 31, 1988, all such Accumulation Units held by TIAA had been withdrawn and are included in the Statements of Changes in Net Assets (Money Market Account) caption "Withdrawals and repurchases".

CREF is registered with the Commission as an investment adviser for its own portfolio of securities under the Investment Advisers Act of 1940, and is registered as a broker-dealer under the Securities Exchange Act of 1934 in connection with the distribution of CREF's certificates. CREF was granted membership in the National Association of Securities Dealers Inc. effective January 22, 1988.

As a registered broker-dealer, CREF is subject to the minimum net capital requirements under Rule 15c3-1 ("Rule") of the Securities Exchange Act of 1934. Under that Rule, CREF is required to maintain a minimum net capital (net assets after prescribed exclusions) and a ratio of aggregate indebtedness to net capital, both as defined in the aforementioned Rule, of not more than 8 to 1 during the first year of operation and 15 to 1 thereafter. At December 31, 1988, CREF met these requirements with net capital of \$21,106,737,088, which was \$21,076,629,198 in excess of its required net capital of \$30,107,890. CREF's ratio of aggregate indebtedness to net capital was approximately .01 to 1.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements include the accounts of CREF and its wholly-owned subsidiary, College Retirement Equities Fund B.V., a foreign investment company whose net assets are not material to CREF. All significant intercompany transactions and accounts have been eliminated in consolidation. CREF's financial statements have been prepared on the basis of accounting practices prescribed or permitted by the New York State Insurance Department, which, as to CREF, is also in conformity with generally accepted accounting principles, and are summarized as follows:

Valuation of Investments: Securities traded on one or more United States securities exchanges are valued at final sales prices as determined on a consolidated composite trading basis. Securities traded in the United States over-the-counter market are valued at final sales prices for NASDAQ National Market System Securities and at closing bid prices for all other over-the-counter securities.

COLLEGE RETIREMENT EQUITIES FUND
NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES—Continued

Securities traded on a foreign exchange or in foreign markets are valued at the closing values of such securities in the country where traded. Short-term money market securities are stated, depending on maturity, at market value or at amortized cost, which approximates market value. All investments traded in foreign currencies are translated to United States dollars at the prevailing rates of exchange. Portfolio securities for which market quotations are not readily available, or where available but not considered reliable, are valued at fair value as determined in good faith under the direction of the Finance Committee of the Board of Trustees and in accordance with the responsibilities of the Board as a whole.

Accounting for Investments: Security transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned and, for short-term money market securities, includes amortization of discount and premium. Dividend income is recorded on the ex-dividend date or, for certain dividends from foreign securities if the ex-dividend date has passed, as soon as CREF is informed of the ex-dividend date. Realized gains and losses on security transactions are determined and accounted for on the average cost basis. Foreign exchange gains and losses are not separately reported, since it is not practicable to isolate that portion of the results of CREF's operations arising from changes in foreign exchange rates from the portion arising from changes in the market prices of foreign securities.

Income and Dividend Taxes: CREF is a nonprofit educational organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, CREF is not a "Regulated Investment Company" under Subchapter M of the Code and its net investment income and net realized capital gains are not taxable under Subchapter M. However, effective January 1, 1987, any nonpension related income is subject to federal income taxation as unrelated business income. For the years ended December 31, 1988 and 1987, there was no such nonpension related income.

Refunds of foreign taxes withheld on certain dividend income are accounted for when received and reported as miscellaneous income in the Statement of Operations. Such refunds account for the principal portion of the Stock Account caption "Miscellaneous, net".

NOTE 3—EXPENSE REIMBURSEMENT AGREEMENT WITH TIAA AND AGGREGATE REMUNERATION OF TRUSTEES AND OFFICERS

TIAA provides all necessary services for CREF at cost, in accordance with an Expense Reimbursement Agreement between the two entities. To defray such costs, TIAA receives expense reimbursements from each CREF account according to a formula established each year with the objective of keeping the reimbursements as close as possible to each account's actual expenses. Any differences between actual expenses and the expense reimbursements are adjusted quarterly.

There are no persons who serve solely as officers of CREF, as all persons designated as CREF officers also serve as officers of TIAA. None of those persons are compensated directly by CREF. Instead, their salaries are allocated between CREF and TIAA, just as other expenses incurred on behalf of both entities are allocated. The aggregate amount allocated to CREF's accounts for services performed by officers in 1988 was \$15,185,891, of which \$13,723,754 represented compensation and \$1,462,137 the pension contributions under the defined contribution retirement plan (funded through CREF certificates and TIAA contracts) in which CREF officers participate. The aggregate fees paid by CREF in 1988 to its trustees who are not active officers of CREF or TIAA was \$393,800. Trustees who are active officers of CREF or TIAA do not receive any additional compensation for their services as trustees.

COLLEGE RETIREMENT EQUITIES FUND
NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 4—INVESTMENTS

At December 31, 1988, the total value of all outstanding Stock Account securities loaned was \$1,231,515,165, and collateral received in connection therewith was comprised of cash of \$1,176,435,237 and United States government securities of \$133,976,952.

At December 31, 1988, due to banks of the Stock Account of \$233,625,521 represented principally amounts payable to banks for their return of cash collateral to certain brokers on behalf of CREF. On January 3, 1989, the date these amounts became payable, CREF reimbursed the banks for such amounts.

At December 31, 1988, the net unrealized appreciation on investments of the Stock Account of \$6,062,979,694 consisted of gross unrealized appreciation of \$7,236,180,026 and gross unrealized depreciation of \$1,173,200,332; the net unrealized depreciation on investments of the Money Market Account of \$10,123 consisted of gross unrealized appreciation of \$65,303 and gross unrealized depreciation of \$75,426.

Companies in which CREF held 5% or more of the outstanding voting shares are defined as "affiliated" in the Investment Company Act of 1940. The total value of Stock Account investments in affiliated companies was \$89,667,021 at December 31, 1988. For the year ended December 31, 1988, and with respect to each company's period of affiliation, total dividend income and the net realized loss were \$981,285 and \$784,092, respectively.

Purchases and sales of securities for the Stock Account, other than short-term money market securities, for the year ended December 31, 1988, were as follows:

Purchases:	
Unaffiliated issuers	\$8,627,608,660
Affiliated issuers	48,935,100
TOTAL PURCHASES	<u>\$8,676,543,760</u>
Sales:	
Unaffiliated issuers	\$8,838,960,323
Affiliated issuers	8,356,860
TOTAL SALES	<u>\$8,847,317,183</u>

NOTE 5—CONDENSED FINANCIAL INFORMATION

Prior to January 1, 1987, the monthly changes in the Accumulation Unit Value for the Stock Account reflected net realized and unrealized gains and losses on investments ("Former Basis"). Under this Former Basis, net investment income was applied to purchase additional Accumulation Units credited to each Participant's account. On January 1, 1987, the Accumulation Unit Value for the Stock Account was restated to reflect the historical experience of \$1 accumulated in CREF as of July 31, 1952 (at which date the Accumulation Unit Value was \$10.43), with net investment income credited as an increase in the value of the Accumulation Unit ("New Basis") rather than applied to purchase additional Accumulation Units under the Former Basis. The number of Accumulation Units in each Participant's account on January 1, 1987 was adjusted so that the dollar value of each Participant's account as of January 1, 1987 was unaffected. The information presented on the following page illustrates the Accumulation Unit Value of the Stock Account and the total number of Accumulation Units outstanding at the end of each year under the Former and New Bases for the three year period ended December 31, 1986. Where applicable, the following condensed financial information has been retroactively adjusted to give effect to this restatement.

COLLEGE RETIREMENT EQUITIES FUND
NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 5—CONDENSED FINANCIAL INFORMATION—Continued

	<u>For the Years Ended December 31</u>		
	<u>1986</u>	<u>1985</u>	<u>1984</u>
<u>Stock Account</u>			
Accumulation Unit Value at end of year under Former Basis	\$101,490	\$ 85,780	\$ 67,040
Adjustment	(71,739)	(61,357)	(48,632)
Accumulation Unit Value at end of year, as restated under New Basis	<u>\$ 29,751</u>	<u>\$ 24,423</u>	<u>\$ 18,408</u>
Thousands of Accumulation Units at end of year under Former Basis	216,676	214,732	208,007
Adjustment	522,465	539,462	549,538
Thousands of Accumulation Units at end of year, as restated under New Basis	<u>739,141</u>	<u>754,194</u>	<u>757,545</u>

Selected condensed financial data for an Accumulation Unit of the Stock Account (under the New Basis) throughout each year of the five year period ended December 31, 1988, and for the Money Market Account for the period from April 1, 1988 (date of inception) to December 31, 1988, is presented below. The Money Market Account was established with an initial Accumulation Unit Value of \$10 on April 1, 1988.

