

SERS

**SCHOOL EMPLOYEES
RETIREMENT SYSTEM
OF OHIO**

Annual
Financial
Report

JUNE 30, 1980

**SCHOOL EMPLOYEES RETIREMENT SYSTEM
OF OHIO**

45 NORTH FOURTH STREET
COLUMBUS, OHIO 43215

**ANNUAL
FINANCIAL REPORT**

For The
Year Ended June 30, 1980

THE SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO



BERTHE E. WEIST
President
Kettering City School District
Kettering, Ohio
Term expires June 30, 1981



GEORGE J. MAZZARO
Vice President
Cleveland City School District
Cleveland, Ohio
Term expires June 30, 1983



MARY E. KASUNIC
Wickliffe City School District
Wickliffe, Ohio
Term expires June 30, 1985



THOMAS R. ANDERSON
Executive Director



WILLIAM J. BROWN
Attorney General
Ex Officio Member



THOMAS E. FERGUSON
Auditor of State
Ex Officio Member

Assistant Directors

R. JACK COOPER
Investments

DALE D. McINTYRE
Information Services

STEPHEN J. PUSKAC
Membership-Accounting

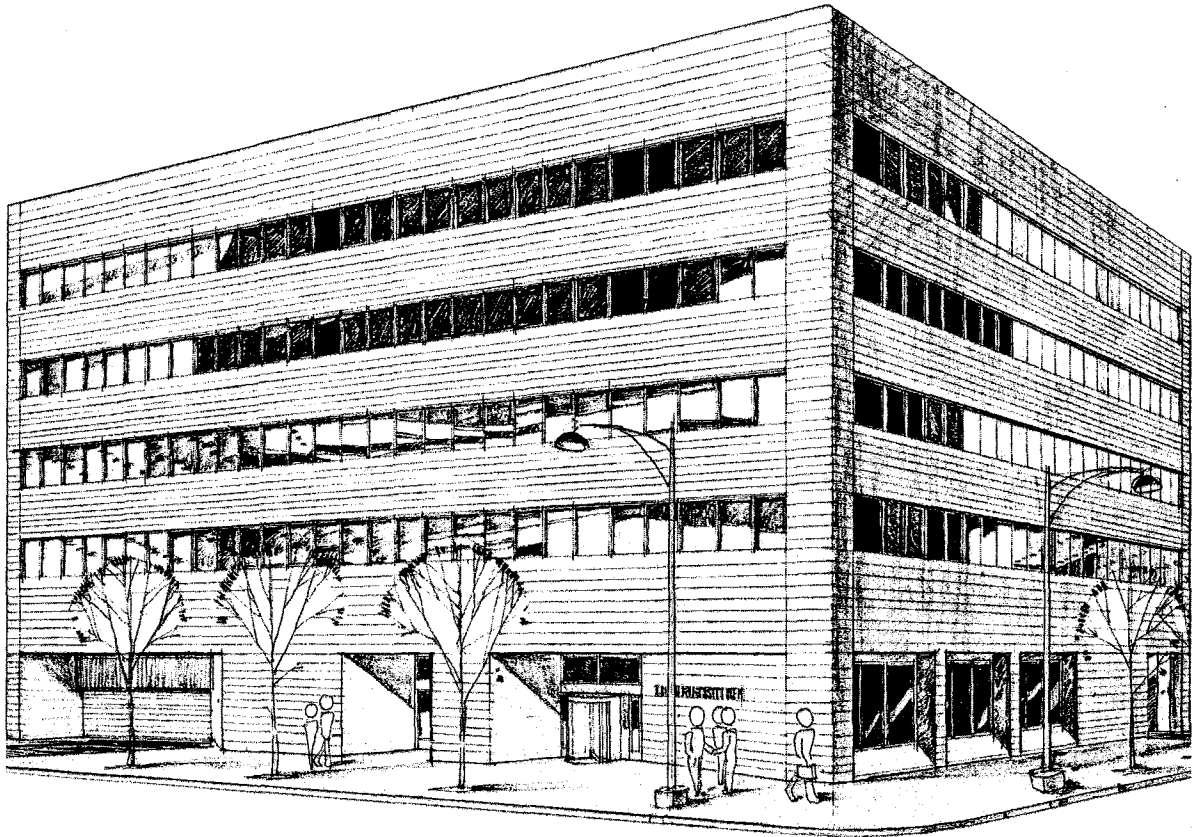
RICHARD C. REGAN
Retirement Services

THOMAS R. SKIPTON
Office Services

C. DOUGLAS WILSON
Data Processing

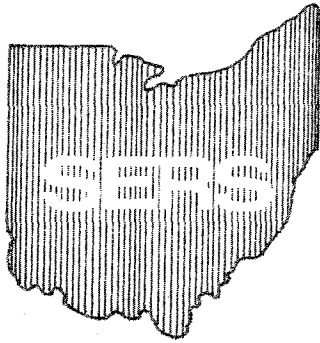
Table of Contents

| | Pages |
|--|---------|
| LETTER OF TRANSMITTAL | 1 - 2 |
| FINANCIAL STATEMENTS: | |
| Auditor's Opinion | 4 |
| Exhibits | |
| A Balance Sheet | 6 |
| B Statement of Revenue and Expense | 7 |
| C Statement of Changes in Funds | 8 - 9 |
| Notes to Financial Statements..... | 10 - 11 |
| Schedules | |
| 1 Cash Receipts and Disbursements | 12 |
| 2 Administrative Expense | 13 |
| ACTUARY'S REPORT: | |
| Exhibit | |
| I Actuarial Balance Sheet | 14 |
| STATISTICAL TABLES: | |
| I Revenues by Source | 16 |
| II Expenses by Type | 16 |
| III Number of Participating Members | 17 |
| IV Number of Participating Employers | 17 |
| V Member — Employer Contribution Rates | 17 |
| VI Number of Refunds | 17 |
| VII Benefit Expenses by Type | 18 - 19 |
| VIII Number of Benefit Payments | 18 |
| IX Retirement Averages — Service | 19 |
| X Retirement Averages — Disability | 19 |
| XI New Benefit Payments — By Year — Service | 20 - 21 |
| XII New Benefit Payments — By Year — Survivor | 22 - 23 |
| XIII New Benefit Payments — By Year — Disability | 24 |
| INVESTMENTS: | |
| Report by Investment Manager | 26 |
| Schedules | |
| I Portfolio Summary | 26 |
| II Rates of Return | 27 |
| III Investment Activity | 27 |
| IV Quality of Stock | 28 |
| V Diversification of Stocks | 28 |
| Exhibits | |
| 1 Fixed Income Portfolio by Maturity | 29 |
| 2 Fixed Income Portfolio by Interest Rates | 30 |
| 3 Bond Portfolio Quality Ratings by Moody's | 31 |
| 4 Distribution of 1980 Mortgage Portfolio | 31 |
| Investment Listing | 32 - 39 |
| PLAN SUMMARY | 40 - 44 |



SLNS

1937 — 1980
Forty-three Years



SCHOOL EMPLOYEES RETIREMENT SYSTEM

45 NORTH FOURTH STREET, COLUMBUS, OHIO 43215 • TELEPHONE (614) 221-5853

To The Members of the Board:

This is the Annual Report of the School Employees Retirement System for the fiscal year ended June 30, 1980. The report presents the financial statements, footnotes, schedules, statistical tables, the investment portfolio, and a summary of the plan. It also contains the actuarial balance sheet as of June 30, 1980, and other financial data as of that date.

Accounting System and Reports

The modified accrual basis is used in maintaining the accounting records of the School Employees' Retirement System. Revenues for the System are recorded when earned regardless of the date of collection. Expenses are recorded when the corresponding liabilities are incurred, without regard to the date of payment. Bond premium and discount are amortized over the life of the security. Actuarial reserves are funded on an annual basis for current liabilities and prior years' unfunded accrued liabilities are funded over a period of 24 years.

We anticipate that by February 1, 1981 we will have begun operations in our new physical location, and that in moving we will sell or otherwise dispose of a majority of our fixtures and furnishings. For this reason, fixed assets are recorded at cost, without allowance for depreciation.

In order to adequately inform interested individuals and groups, we have prepared the following statements and schedules in conformity with guidelines of the National Council on Governmental Accounting Statement 1. The Council's preferred method of accounting (modified accrual or accrual basis) is significantly different from the cash basis we have used until this year.