	<u>Stock Account</u>					<u>Money Market Account*</u>
	<u>For the Years Ended December 31</u>					<u>From April 1, 1988 (date of inception) to December 31, 1988</u>
	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>	
Per Accumulation Unit Data:						
Investment income	\$ 1.195	\$ 1.040	\$.912	\$.832	\$.790	\$.595
Expenses**113	.084	.073	.060	.047	.021
Investment income—net	1.082	.956	.839	.772	.743	.574
Net gain on investments	4.380	.569	4.489	5.243	.082	—0—
Net increase in Accumulation Unit Value	5.462	1.525	5.328	6.015	.825	.574
Accumulation Unit Value:						
At beginning of period	31,276	29,751	24,423	18,408	17,583	10,000
AT END OF PERIOD	<u>\$36,738</u>	<u>\$31,276</u>	<u>\$29,751</u>	<u>\$24,423</u>	<u>\$18,408</u>	<u>\$10,574</u>
Ratios to Average Net Assets:						
Expenses	0.33%	0.24%	0.27%	0.30%	0.28%	0.23%
Investment income—net	3.15%	2.65%	2.97%	3.72%	4.28%	5.94%
Portfolio turnover rate	24.68%	20.59%	16.18%	15.20%	19.29%	n/a
Thousands of Accumulation Units outstanding at end of period	680,442	717,885	739,141	754,194	757,545	85,355

* For the Money Market Account, the net annualized yield for the seven day period ending December 31, 1988 was 8.83%, with a net compound effective yield of 9.23%.

** Includes all expenses charged as a deduction from investment income, excluding that portion of expenses charged as a 0.5% (1.5% prior to January 1, 1988) deduction from premiums for supplemental retirement unit-annuity certificates.

COLLEGE RETIREMENT EQUITIES FUND
NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 6—ACCUMULATION UNITS

Changes in the number of Accumulation Units outstanding were as follows:

	<u>Stock Account</u>		<u>Money Market Account</u>
	<u>Year Ended December 31, 1988</u>	<u>Year Ended December 31, 1987</u>	<u>From April 1, 1988 (date of inception) to December 31, 1988</u>
Accumulation Units credited under the certificates with respect to premiums received	35,603,971	33,107,062	9,550,182
Accumulation Units credited (cancelled) for transfers, disbursements and amounts applied to the Annuity Fund	(73,047,152)	(54,362,725)	75,804,718
Accumulation Units outstanding:			
At beginning of period	<u>717,884,909</u>	<u>739,140,572</u>	<u> </u>
AT END OF PERIOD	<u><u>680,441,728</u></u>	<u><u>717,884,909</u></u>	<u><u>85,354,900</u></u>

COLLEGE RETIREMENT EQUITIES FUND
STATEMENT OF INVESTMENTS--STOCK ACCOUNT
DECEMBER 31, 1988

SUMMARY

	COST	MARKET VALUE	%
CORPORATE BONDS			
DOMESTIC	\$ 14,316,150	\$ 19,580,139	0.07
FOREIGN	14,311,615	15,903,549	0.05
	<hr/>	<hr/>	
TOTAL CORPORATE BONDS	28,627,765	35,483,688	0.12
GOVERNMENT BONDS			
DOMESTIC	320,542	325,812	0.00
FOREIGN	212,675	194,027	0.00
	<hr/>	<hr/>	
TOTAL GOVERNMENT BONDS	533,217	519,839	0.00
	<hr/>	<hr/>	
TOTAL BONDS	\$ 29,160,982	\$ 36,003,527	0.12
	<hr/>	<hr/>	
PREFERRED STOCK			
DOMESTIC	\$ 43,891,207	\$ 52,851,471	0.18
FOREIGN	4,752,419	6,262,508	0.02
	<hr/>	<hr/>	
TOTAL PREFERRED STOCK	\$ 48,643,626	\$ 59,113,979	0.20
	<hr/>	<hr/>	
COMMON STOCK			
DOMESTIC			
AEROSPACE	\$ 229,219,875	\$ 329,438,574	1.12
AIR TRANSPORTATION	296,909,591	376,614,935	1.29
ALUMINUM	123,587,649	194,256,163	0.66
AUTOMOTIVE & RELATED	744,199,756	851,058,183	2.91
BANKS	944,781,577	1,038,315,748	3.55
BEVERAGES	415,932,220	504,300,695	1.72
BROADCASTERS	132,505,094	239,837,304	0.82
BUSINESS SERVICES	173,849,797	181,096,838	0.62
CHEMICALS - MAJOR	696,918,426	765,159,357	2.61
CHEMICALS - SPECIALTY	230,474,254	258,453,070	0.88
COMMUNICATION EQUIPMENT & SERVICES	187,160,123	177,593,176	0.61
COMPUTER SERVICES	183,296,340	202,213,809	0.69
CONGLOMERATES	395,039,665	477,622,119	1.63
CONSTRUCTION - MATERIALS & BUILDERS	175,992,594	219,466,516	0.75
CONTAINERS	19,796,791	30,335,454	0.10
COSMETICS	82,343,222	105,961,468	0.36
ELECTRIC EQUIPMENT - CONNECTORS	46,315,799	80,300,658	0.27
ELECTRIC EQUIPMENT - OTHER	885,231,225	997,644,392	3.41
ELECTRONICS - COMPONENTS & DIVERSIFIED	230,207,634	235,947,514	0.81

See notes to financial statements.

SUMMARY--CONTINUED

	COST	MARKET VALUE	%
ELECTRONICS - INSTRUMENTATION	\$ 268,615,349	\$ 221,748,332	0.76
ENVIRONMENTAL CONTROL	108,975,789	180,496,837	0.62
FINANCIAL - MISCELLANEOUS	311,734,740	303,335,454	1.04
FOODS	381,049,273	743,798,569	2.54
FOREST PRODUCTS	152,138,899	185,439,572	0.63
HEALTH CARE - DRUGS	1,071,670,659	1,353,272,231	4.61
HEALTH CARE - HOSPITAL SUPPLY	322,949,449	396,506,009	1.35
HEALTH CARE - OTHER	285,270,418	254,996,587	0.87
HOUSEHOLD - CONSUMER ELECTRONICS	9,382,138	9,567,123	0.03
HOUSEHOLD - DURABLE GOODS	70,941,838	84,992,152	0.29
HOUSEHOLD - PRODUCTS	277,209,721	362,330,836	1.24
INSURANCE - BROKERS & OTHER	32,688,817	40,593,387	0.14
INSURANCE - LIFE	104,653,619	130,280,053	0.44
INSURANCE - MULTI-LINE, PROPERTY & CASUALTY	477,275,153	580,075,990	1.98
LEISURE TIME	220,657,610	339,815,222	1.16
MACHINERY - AGRICULTURAL	214,405	215,050	0.00
MACHINERY - INDUSTRIAL & OTHER	349,998,713	417,365,324	1.43
MINING & NON-FERROUS METALS	197,977,363	248,011,341	0.85
OFFICE EQUIPMENT - LARGE MAINFRAME CO	1,112,294,701	1,073,528,461	3.67
OFFICE EQUIPMENT - OTHER	126,546,723	126,933,323	0.43
OFFICE EQUIPMENT - SMALLER EDP CO	319,038,784	395,983,963	1.35
PAPER	324,949,495	451,411,287	1.54
PETROLEUM - DOMESTIC	769,626,088	802,105,826	2.74
PETROLEUM - INTERNATIONAL	988,944,610	1,507,446,262	5.15
PETROLEUM SERVICES	232,253,436	235,802,515	0.81
PHOTOGRAPHY	187,735,146	191,588,900	0.65
PUBLISHING - NEWSPAPER	204,998,905	287,762,779	0.98
PUBLISHING - OTHER	160,904,380	279,149,620	0.95
RAILROADS	289,342,146	379,339,951	1.30
RESTAURANTS & HOTELS	196,548,263	299,285,043	1.02
RETAIL - GENERAL MERCHANDISE	580,839,292	789,793,688	2.70
RETAIL - SPECIALTY	408,705,079	515,162,846	1.76
RETAIL - FOOD	139,104,800	191,201,917	0.65
SAVINGS & LOAN	115,163,764	120,131,645	0.41
STEEL	161,370,143	198,934,540	0.68
TEXTILE & APPAREL	117,908,079	134,807,061	0.46
TIRES & RUBBER	95,425,742	116,013,546	0.40
TOBACCO	451,063,737	664,327,639	2.27
TRUCKERS	55,568,696	76,300,902	0.26
UTILITIES - ELECTRIC	1,061,165,016	1,275,168,469	4.35
UTILITIES - GAS & PIPELINE	311,078,384	375,386,262	1.28
UTILITIES - TELEPHONE	1,277,873,251	1,745,389,571	5.96
TOTAL DOMESTIC COMMON STOCK	20,525,614,245	25,351,472,058	86.56

See notes to financial statements.