As a result of this major change, and in order to eliminate confusion for the reader, we have chosen to present some of the statements and schedules

which follow without comparison to the prior fiscal year's activity.

Revenues

The School Employees' Retirement System was established by law to pay retirement plan benefits and to accumulate the resources with which to pay such benefits. Resources are accumulated through the collection of member contributions, employer contributions, and from income earned on invested contributions. For the fiscal year ended June 30, 1980, \$123,061,453 was provided by contributions and \$66,965,956 was generated as income from investments. Miscellaneous sources, including transfers from other systems, provided another \$2,659,240.

Expenses

Expenses are incurred primarily for the purpose for which the retirement system is created, namely, the payment of benefits. Included in total expenses for fiscal 1980 of \$89,739,090 were benefit payments, refunds of contributions due to member termination or death, transfers of contributions to other Ohio Systems in order to provide benefits for members who hold membership in more than one system, and expenses to cover the cost of administration. Revenues of \$192,686,649 exceeded expenses of \$89,739,090 by \$102,947,559 during the fiscal year ended June 30, 1980.

Reserves (Funds)

The \$475,052,446 shown in the Annuity and Pension Reserve Fund represents the estimated amount necessary to provide benefits for those members who have filed for retirement prior to June 30, 1980. The accumulated contributions of members who have not yet retired amount to \$266,829,897 and are shown in the Employees' Savings Fund. The Employer's Trust Fund balance of \$163,386,932 is the amount being held for payment of benefits for those members not yet retired.

Investments

The investment portfolio should be regarded as a major contributor to the Retirement System. In the fiscal year which ended June 30, 1980, the portfolio produced \$66.9 million which represented 34.8% of the total revenues. Employee members contributed 26.2% and employer members contributed 37.7% of total revenues. The remaining 1.3% was received from other sources.

Investments are stated at cost, net of amortized premium or discount. Premiums and discounts are amortized over the life of the investment. Approximately 76% of the portfolio consists of debt securities, 19% is invested in equity securities and the remainder in short term paper and real estate.

Professional Services

Professional consultants are appointed by the Retirement Board to perform professional services that are essential to the effective and efficient operation of the School Employees Retirement System. The System employs the services of an investment advisor, Bankers Trust Company, to assist in-house investment staff. The advisor furnishes expert economic advice on a continuing basis, including portfolio recommendations with respect to selection of equities, and market and credit information on fixed-income securities. Huggins and Company is the actuary which provides the necessary data to be used in determining the contributions required to support present or anticipated benefits. Huggins also advises the Board regarding the assumptions that must be made in conjunction with the more complex calculations associated with the funding requirements.

The Attorney General of the State of Ohio is the legal advisor of the School Employees Retirement Board. The Auditor of the State of Ohio annually examines the financial records of the retirement system.

The Treasurer of the State of Ohio is the custodian of the funds of the School Employees Retirement System. Disbursements therefrom are paid only upon vouchers authorized by the School Employees Retirement Board which bear the names of the board members printed thereon and the signatures of the president and secretary of the Board.

Reports to the Membership

Annual statements of the amount of contributions and service credited to each individual account, as of June 30, 1980, were mailed to the members during the week of November 10, 1980.

Acknowledgements

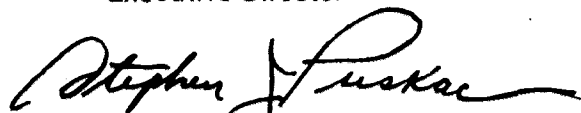
The preparation of this report reflects the combined effort of the System's staff under the direction of the Retirement Board. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship for the assets contributed by the members and their employers.

This report is being mailed to all employer members of the System and other interested parties.

Respectfully submitted,



Thomas R. Anderson
Executive Director



Stephen J. Puskac
Assistant Director,
Membership & Accounting

Financial Statements

Balance Sheet

**Statement of Revenue
and Expense**

**Statement of Changes
in Funds**



THOMAS E. FERGUSON
AUDITOR OF STATE
COLUMBUS, OHIO 43216

December 30, 1980

The Retirement Board
School Employees Retirement Board
88 East Broad Street
Columbus, Ohio 43215

Dear Members of the Board:

The annual inspection of the records and accounts of the Retirement System for the fiscal year ended June 30, 1979 has been submitted to the Retirement Board. The inspection for the fiscal year ended June 30, 1980 is presently being conducted.

The inspection was performed in accordance with standards for such inspections promulgated by the Bureau of Inspection and Supervision of Public Offices and, accordingly, consisted principally of obtaining an understanding of the accounting system, and making inquiries of and evaluating responses from members of management of the Retirement System to determine compliance with applicable state statutes.

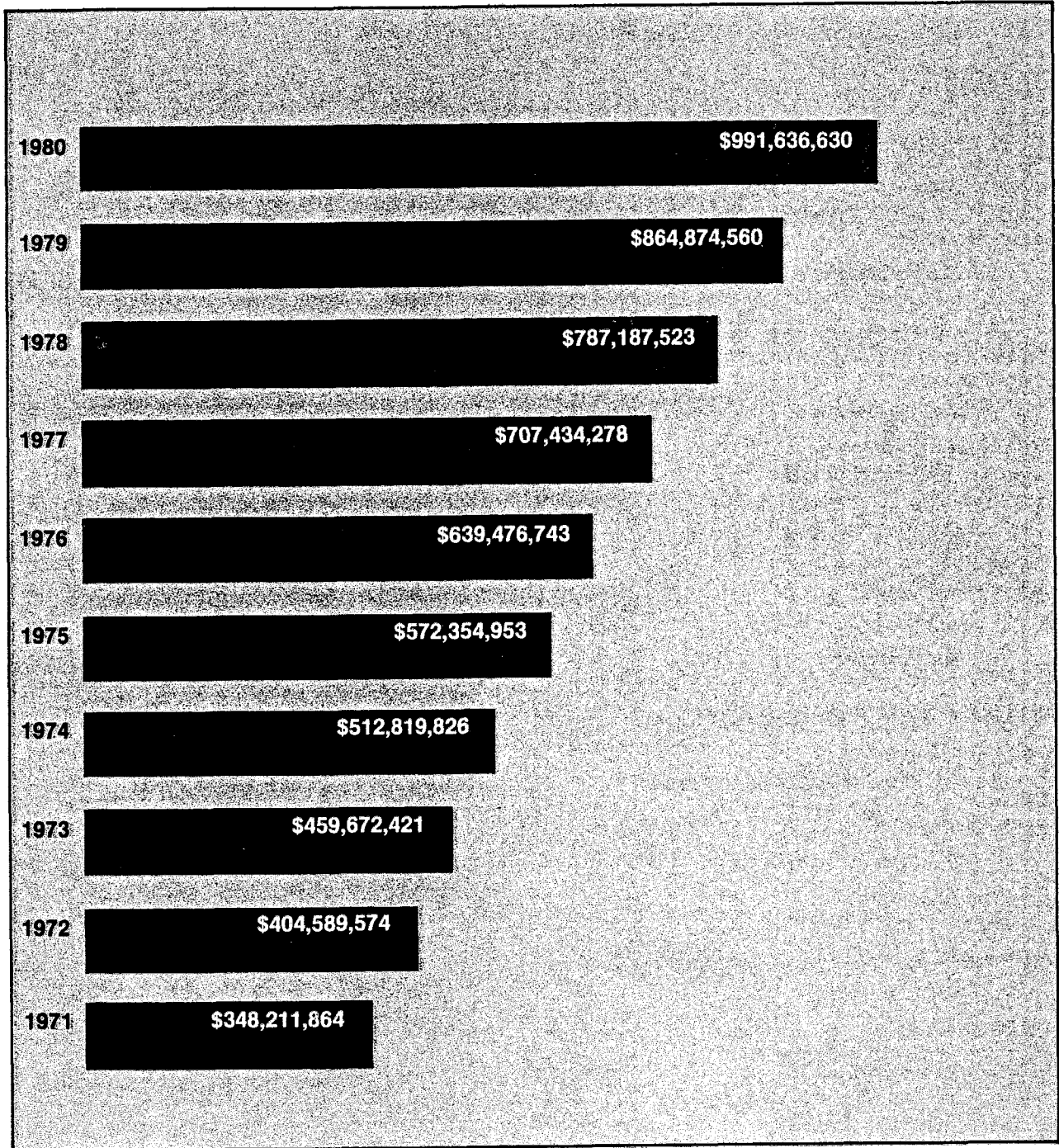
In connection with our inspection, no matters came to our attention that we believe should be reported to you.