SUMMARY--CONTINUED

	COST	MARKET VALUE	%
FOREIGN			
AUSTRALIA	\$ 78,484,222	\$ 114,705,117	0.39
AUSTRIA	1,668,978	799,808	0.00
BELGIUM	25,125,642	51,097,993	0.17
CANADA	135,854,211	173,968,022	0.59
DENMARK	8,640,236	12,405,879	0.04
FRANCE	219,803,078	301,366,092	1.04
GERMANY	240,634,284	322,801,288	1.10
HONG KONG	146,228,571	171,198,179	0.58
ITALY	90,753,509	103,898,523	0.35
JAPAN	550,346,009	1,306,556,635	4.48
MALAYSIA	17,025,057	15,232,853	0.05
MISCELLANEOUS	12,095,831	13,245,313	0.05
NETHERLANDS	61,296,328	86,262,021	0.29
NORWAY	698,696	760,992	0.00
SINGAPORE	22,365,307	24,047,318	0.08
SPAIN	58,100,721	72,471,451	0.25
SWEDEN	23,861,729	42,613,872	0.15
SWITZERLAND	92,492,723	101,608,689	0.35
THAILAND	14,442,200	12,716,968	0.04
UNITED KINGDOM	335,324,764	427,633,307	1.46
TOTAL FOREIGN COMMON STOCK	<u>2,135,242,096</u>	<u>3,355,390,320</u>	11.46
TOTAL COMMON STOCK	<u>\$ 22,660,856,341</u>	<u>\$ 28,706,862,378</u>	98.02
SHORT-TERM INVESTMENTS			
BANKERS ACCEPTANCES	\$ 149,547,332	\$ 149,503,311	0.51
MEDIUM TERM BONDS	7,994,567	7,960,429	0.03
CERTIFICATES OF DEPOSIT	167,001,685	166,862,014	0.57
COMMERCIAL PAPER	1,199,415,723	1,199,339,827	4.10
EURO CERTIFICATES OF DEPOSIT	94,998,550	94,958,074	0.32
COMMERCIAL PAPER (BACKED BY LETTERS OF CREDIT)	41,805,552	41,800,809	0.14
OVERNIGHT REPURCHASE AGREEMENTS	<u>124,000,000</u>	<u>124,000,000</u>	0.42
TOTAL SHORT-TERM INVESTMENTS	<u>\$ 1,784,763,409</u>	<u>\$ 1,784,424,464</u>	6.09
ROUNDING	<u>1,077</u>	<u>781</u>	-
TOTAL PORTFOLIO	<u>\$ 24,523,425,435</u>	<u>30,586,405,129</u>	104.43
NET OTHER ASSETS & LIABILITIES		<u>(1,298,289,690)</u>	<u>(4.43)</u>
NET ASSETS		<u>\$ 29,288,115,439</u>	<u>100.00%</u>

See notes to financial statements.

**COLLEGE RETIREMENT EQUITIES FUND
STATEMENT OF INVESTMENTS--STOCK ACCOUNT
DECEMBER 31, 1988**

PAR VALUE					COST		MARKET VALUE	%	
		CORPORATE BONDS							
		DOMESTIC							
\$	9,964,000	o	AUTOMOTIVE & RELATED YORK HOLDING SUB DEB	17.50 12/15/04	\$	3,985,600	\$	3,786,320	
			SUB-TOTAL		\$	3,985,600	\$	3,786,320	0.01
\$	735,000		HEALTH CARE - OTHER CHARTER MEDICAL JR SUB DEB	15.85 8/15/08	\$	723,975	\$	784,612	
			SUB-TOTAL		\$	723,975	\$	784,612	0.00
\$	718,000		LEISURE TIME MINSTAR, INC SUB DEB	8.00 7/18/00	\$	507,985	\$	531,320	
			SUB-TOTAL		\$	507,985	\$	531,320	0.00
\$	523,000	o	RETAIL - SPECIALTY RHODES, INC JR SUB DEB	17.00 9/20/00	\$	142,622	\$	130,750	
			SUB-TOTAL		\$	142,622	\$	130,750	0.00
\$	607,000		RETAIL - FOOD FF HOLDINGS CORP SUB DEB	16.50 9/15/04	\$	509,880	\$	441,592	
	14,147,400	o	KROGER JR DISC DEB	15.50 10/15/08	\$	8,236,830	\$	7,002,963	
			SUB-TOTAL		\$	8,746,710	\$	7,444,555	0.03
\$	2,010,000		TEXTILE & APPAREL INTERCO, INC JR SUB DEB	14.50 12/15/03	\$	54,336	\$	1,748,700	
	3,948,000		INTERCO, INC SUB DEB	13.75 12/15/00		115,033		3,819,690	
	2,351,000	o	INTERCO, INC SUB DISC DEB	14.00 12/15/03		39,889		1,334,192	
			SUB-TOTAL		\$	209,258	\$	6,902,582	0.02
			TOTAL DOMESTIC CORPORATE BONDS		\$	14,316,150	\$	19,580,139	0.07
		CORPORATE BONDS							
		FOREIGN							
		BELGIUM							
\$ BEL	362,500	o	CONGLOMERATES GROUPE BRUXELLES LAMBERT S A	6.00 5/30/93	\$	356,156	\$	417,557	
			SUB-TOTAL		\$	356,156	\$	417,557	0.00
			TOTAL BELGIUM		\$	356,156	\$	417,557	0.00

See notes to financial statements.

	PAR VALUE				COST	MARKET VALUE	%
		FRANCE					
		FOODS					
\$ FRF	1,000,000	o BSN-GERVAIS DAIGNE	8.00	11/24/96	\$ 143,150	\$ 155,223	
		SUB-TOTAL			\$ 143,150	\$ 155,223	0.00
		TOTAL FRANCE			\$ 143,150	\$ 155,223	0.00
		ITALY					
		BANKS					
\$ ITL	7,500,000	MEDIOBANCA	6.00	1/01/95	\$ 5,319	\$ 4,618	
		SUB-TOTAL			\$ 5,319	\$ 4,618	0.00
		TOTAL ITALY			\$ 5,319	\$ 4,618	0.00
		MISCELLANEOUS					
		ELECTRONICS - COMPONENTS & DIVERSIFIED					
\$	2,040,000	GOLDSTAR CV	1.75	12/31/02	\$ 2,393,625	\$ 2,448,000	
		SUB-TOTAL			\$ 2,393,625	\$ 2,448,000	0.01
		ELECTRONICS - INSTRUMENTATION					
\$	800,000	SAEHAN CV	1.75	12/31/03	\$ 802,000	\$ 816,000	
	1,325,000	SAMSUNG ELECTRON CV	5.00	12/31/00	\$ 4,486,135	\$ 5,101,250	
		SUB-TOTAL			\$ 5,288,135	\$ 5,917,250	0.02
		MACHINERY - INDUSTRIAL & OTHER					
\$	1,095,000	DAEWOO HEAVY INDUSTRY LTD	3.00	12/31/01	\$ 2,829,701	\$ 3,230,250	
		SUB-TOTAL			\$ 2,829,701	\$ 3,230,250	0.01
		PETROLEUM SERVICES					
\$	1,880,000	YUKONG CV	3.00	12/31/01	\$ 3,007,017	\$ 3,440,400	
		SUB-TOTAL			\$ 3,007,017	\$ 3,440,400	0.01
		TOTAL MISCELLANEOUS			\$ 13,518,478	\$ 15,035,900	0.05
		SPAIN					
		BANKS					
\$ ESP	3,240,000	BANCO INTERCONTINENTAL CV	8.00	12/10/91	\$ 288,512	\$ 290,251	
		SUB-TOTAL			\$ 288,512	\$ 290,251	0.00
		TOTAL SPAIN			\$ 288,512	\$ 290,251	0.00
		TOTAL FOREIGN CORPORATE BONDS			\$ 14,311,615	\$ 15,903,549	0.05
		TOTAL CORPORATE BONDS			\$ 28,627,765	\$ 35,483,688	0.12

See notes to financial statements.