Sincerely,

Handwritten signature of Thomas E. Ferguson in cursive script.
THOMAS E. FERGUSON
Auditor of State

TEF/mag

ASSETS



FINANCIAL STATEMENTS

BALANCE SHEET

June 30, 1980

Exhibit A

ASSETS:

Current Assets:

Cash and Short Term Securities: (Note 2)

| | | |
|------------------------------------|----|------------|
| Cash | \$ | 44,471 |
| Short Term Securities (Book Value) | | 33,467,759 |

Total Cash and Short Term Securities

\$ 33,512,230

Receivables: (Note 2)

| | | |
|--------------------------------|----|------------|
| Employee | \$ | 3,623,434 |
| Employer | | 474,246 |
| Investment Sale Proceeds | | 3,309,535 |
| Accrued Interest and Dividends | | 12,764,143 |
| State Subsidies | | 1,398,477 |
| State Foundation Program | | 32,114,076 |
| Miscellaneous | | 28,621 |

Total Receivables

53,712,532

Investments: (Notes 1 and 3)

| | | |
|--|----|-------------|
| Bonds and Mortgages, at amortized values | \$ | 706,210,191 |
| Stocks, at cost | | 180,783,324 |
| Real Estate | | 12,592,174 |

Total Investments

899,585,689

Fixed Assets: (Note 1)

| | | |
|----------------------------------|----|-----------|
| Land and Building, at cost | \$ | 2,998,056 |
| Furniture and Equipment, at cost | | 1,824,836 |

Total Fixed Assets

4,822,892

Deferred Charges: (Note 2)

| | | |
|------------------|----|-------|
| Prepaid Expenses | \$ | 3,287 |
|------------------|----|-------|

Total Deferred Charges

3,287

Total Assets

\$991,636,630

LIABILITIES AND FUND BALANCE:

Current Liabilities: (Note 2)

| | | |
|---------------------------------------|----|------------|
| Accounts Payable and Accrued Expenses | \$ | 470,653 |
| Investment Commitments Payable | | 23,206,258 |
| Benefits Payable | | 86,558 |

Total Current Liabilities

\$ 23,763,469

Fixed Liabilities: (Note 4)

| | | |
|----------------------------|--|-----------|
| Deferred Purchase Contract | | 1,197,391 |
|----------------------------|--|-----------|

Investment in General Fixed Assets (Note 5)

Total Liabilities

103,962

\$ 25,064,822

Fund Balance: (Note 1)

| | | |
|----------------------------------|----|-------------|
| Employees' Savings Fund | \$ | 266,829,897 |
| Employers' Trust Fund | | 163,386,932 |
| Annuity and Pension Reserve Fund | | 475,052,446 |
| Survivors' Benefit Fund | | 61,302,533 |

Total Fund Balance

966,571,808

Total Liabilities and Fund Balance

\$991,636,630

The accompanying NOTES are an integral part of the financial statements.

FINANCIAL STATEMENTS

STATEMENT OF REVENUE AND EXPENSE

Exhibit B

Year Ended June 30, 1980

REVENUE:

| | | |
|----------------------------------|---------------|---------------|
| Member Contributions: | | |
| Payroll Deductions | \$ 49,685,143 | |
| Service Credit Purchases | 570,905 | |
| Reinstatements | 228,144 | |
| Expense Fees—Prior Years | 2,482 | |
| Total Member | | \$ 50,486,674 |
| Employer Contributions: | | |
| Employer Charges | \$ 70,244,693 | |
| State Subsidies | 2,330,086 | |
| Total Employer | | 72,574,779 |
| Investment Income: | | |
| Interest | \$ 69,911,296 | |
| Dividends | 8,308,765 | |
| Rent | 305,000 | |
| Accrued Interest Purchased | (3,906,041) | |
| Accumulation of Discount | 9,547,280 | |
| Gain on Sale of Securities | 2,712,715 | |
| Loss on Sale of Securities | (19,874,238) | |
| Other | (38,821) | |
| Total Investment | | 66,965,956 |
| Other: | | |
| Transfer from other Ohio Systems | \$ 1,261,428 | |
| Miscellaneous | 1,397,812 | |
| Total Other | | 2,659,240 |
| Total Revenue | | \$192,686,649 |

EXPENSE:

| | | |
|--------------------------------|---------------|---------------|
| Benefit Payments: | | |
| Service Retirement | \$ 49,938,156 | |
| Disability Retirement | 5,619,031 | |
| Survivor Benefits | 5,221,125 | |
| Health Care | 15,809,333 | |
| Total Benefit Payments | | \$ 76,587,645 |
| Refunds: | | |
| Separations | \$ 9,155,406 | |
| Death | 847,422 | |
| Employer | 195 | |
| Total Refunds | | 10,003,023 |
| Other: | | |
| Transfer to other Ohio Systems | \$ 764,675 | |
| Miscellaneous | 15,970 | |
| Total Other | | 780,645 |
| Administrative Expenses | | 2,367,777 |
| Total Expense | | \$ 89,739,090 |
| EXCESS OF REVENUE OVER EXPENSE | | \$102,947,559 |

The accompanying NOTES are an integral part of the financial statements.

STATEMENT OF
Year Ended

| | Total | Employees' Savings Fund |
|------------------------------------|-----------------------------|-------------------------------|
| Balance, July 1, 1979 | <u>\$863,624,249</u> | <u>\$244,571,776</u> |
| Additions: | | |
| Member Contributions | \$ 50,486,674 | \$ 50,484,192 |
| Employer Contributions | 72,574,779 | |
| Investment Income | 66,965,956 | |
| Other | <u>2,659,240</u> | <u>1,653</u> |
| Total Additions | <u>\$192,686,649</u> | <u>\$ 50,485,845</u> |
| Deductions: | | |
| Benefit Payments | \$ 76,587,645 | |
| Refunds | 10,003,023 | \$ 9,495,453 |
| Administrative Expense | 2,367,777 | |
| Other Expense | <u>780,645</u> | |
| Total Deductions | <u>\$ 89,739,090</u> | <u>\$ 9,495,453</u> |
| Transfers — Increase (Decrease) | | |
| Retirement Annuities | | \$ (16,275,929) |
| Disability Retirement | | (1,812,118) |
| Survivor Annuities | | (644,240) |
| Other Transfers and Accruals | | <u>16</u> |
| Total Transfers | | <u>\$ (18,732,271)</u> |
| Balance, June 30, 1980 (Exhibit A) | <u><u>\$966,571,808</u></u> | <u><u>\$266,829,897</u></u> |

CHANGES IN FUNDS

June 30, 1980

| Employers' Trust Fund | Annuity Pension Reserve Fund | Guarantee Fund | Survivors' Benefit Fund | Expense Fund |
|-----------------------------|------------------------------------|----------------------|-------------------------------|---------------------|
| <u>\$161,513,239</u> | <u>\$401,882,903</u> | | <u>\$ 55,656,331</u> | |
| \$ 62,203,267 | \$ 9,290,091 | \$ 37,080 | \$ 1,044,341 | \$ 2,482 |
| 1,333,500 | 1,277,166 | 66,965,956 | 45,502 | (6) |
| <u>\$ 63,536,767</u> | <u>\$ 10,567,257</u> | <u>\$ 67,004,461</u> | <u>\$ 1,089,843</u> | <u>\$ 2,476</u> |
| \$ 135,457 | \$ 69,885,897 | | \$ 6,566,291 | |
| 191 | 507,375 | \$ 4 | | \$ 2,367,777 |
| | 746,240 | 15,970 | 18,435 | |
| <u>\$ 135,648</u> | <u>\$ 71,139,512</u> | <u>\$ 15,974</u> | <u>\$ 6,584,726</u> | <u>\$ 2,367,777</u> |
| \$ (71,121,422) | \$ 87,397,355 | \$ 192 | | \$ (196) |
| (10,392,973) | 12,205,091 | | \$ 6,941,176 | |
| (6,296,936) | | (66,988,679) | 4,199,909 | 2,365,497 |
| 26,283,905 | 34,139,352 | \$ (66,988,487) | \$ 11,141,085 | <u>\$ 2,365,301</u> |
| <u>\$ (61,527,426)</u> | <u>\$133,741,798</u> | | | |
| <u>\$163,386,932</u> | <u>\$475,052,446</u> | | <u>\$ 61,302,533</u> | |

NOTES TO THE FINANCIAL STATEMENT

NOTE 1—The School Employees' Retirement System was established by the Ohio General Assembly in 1937 to provide retirement benefits to those employees of Ohio public schools who are not required to possess a certificate in order to perform their duties.