COLLEGE RETIREMENT EQUITIES FUND
STATEMENT OF INVESTMENTS--STOCK ACCOUNT
DECEMBER 31, 1988

	PAR VALUE				COST	MARKET VALUE	%
		GOVERNMENT BONDS					
		DOMESTIC					
\$	325,000	U.S. TREASURY NOTE	14.625 1/15/89	\$	320,542	\$ 325,812	
		TOTAL DOMESTIC GOVERNMENT BONDS		\$	320,542	\$ 325,812	0.00
		FOREIGN					
\$CAD	235,000	CANADIAN GOVERNMENT BOND	10.00 12/31/97	\$	212,675	\$ 194,027	
		TOTAL FOREIGN GOVERNMENT BONDS		\$	212,675	\$ 194,027	0.00
		TOTAL GOVERNMENT BONDS		\$	533,217	\$ 519,839	0.00
		TOTAL BONDS		\$	29,160,982	\$ 36,003,527	0.12

See notes to financial statements.

COLLEGE RETIREMENT EQUITIES FUND
STATEMENT OF INVESTMENTS--STOCK ACCOUNT
DECEMBER 31, 1988

SHARES		COST	MARKET VALUE	%
	PREFERRED STOCK			
	DOMESTIC			
	BEVERAGES			
210,200	GENERAL CINEMA CORP \$.64 CUM CV SERIES A	\$ 5,129,453	\$ 5,333,825	
	SUB-TOTAL	\$ 5,129,453	\$ 5,333,825	0.02
	FINANCIAL - MISCELLANEOUS			
38,000	FIRST CAPITAL HOLDINGS CORP \$2.0625 CUM CV	\$ 927,443	\$ 897,750	
	SUB-TOTAL	\$ 927,443	\$ 897,750	0.00
	FOODS			
30	o INTERSTATE BAKERIES CORP \$3.50 CUM EX	\$	\$ 243	
	SUB-TOTAL	\$	\$ 243	0.00
	HEALTH CARE - OTHER			
113,500	MEDIO, INC SERIES A	\$ 481,889	\$ 383,062	
	SUB-TOTAL	\$ 481,889	\$ 383,062	0.00
	OFFICE EQUIPMENT - SMALLER GDP CO			
8,873	o MEMOREX TELEX SERIES A CUM REG EXCH	\$	\$ 39,928	
	SUB-TOTAL	\$	\$ 39,928	0.00
	PUBLISHING - OTHER			
246	o HARCOURT BRACE JOVANOVICH, INC \$13.50 CUM	\$	\$ 2,337	
	SUB-TOTAL	\$	\$ 2,337	0.00
	STEEL			
4,544	o FLS HOLDINGS, INC SERIES A	\$ 209,024	\$ 186,304	
	SUB-TOTAL	\$ 209,024	\$ 186,304	0.00
	TEXTILE & APPAREL			
32,300	o INTERCO, INC SERIES E 17.50 (W/W)	\$ 58,217	\$ 1,970,300	
	SUB-TOTAL	\$ 58,217	\$ 1,970,300	0.01
	UTILITIES - ELECTRIC			
67,100	o LONG ISLAND LIGHTING CO \$2.43 CUM (CLASS P)	\$ 1,492,631	\$ 1,727,825	
1,000	o LONG ISLAND LIGHTING CO \$2.47 CUM (CLASS O)	22,435	26,500	
188,800	c LONG ISLAND LIGHTING CO \$3.31 CUM (CLASS T)	5,166,724	6,112,400	
287,600	o LONG ISLAND LIGHTING CO \$3.50 CUM (CLASS V)	8,186,294	9,562,700	
327,200	o LONG ISLAND LIGHTING CO \$3.50 CUM (CLASS X)	9,296,086	10,797,600	
204,700	o LONG ISLAND LIGHTING CO \$3.52 CUM (CLASS W)	5,818,652	7,292,437	
205,400	o LONG ISLAND LIGHTING CO \$4.25 CUM (CLASS U)	6,469,762	7,856,550	
3,910	o LONG ISLAND LIGHTING CO \$8.12 CUM (CLASS J)	276,984	316,710	

See notes to financial statements.

SHARES			COST	MARKET VALUE	%
		UTILITIES - ELECTRIC			
30,000	x0	PUBLIC SERVICE NEW HAMPSHIRE \$13.00 (CLASS F)	\$ 355,613	\$ 345,000	
		SUB-TOTAL	\$ 37,085,181	\$ 44,037,722	0.15
		TOTAL DOMESTIC PREFERRED STOCK	\$ 43,891,207	\$ 52,851,471	0.18
		PREFERRED STOCK			
		FOREIGN			
		GERMANY			
		AUTOMOTIVE & RELATED			
3,000		VOLKSWAGENWERKE AG. (VORZUG)	\$ 421,686	\$ 512,546	
		SUB-TOTAL	\$ 421,686	\$ 512,546	0.00
		CHEMICALS - MAJOR			
12,655		HENKEL KGAA	\$ 3,065,464	\$ 3,689,110	
755	o	HENKEL KGAA NEW	160,183	210,727	
		SUB-TOTAL	\$ 3,225,647	\$ 3,899,837	0.01
		HEALTH CARE - OTHER			
1,225		WELLA GROUP AG.	\$ 376,307	\$ 407,527	
		SUB-TOTAL	\$ 376,307	\$ 407,527	0.00
		TOTAL GERMANY	\$ 4,023,640	\$ 4,819,910	0.02
		ITALY			
		INSURANCE - MULTI-LINE, PROPERTY & CASUALTY			
95,000		I.F.I.L. (ISTITUTO FINANZIARIO)	\$ 728,779	\$ 1,442,598	
		SUB-TOTAL	\$ 728,779	\$ 1,442,598	0.00
		TOTAL ITALY	\$ 728,779	\$ 1,442,598	0.00
		TOTAL FOREIGN PREFERRED STOCK	\$ 4,752,419	\$ 6,262,508	0.02
		TOTAL PREFERRED STOCK	\$ 48,643,626	\$ 59,113,979	0.20

See notes to financial statements.

COLLEGE RETIREMENT EQUITIES FUND
STATEMENT OF INVESTMENTS--STOCK ACCOUNT
DECEMBER 31, 1988

SHARES		COST	MARKET VALUE	%
	COMMON STOCK			
	DOMESTIC			
	AEROSPACE			
168,750	AAR CORP	\$ 1,403,250	\$ 4,176,562	
1,848,753	BOEING CO (THE)	58,099,690	112,080,650	
192,000	FAIRCHILD INDUSTRIES, INC	2,766,119	3,024,000	
136,600	FLIGHTSAFETY INTERNATIONAL, INC	1,333,905	3,380,850	
500,900	GENERAL DYNAMICS CORP	20,223,158	25,420,675	
361,200	GRUMMAN CORP	8,911,525	7,133,700	
299,114	HEXCEL CORP	8,713,495	9,721,205	
93,800	KAMAN CORP (CLASS A)	947,062	1,284,400	
773,300	LOCKHEED CORP	33,825,169	31,898,625	
513,500	MARTIN MARIETTA CORP	15,414,768	20,796,750	
421,300	MCDONNELL DOUGLAS CORP	24,154,640	31,702,825	
775,700	NORTHROP CORP	31,333,806	21,525,675	
25,000	PACIFIC SCIENTIFIC CO	339,250	243,750	
187,500	PRECISION CASTPARTS CORP	1,136,250	5,203,125	
707,510	RAYTHEON CO	15,236,267	47,403,170	
64,700	o ROHR INDUSTRIES, INC	1,543,406	1,803,512	
103,400	o TECH SYM CORP	1,768,990	1,189,100	
100,000	WYMAN-GORDON CO	2,069,125	1,450,000	
	SUB-TOTAL	\$ 229,219,875	\$ 329,438,574	1.12
	AIR TRANSPORTATION			
9,000	o AIR EXPRESS INTERNATIONAL CORP	\$ 55,075	\$ 157,500	
176,975	o AIR WISCONSIN, INC	2,581,187	2,521,893	
432,300	+ AIRBORNE FREIGHT CORP	8,641,221	9,402,525	
284,700	ALASKA AIRLINES GROUP	5,511,531	5,694,000	
2,327,000	o AMR CORP	88,439,872	124,785,375	
553,333	o ATLANTIC SOUTHEAST AIRLINES, INC	6,756,750	4,841,663	
542,943	DELTA AIR LINES, INC	23,128,539	27,215,017	
219,800	o EMERY AIR FREIGHT CORP	3,649,154	1,099,000	
549,900	o FEDERAL EXPRESS CORP	25,028,556	27,838,687	
517,500	+ HARPER GROUP (THE)	7,231,820	8,021,250	
324,600	N W A, INC	14,951,036	16,798,050	
1,259,600	o PAN AM CORP	7,377,711	2,834,100	
346,200	SOUTHWEST AIRLINES CO	7,074,928	7,010,550	
1,087,568	o TEXAS AIR CORP	16,998,766	12,914,870	
302,100	o TIGER INTERNATIONAL, INC	2,010,524	5,966,475	
407,250	TW SERVICES, INC	5,962,207	10,690,312	
451,900	U S AIR GROUP, INC	15,755,374	15,590,550	

See notes to financial statements.

SHARES		COST	MARKET VALUE	%
	AIR TRANSPORTATION			
851,444	o UAL CORP	\$ 55,755,340	\$ 93,233,118	
	SUB-TOTAL	\$ 296,909,591	\$ 376,614,975	1.29
	ALUMINUM			
1,723,310	ALCAN ALUMINIUM LTD	\$ 35,696,228	\$ 56,222,988	
1,339,000	ALUMINUM CO OF AMERICA	48,147,334	74,984,000	
62,800	INTERNATIONAL ALUMINUM CORP	870,346	1,672,050	
1,141,900	REYNOLDS METALS CO	38,873,741	61,377,125	
	SUB-TOTAL	\$ 123,587,649	\$ 194,256,163	0.66
	AUTOMOTIVE & RELATED			
1,983,200	AMERICUS TRUST FOR FORD MOTOR CO (UNITS)	\$ 192,476,047	\$ 200,303,200	
2,122,100	AMERICUS TRUST FOR GENERAL MOTORS CORP (UNITS)	182,182,223	177,195,350	
80,000	o ALLEN GROUP, INC	1,491,360	1,070,000	
105,000	APOGEE ENTERPRISES	1,156,875	1,273,125	
116,000	ARVIN INDUSTRIES, INC	1,751,950	2,247,500	
354,100	CHAMPION SPARK PLUG CO	3,800,482	4,736,087	
2,632,510	CHRYSLER CORP	43,829,929	67,787,132	
405,700	CUMMINS ENGINE CO, INC	22,537,818	26,066,225	
503,100	DANA CORP	14,075,904	19,558,012	
82,000	DONALDSON CO, INC	1,121,905	1,701,500	
424,527	EATON CORP	16,209,875	23,667,380	
516,300	ECHLIN, INC	7,039,724	8,518,950	
63,100	FEDERAL-MOGUL CORP	2,191,664	2,997,250	
1,960,624	FORD MOTOR CO	77,574,153	99,011,512	
1,147,235	GENERAL MOTORS CORP	79,463,903	95,794,122	
183,336	GENERAL MOTORS CORP (CLASS E)	5,582,455	8,227,203	
256,640	GENERAL MOTORS CORP (CLASS H)	4,166,229	6,512,240	
739,800	GENUINE PARTS CO	18,157,095	26,262,900	
137,700	GRACO, INC	2,624,462	2,633,512	
181,500	INTERMET CORP	1,820,375	1,588,125	
204,000	o MACK TRUCKS, INC	2,464,375	2,524,500	
15,000	o MR. GASKET CO	212,500	56,250	
4,965,800	o NAVISTAR INTERNATIONAL CORP	29,251,029	26,691,175	
400,900	PACCAR, INC	11,607,871	16,436,900	
185,125	SAFETY-KLEEN CORP	1,397,983	4,489,281	
396,300	SNAP-ON TOOLS CORP	9,971,547	13,870,500	
116,100	SPX CORP	3,804,392	4,484,362	
171,000	STANDARD MOTOR PRODUCTS, INC (CLASS A)	2,487,238	2,394,000	
54,175	STANDARD PRODUCTS CO (THE)	1,394,393	1,591,390	
238,000	o SUBARU OF AMERICA, INC	2,354,000	1,368,500	
	SUB-TOTAL	\$ 744,199,756	\$ 851,058,183	2.91
	BANKS			
410,500	AMERITRUST CORP	\$ 5,531,312	\$ 8,569,187	
201,350	AMSOUTH BANCCORP	4,968,296	4,580,712	
752,262	BANC ONE CORP	16,689,771	16,737,829	
883,721	BANK OF BOSTON CORP	20,110,606	20,877,908	
374,000	BANK OF NEW ENGLAND CORP	10,179,485	8,228,000	
526,859	BANK OF NEW YORK CO, INC (THE)	15,652,595	19,493,783	

See notes to financial statements.

SHARES		COST	MARKET VALUE	%
	BANKS			
170,266	o BANK OF NEW YORK CO, INC (THE) WTS 11/29/98	\$ 851,330	\$ 638,497	
2,012,100	o BANKAMERICA CORP	35,673,249	35,463,262	
1,389,132	BANKERS TRUST NEW YORK CORP	50,345,863	48,619,620	
648,579	BARNETT BANKS OF FLORIDA, LLC	18,052,412	22,051,686	
202,500	BAYBANKS, INC	8,066,000	8,758,125	
1,889,025	CHASE MANHATTAN CORP (THE)	51,243,986	54,073,340	
966,197	CHEMICAL BANKING CORP	31,725,801	29,952,107	
4,826,600	CITICORP N.A.	93,515,313	124,888,275	
385,440	CITIZENS & SOUTHERN CORP	5,635,435	9,539,640	
187,250	COMERICA, INC	5,925,250	8,566,687	
215,000	CORESTATES FINANCIAL CORP	6,956,875	8,707,500	
348,117	CRESTAR FINANCIAL CORP	7,120,201	8,354,808	
575,661	DOMINION BANKSHARES CORP	8,781,789	9,354,491	
286,000	FIRST ALABAMA BANCSHARES, LLC	4,394,375	4,397,250	
135,000	FIRST AMERICAN BANK CORP	5,356,250	5,906,250	
464,092	FIRST BANK SYSTEM, INC	8,533,408	9,803,943	
970,548	FIRST CHICAGO CORP	26,809,653	28,752,484	
140,200	FIRST FIDELITY BANCORP	5,462,786	3,767,875	
170,000	FIRST FLORIDA BANKS, INC	4,980,625	4,590,000	
558,475	FIRST INTERSTATE BANCORP	23,616,973	24,223,853	
114,000	FIRST SECURITY CORP	2,694,625	2,821,500	
280,000	FIRST TENNESSEE NATIONAL CORP	7,584,687	6,860,000	
596,493	FIRST UNION CORP	12,164,883	13,197,407	
228,100	FIRST VIRGINIA BANKS, INC	6,187,400	5,645,475	
254,200	FIRST WACHOVIA CORP	8,769,900	9,627,825	
443,300	FLEET NORSTAR FINANCIAL GROUP, INC	9,068,848	11,304,150	
340,284	o GRANT STREET NATIONAL BANK	340,797	191,579	
343,170	HUNTINGTON BANCSHARES, INC	4,526,854	5,919,682	
444,500	KEYCORP	9,362,202	8,834,437	
579,500	MANUFACTURERS HANOVER CORP	19,442,077	16,443,312	
350,284	MELLON NATIONAL CORP	11,785,822	8,757,100	
226,250	MERCANTILE BANCORP, INC	5,620,312	5,769,375	
270,500	MERIDIAN BANCORP, INC	5,193,375	5,240,937	
192,200	MICHIGAN NATIONAL CORP	6,558,500	8,624,975	
209,953	MIDLANTIC CORP	8,992,916	8,004,458	
205,505	MNC FINANCIAL CORP	8,523,979	9,067,908	
2,646,452	MORGAN (J.P) & CO, INC	76,628,169	92,295,013	
278,000	NATIONAL CITY CORP	7,231,187	9,139,250	
463,800	NBD BANCORP, INC	12,342,163	17,392,500	
939,894	NCNB CORP	19,740,055	25,612,111	
470,799	NORWEST CORP	10,275,639	15,124,417	
520,410	PNC FINANCIAL CORP	21,441,319	20,686,297	
202,550	REPUBLIC NEW YORK CORP	7,306,642	8,684,331	
1,190,022	SECURITY PACIFIC CORP	42,128,141	42,989,544	
519,202	SHAWMUT NATIONAL CORP	12,532,289	12,201,247	
276,100	SIGNET BANKING CO	7,974,281	8,213,975	
95,000	SOCIETY CORP	2,008,125	3,158,750	
845,896	SOUTHEAST BANKING CORP	18,459,284	19,032,660	
287,000	SOUTHTRUST CORP	5,307,250	5,919,375	
286,499	SOVRAN FINANCIAL CORP	9,033,765	9,812,590	

See notes to financial statements.

SHARES		COST	MARKET VALUE	%
	BANKS			
370,900	STATE STREET BOSTON CORP	\$ 8,405,590	\$ 9,828,850	
1,239,440	SUNTRUST BANKS, INC	25,758,107	24,633,870	
414,500	o TEXAS AMERICAN BANCSHARES, INC	7,963,384	103,625	
379,290	U.S. BANCORP	6,416,550	8,723,670	
398,500	o UNITED BANKS OF COLORADO, INC	8,277,937	4,981,250	
328,000	VALLEY NATIONAL CORP	6,662,500	8,036,000	
605,204	WELLS FARGO & CO	25,812,384	36,539,191	
	SUB-TOTAL	\$ 944,781,577	\$ 1,038,315,748	3.55
	BEVERAGES			
1,902,600	AMERICUS TRUST FOR COCA-COLA CO (THE) (UNITS)	\$ 88,084,746	\$ 84,903,525	
2,781,222	ANHEUSER BUSCH CO, INC	97,210,230	87,608,493	
327,000	ANHEUSER BUSCH CO, INC TRUSTEED SHARES	11,370,533	9,483,000	
291,700	BROWN-FORMAN CORP (CLASS B)	8,907,645	16,809,212	
91,000	COCA-COLA BOTTLING CO CONSOLIDATED	3,016,750	2,343,250	
2,117,600	COCA-COLA CO (THE)	74,684,577	94,497,900	
612,300	COCA-COLA ENTERPRISES, INC	9,212,326	9,184,500	
426,000	COORS ADOLPH CO (CLASS B)	8,591,108	8,520,000	
436,600	GENERAL CINEMA CORP	7,333,415	11,133,300	
2,836,639	PEPSICO, INC	58,449,971	112,047,240	
1,104,200	SEAGRAMS CO LTD	49,070,919	67,770,275	
	SUB-TOTAL	\$ 415,932,220	\$ 504,300,695	1.72
	BROADCASTERS			
10,200	o ASSOCIATED COMMUNICATIONS CORP (CLASS A)	\$ 289,500	\$ 367,200	
65,500	o ASSOCIATED COMMUNICATIONS CORP (CLASS B)	1,698,812	2,258,000	
89,000	o BARRIS INDUSTRIES, INC	1,409,000	634,125	
183,602	CAPITAL CITIES/ABC, INC	34,963,001	66,509,824	
275,926	CBS, INC	25,061,407	47,045,383	
195,300	COMCAST CORP (CLASS A)	2,591,627	3,271,275	
134,275	COMCAST CORP (CLASS A) SPI	1,260,972	2,198,753	
220,000	o FINANCIAL NEWS NETWORK, INC	3,051,875	1,787,500	
177,300	o KING WORLD PRODUCTIONS, INC	3,296,917	4,210,875	
516,000	o LIN BROADCASTING CORP	14,910,206	36,894,000	
60,039	o MULTIMEDIA, INC NEW	1,203,910	4,592,983	
98,400	o PARK COMMUNICATIONS, INC	2,873,275	2,656,800	
36,600	SCRIPPS HOWARD BROADCASTING CO	3,024,150	2,488,800	
30,100	o STANDARD SHARES, INC	2,817,940	2,968,612	
1,501,200	o TELE-COMMUNICATIONS, INC (CLASS A)	18,193,215	39,218,850	
144,500	o TURNER BROADCASTING SYSTEMS, INC (CLASS A)	1,132,209	2,438,437	
144,500	o TURNER BROADCASTING SYSTEMS, INC (CLASS B)	1,132,209	2,113,312	
329,600	UNITED CABLE TELEVISION CORP	5,366,369	11,371,200	
127,500	o UNITED TELEVISION, INC	3,204,750	3,474,375	
332,000	o WESTWOOD ONE, INC	5,023,750	3,237,000	
	SUB-TOTAL	\$ 132,505,094	\$ 239,837,304	0.82
	BUSINESS SERVICES			
25,000	o ACTION INDUSTRIES, INC	\$ 344,500	\$ 100,000	
169,000	o ACTMEDIA, INC	2,361,000	1,309,750	
115,500	ADIA SERVICES, INC	3,069,250	2,598,750	

See notes to financial statements.

SHARES			COST	MARKET VALUE	%
	BUSINESS SERVICES				
115,484	o ADVO SYSTEMS, INC	\$	739,159	\$	548,549
24,600	AMERICAN BUSINESS PRODUCTS, INC		665,226		645,750
103,500	o AUTODESK, INC		2,089,375		3,001,500
124,000	BANIA, GEORGE CO, INC		1,224,625		2,945,000
491,300	BLOCK (H&R), INC		7,533,818		13,940,637
203,000	o BURR-BROWN CORP		2,821,000		2,486,750
77,000	CINTAS CORP		2,403,750		2,579,500
121,000	CROSS (A.T.) CO (CLASS A)		1,707,355		4,265,250
1,111,000	DELUXE CORP		28,133,965		27,775,000
71,500	DIEROLD, INC		2,952,932		2,779,562
79,900	DUPLEX PRODUCTS, INC		1,000,898		1,478,150
98,000	o DUQUESNE SYSTEMS, INC		1,801,875		2,131,500
94,700	ENNIS BUSINESS FORMS, INC		2,395,259		2,556,900
89,300	ESSELTE BUSINESS SYSTEMS, INC		3,471,652		2,690,162
70,000	o FIRST FINANCIAL MANAGEMENT CORP		2,050,750		1,907,500
105,400	FOOTE CONE & BELDING COMMUNICATIONS, INC		2,673,393		2,411,025
59,500	o GTECH CORP		1,388,250		580,125
314,300	HARLAND (JOHN H.) CO		4,702,313		6,993,175
62,000	HUNT MANUFACTURING CO		1,373,400		1,767,000
256,000	o INFORMATION RESOURCES, INC		4,532,860		2,560,000
95,600	INTERPUBLIC GROUP OF COS, INC		1,283,908		3,513,300
85,875	KELLY SERVICES, INC (CLASS A)		2,323,500		3,177,375
322,000	KINDER-CARE LEARNING CENTERS, INC		3,360,375		2,415,000
272,666	o LA PETITE ACADEMY, INC		3,182,375		2,590,327
152,500	MACNEAL-SCHWENGLER CORP (THE)		2,595,156		1,563,125
949,000	o MAXIOR CORP		13,779,687		8,303,750
70,000	NASHUA CORP		1,204,550		2,563,750
153,300	NATIONAL EDUCATION CORP		2,016,845		3,564,225
564,549	o NATIONAL SERVICE INDUSTRIES, INC		11,578,250		12,137,803
89,000	NEW ENGLAND BUSINESS, INC		1,777,000		2,091,500
130,500	OGILVY GROUP, INC (THE)		3,021,625		3,490,875
107,600	OLSTEN CORP		2,669,647		2,421,000
135,000	OMNICOM GROUP, INC		2,821,875		2,649,375
240,000	o PACE MEMBERSHIP WAREHOUSE, INC		2,433,125		2,520,000
110,500	PAYCHEX, INC		1,852,000		1,933,750
86,500	PHH CORP		2,653,580		3,016,687
143,200	ROLLINS, INC		1,268,832		2,541,800
419,750	o SAFEGARD SERVICES, INC		2,608,062		2,518,500
31,900	SCIENCE MANAGEMENT CORP		324,181		219,312
170,000	SENSORMATIC ELECTRONICS CORP		2,670,625		1,636,250
515,100	SERVICE CORP INTERNATIONAL		9,567,573		9,014,250
12,500	SEVEN OAKS INTERNATIONAL, INC		158,750		112,500
164,000	STANDARD REGISTER, INC		3,309,625		2,644,500
17,000	o TOTAL SYSTEM SERVICES, INC		336,375		369,750
20,000	UNIFIRST CORP		496,550		515,000
144,000	UNITED STATIONERS, INC		3,152,140		3,276,000
93,000	VALSPAR CORP		2,422,650		2,232,000
60,000	o VOLT INFORMATION SCIENCES, INC		1,067,500		750,000
9,300	WACKENHUT CORP		173,003		158,100
153,500	WALLACE COMPUTER SERVICE, INC		4,890,244		6,696,437

See notes to financial statements.

SHARES		COST	MARKET VALUE	%
130,900	BUSINESS SERVICES			
	WILFRED AMERICAN EDUCATIONAL CORP	\$ 1,413,584	\$ 409,062	
	SUB-TOTAL	\$ 173,849,797	\$ 181,096,838	0.62
	CHEMICALS - MAJOR			
7,000	o AMERICUS TRUST FOR DOW CHEMICAL CO (THE) (SCORE)	\$ 99,978	\$ 98,000	
842,000	AMERICUS TRUST FOR DOW CHEMICAL CO (THE) (UNITS)	74,043,417	73,885,500	
4,900	o AMERICUS TRUST FOR DU PONT (E. I.) DE NEMOURS & CO (SCORE)	148,053	45,927	
1,381,700	AMERICUS TRUST FOR DU PONT (E. I.) DE NEMOURS & CO (UNITS)	171,330,800	121,935,025	
543,800	AIR PRODUCTS AND CHEMICALS, INC	15,137,036	23,431,750	
1,324,700	DOW CHEMICAL CO (THE)	110,681,744	116,242,425	
1,192,287	DUPONT (E. I.) DE NEMOURS & CO	97,525,214	105,219,327	
417,300	GOODRICH (B.F.) CO (THE)	18,293,716	21,595,275	
31,992	o GROW VENTURES CORP	27,768	13,011	
521,300	HERCULES, INC	21,243,799	23,197,850	
221,500	LILLY INDUSTRIAL COATINGS LTD (CLASS A)	3,559,562	3,931,625	
1,376,600	MONSANTO CO	71,597,549	112,537,050	
94,000	OLIN CORP	2,021,285	4,794,000	
29,202	PENNWALT CORP	878,515	3,011,456	
1,114,700	PPG INDUSTRIES, INC	24,089,871	45,006,012	
475,700	QUANTUM CHEMICAL CORP	36,490,336	50,126,887	
632,400	ROHM & HAAS CO	18,402,989	21,738,750	
1,533,880	UNION CARBIDE CORP	31,246,793	39,305,675	
194,010	o UNION CARBIDE CORP RTS	1	38,802	
	SUB-TOTAL	\$ 696,918,426	\$ 765,159,357	2.61
	CHEMICALS - SPECIALTY			
400,000	AVERY INTERNATIONAL CORP	\$ 8,273,341	\$ 9,100,000	
60,000	BETZ LABORATORIES, INC	1,930,000	2,850,000	
19,800	o CAMBREX CORP	415,800	292,050	
76,200	CHEMED CORP	2,190,229	2,476,500	
132,266	COMMERCIAL METALS CO	1,409,596	2,794,119	
30,100	CROMPTON AND KNOWLES CORP	744,418	921,812	
5,100	DESCIO, INC	199,308	175,950	
130,200	DEXIER CORP	1,978,283	2,896,950	
135,000	ECOLAB, INC	2,483,344	3,577,500	
537,550	ENGELHARD CORP	10,186,229	9,272,737	
1,305,100	ETHYL CORP	27,282,076	28,222,787	
145,200	FERRO CORP	2,200,647	4,864,200	
827,400	FIRST MISSISSIPPI CORP	12,321,319	14,686,350	
585,600	FOSTER WHEELER CORP	8,205,762	8,491,200	
123,000	FULLER (H.B.) CO	2,868,126	3,321,000	
121,400	GAF CORP	2,984,717	5,645,100	
1,426,100	GRACE (W.R.) & CO	34,080,401	37,078,600	
86,100	GREAT LAKES CHEMICAL CORP	4,118,260	5,015,325	
159,961	GROW GROUP, INC	1,785,111	1,879,541	
53,400	o HEALTH-CHEM CORP	383,534	160,200	
298,050	INTERNATIONAL MINERALS & CHEMICAL CORP	10,618,833	11,400,412	
264,933	LAWTER INTERNATIONAL, INC	2,403,897	3,112,962	
75,437	LEARONAL, INC	1,037,067	1,244,710	
136,000	LOCTITE CORP	2,540,400	4,454,000	

See notes to financial statements.

SHARES			COST	MARKET VALUE	%
	CHEMICALS - SPECIALTY				
151,700	LUBRIZOL CORP	\$	2,876,687	\$ 5,385,350	
200,000	o MELAMINE CHEMICALS, INC		2,158,500	2,600,000	
121,000	MILLIPORE CORP		2,044,299	4,204,750	
687,600	MORTON THIOKOL, INC		26,782,119	25,355,250	
190,000	NALCO CHEMICAL CORP		5,841,805	6,697,500	
69,000	NCH CORP		2,414,255	2,854,875	
102,000	PETROLITE CORP		2,699,500	2,295,000	
234,350	PRODUCTS RESEARCH & CHEMICAL CORP		3,406,201	3,603,131	
257,200	RAYCHEM CORP		9,246,845	9,002,000	
149,000	RPM, INC		2,361,875	2,328,125	
100,500	SCHULMAN A, INC		3,506,750	4,246,125	
66,600	SEALED AIR CORP		2,651,869	3,030,300	
78,052	SEQUA CORP (CLASS A)		5,073,390	4,429,451	
19,300	SEQUA CORP (CLASS B)		1,341,350	1,177,300	
130,000	SIGMA ALDRICH CORP		5,733,527	6,142,500	
90,500	WD-40 CO		3,066,750	2,873,375	
127,150	WITCO CHEMICAL CORP		3,323,859	4,450,250	
218,087	ZERO CORP		3,303,985	3,843,783	
	SUB-TOTAL	\$	230,474,254	\$ 258,453,070	0.88
	COMMUNICATION EQUIPMENT & SERVICES				
88,300	o ANDREW CORP	\$	2,354,052	\$ 1,766,000	
63,750	o AYD N CORP		1,331,350	980,156	
5,000	o CALIFORNIA MICROWAVE, INC		45,000	41,250	
69,300	CHRYON CORP		680,000	277,200	
258,700	COMMUNICATIONS SATELLITE CORP		7,930,677	6,984,900	
82,887	o COMPUTER CONSOLES, INC		1,295,817	1,046,448	
494,900	CORNING GLASS WORKS		22,460,360	34,333,687	
404,744	o D S C COMMUNICATIONS CORP		8,107,128	3,136,766	
491,100	o DIGITAL COMMUNICATIONS ASSOCIATION, INC		15,982,929	9,085,350	
54,000	o DYNATECH CORP		1,222,125	972,000	
15,000	o GANDALF TECHNOLOGIES, INC		105,000	80,625	
101,000	o GENERAL DATACOMM INDUSTRIES, INC		1,442,115	467,125	
212,400	o GRAPHIC SCANNING CORP		1,473,050	1,380,600	
544,375	HARRIS CORP		17,454,621	14,598,125	
104,000	o INTERNATIONAL MOBILE MACHINES CORP		1,480,875	910,000	
403,100	M/A-COM, INC		7,037,135	3,426,350	
354,200	o MITEL CORP		3,889,476	885,500	
466,000	o NETWORK EQUIPMENT TECHNOLOGIES		9,738,475	8,388,000	
2,556,925	NORTHERN TELECOM LTD		35,343,922	42,508,878	
408,000	o NOVELL, INC		8,844,093	12,240,000	
183,990	o PARADYNE CORP		2,890,524	1,862,898	
11,877	o PLANTRONICS, INC		146,429	267,232	
250,300	SCIENTIFIC-ATLANTA, INC		3,452,146	3,285,187	
70,000	o TELCO SYSTEMS, INC		964,375	323,750	
394,000	TELERATE, INC		4,152,192	6,156,250	
109,900	o TELESPIHERE INTERNATIONAL, INC		485,870	178,587	
161,500	o TELLABS, INC		2,533,375	2,038,937	
645,400	o THREE COM CORP		14,044,475	14,118,125	
70,000	o TIE/COMMUNICATIONS, INC		1,231,350	113,750	

See notes to financial statements.

SHARES		COST	MARKET VALUE	%
	COMMUNICATION EQUIPMENT & SERVICES			
1,226,000	+o TPI ENTERPRISES, INC	\$ 8,456,187	\$ 5,517,000	
79,000	o VMX, INC	585,000	122,500	
	SUB-TOTAL	\$ 187,160,123	\$ 177,593,176	0.61
	COMPUTER SERVICES			
145,500	o ADC TELECOMMUNICATIONS, INC	\$ 1,879,250	\$ 1,764,187	
695,100	o ASHTON-TATE CORP	14,667,103	14,597,100	
235,000	o ASK COMPUTER SYSTEMS, INC	3,486,250	3,436,875	
963,000	AUTOMATIC DATA PROCESSING, INC	19,804,899	37,316,250	
85,300	BOLT BERANEK AND NEWMAN, INC	1,642,474	895,650	
110,000	o BRITTON LEE, INC	1,022,500	275,000	
1,294,400	o COMPUTER ASSOCIATES INTERNATIONAL, INC	31,744,222	38,390,250	
168,900	o COMPUTER SCIENCES CORP	3,919,266	8,022,750	
142,500	o CONNER PERIPHERALS, INC	1,120,312	1,122,187	
122,000	o CUC INTERNATIONAL, INC	2,172,187	2,135,000	
307,700	c CULLINET SOFTWARE, INC	2,652,218	2,115,437	
50,000	DST SYSTEMS, INC	287,500	587,500	
174,000	HBO & CO	3,016,043	1,935,750	
125,000	o HOGAN SYSTEMS, INC	1,413,125	593,750	
76,728	o INTELOGIC TRACE, INC	1,427,808	326,094	
125,000	o ISC SYSTEMS CORP	1,667,314	1,109,375	
912,300	o LOTUS DEVELOPMENT CORP	15,086,283	16,649,475	
206,000	o MANAGEMENT SCIENCE AMERICA, INC	3,624,125	1,673,750	
117,100	o MICROAMERICA, INC	412,950	775,787	
274,000	o MICRON TECHNOLOGY, INC	2,486,250	4,315,500	
131,500	o MICRCPOLIS CORP	3,266,207	969,812	
180,000	o MICROSOFT CORP	9,852,500	9,585,000	
140,750	NATIONAL COMPUTER SYSTEMS, INC	1,808,500	1,917,718	
88,000	NATIONAL DATA CORP	1,578,125	2,211,000	
150,000	o ON LINE SOFTWARE INTERNATIONAL, INC	1,945,097	750,000	
999,600	+ PANSOPHIC SYSTEMS, INC	13,951,589	13,994,400	
116,000	o POLICY MANAGEMENT SYSTEMS CORP	2,978,250	2,813,000	
7,600	o RECOGNITION EQUIPMENT, INC	110,644	91,200	
120,000	REYNOLDS & REYNOLDS CO (THE) (CLASS A)	1,992,125	2,865,000	
130,000	SEI CORP	2,210,000	2,275,000	
406,300	SHARED MEDICAL SYSTEMS CORP	11,446,800	6,754,737	
585,000	o SUN MICROSYSTEMS, INC	10,509,750	9,725,625	
60,000	SYSTEM INTEGRATORS, INC	808,750	592,500	
83,500	SYSTEMATICS, INC	1,775,437	2,630,250	
50,000	o SYSTEMS & COMPUTER TECHNOLOGY CORP	1,070,000	153,150	
132,000	TELECREDIT, INC	1,440,332	4,488,000	
53,000	o TEXLON CORP	1,114,000	980,500	
83,000	o TRIAD SYSTEMS CORP	1,407,405	1,120,500	
15,000	o VM SOFTWARE, INC	498,750	258,750	
	SUB-TOTAL	\$ 183,296,340	\$ 202,213,809	0.69
	CONGLOMERATES			
304,900	ALCO STANDARD CORP	\$ 5,891,778	\$ 8,499,087	
212,000	ALEXANDER & BALDWIN, INC	2,916,500	6,678,000	
1,825,752	ALLIED - SIGNAL CORP	72,385,043	59,336,940	

See notes to financial statements.

SHARES		COST	MARKET VALUE	%
	CONGLOMERATES			
19,857	o AMERICAN ECOLOGY, INC	\$ 60,500	\$ 193,605	
110,703	AMERICAN PRESIDENT COS LTD	1,788,230	3,763,902	
208,300	BAIRNCO CORP	4,130,437	5,155,425	
208,700	BRANDY W H CO (CLASS A)	5,480,650	4,382,700	
99,895	CHICAGO PACIFIC CORP	2,294,271	5,194,540	
201,841	CRANE CO	2,121,700	4,692,803	
48,900	CURTISS-WRIGHT CORP	2,640,168	2,628,375	
8,983	DI GIORGIO CORP	135,225	223,452	
141,436	o DRAVO CORP	1,816,965	2,280,655	
93,400	FUOQA INDUSTRIES, INC	2,320,314	2,813,675	
308,600	GALLAGHER (ARTHUR J) & CO	6,958,316	5,169,050	
176,000	GREYHOUND CORP (THE)	2,976,237	5,280,000	
98,100	o HANSON TRUST PLC WTS 2/30/91	284,490	269,775	
32,774	o HENLEY MANUFACTURING CORP	562,238	2,929,176	
620,000	o IMMUNOMEDICS, INC	6,218,750	3,022,500	
347,900	o J.P. INDUSTRIES, INC	5,854,489	4,740,137	
609,000	o JPM INDUSTRIES (CLASS A)	2,368,625	76,125	
278,994	o LITTON INDUSTRIES, INC	22,396,905	20,052,693	
335,800	LOEWS CORP	16,547,800	26,486,225	
46,700	MORRISON-KNUDSEN CORP	1,432,725	1,838,812	
620,000	o OMI, INC	3,482,597	4,572,500	
917,900	OVERSEAS SHIPHOLDING GROUP, INC	18,380,904	24,668,562	
297,408	PENN CENTRAL CORP (THE)	5,309,922	7,212,144	
2,904,000	ROCKWELL INTERNATIONAL CORP	34,267,657	63,162,000	
107,900	STANDEX INTERNATIONAL CORP	2,182,695	2,238,925	
203,400	SUNDSTRAND CORP	8,940,537	10,170,000	
169,950	TELEDYNE, INC	40,577,454	56,465,887	
942,100	TEXTRON, INC	18,417,114	22,374,875	
591,100	TRW, INC	21,422,726	24,604,537	
167,000	TYCO LABORATORIES, INC	2,965,505	5,970,250	
1,519,200	UNITED TECHNOLOGIES CORP	57,150,703	62,477,100	
418,263	o WHEELABRATOR GROUP	7,676,089	9,044,937	
173,000	WHITTAKER CORP	4,683,406	8,952,750	
	SUB-TOTAL	\$ 395,039,665	\$ 477,622,119	1.63
	CONSTRUCTION - MATERIALS & BUILDERS			
501,700	ARMSTRONG WORLD INDUSTRIES, INC	\$ 14,629,423	\$ 17,559,500	
132,000	ATKINSON (GUY F) CO OF CALIFORNIA	2,096,375	1,947,000	
15,000	o AVATAR HOLDINGS, INC	253,750	361,875	
50,800	BUTLER MANUFACTURING CO	1,606,150	1,663,700	
116,000	CALMAT CO	2,366,855	3,262,500	
50,000	CARLISLE CORP	1,259,250	1,750,000	
70,800	o CDI CORP	1,709,677	2,124,000	
152,400	CENTEX CORP	3,612,448	4,457,700	
54,200	o CHAMPION ENTERPRISES, INC	406,500	203,250	
258,515	o CLAYTON HOMES, INC	2,280,726	2,197,377	
146,200	DALLAS CORP	2,845,988	2,211,275	
27,600	o FISCHBACH CORP	1,206,138	431,250	
390,900	FLEETWOOD ENTERPRISES, INC	9,101,415	9,821,362	
35,100	o FLORIDA ROCK & TANK LINES, INC	196,941	438,750	

See notes to financial statements.