The governing body of the Retirement System is the five-member Board which meets monthly. Three of the five are elected by the membership. The two remaining are ex-officio members, the Ohio Attorney General and State Auditor.

Members of the board receive no compensation for their services, other than reimbursement of personal expenses. Terms are for six years, starting with the July 1 fiscal year. One member stands election every odd-numbered year. Any other vacancy is filled by a vote of the board members.

The accounting records are maintained on a modified accrual basis. The following funds have been established to accumulate assets for future benefits and adequate administration of the System:

The Employees' Savings Fund is the depository for member contributions. At retirement, the member's contributions are removed from this fund and transferred (with interest) to the Annuity and Pension Reserve Fund.

The Employers' Trust Fund holds the contributions of employers to fund the members' retirement benefits: health care, minimum retirement allowance, prior service pension, and the basic annual pension. Upon member retirement, funds sufficient to provide the benefits mentioned above are transferred to the Annuity and Pension Reserve Fund.

The Annuity and Pension Reserve Fund is the fund from which shall be paid all annuities and pensions for which reserves have been transferred from the employees' savings fund and the employers' trust fund.

The Survivors' Benefit Fund contains assets to pay benefits to dependents of deceased members of the retirement System.

The Guarantee Fund is the fund to which all income from the investment of assets is paid. At the end of the fiscal year a transfer of interest is made to the other funds. In addition to the transfer of interest, a transfer is required to cover any deficit occurring in any other fund.

The Expense Fund is the fund from which the expenses for the administration and management of the School Employees' Retirement System are paid.

Investments in stocks and real estate are recorded at cost. All other investments are recorded at par and adjusted for unamortized premiums and discounts.

Fixed Assets. Furniture and equipment is capitalized at time of acquisition and is shown at cost, without allowance for depreciation. Land and building represents the cost, as of June 30, 1980, of our new office building currently under construction.

NOTE 2—Following extensive public debate and comment, the National Council on Governmental Accounting (NCGA) released Statement 1 in March, 1980. Statement 1 was issued in order to provide guidelines for governmental units reporting to interested individuals and groups in a manner which conforms to generally accepted accounting principles. The accounting system used must make it possible to both (a) present fairly and disclose fully the financial operations of the funds and account groups of the governmental unit, and (b) determine and demonstrate compliance with finance-related legal and contractual provisions.

In order to provide the information required above, the NCGA also recommends the adoption of a modified accrual or accrual basis of accounting in measuring financial position and operating results.

Following the above guidelines, the balance sheet is presented in a revised format. It contains these significant changes:

1. Short term securities are listed under the heading "Cash and Short Term Securities." In previous years the amount was included with total investments.
2. Receivables have been established to show the amounts due the plan as of the reporting date from members, employers, and other sources of funding.
3. Prepaid expenses are being shown for the first time. The prepayments represent expenses applicable to the 1980-81 fiscal year.
4. Retirement annuities which were legally due but which had not been disbursed at the end of the fiscal year, as well as other accrued expenses are shown as "Current Liabilities."

Prior to the current fiscal year, SERS had maintained its accounting records on the cash basis, a method which is significantly different than the modified accrual basis which we currently employ. An adjustment, therefore, is necessary to avoid omission or duplication of revenue or expense in the current period.

The following adjustment was necessary to reflect an accurate beginning balance in the Employers' Trust Fund.

| | | |
|--|-----------|---------------|
| Balance — June 30, 1979 | | \$161,567,472 |
| Add: | | |
| State Subsidies receivable | \$ 7,004 | |
| Disposal of Furniture & Fixtures | 7,943 | 14,947 |
| | | \$161,582,419 |
| Less: | | |
| Administrative Expenses payable at June 30 | \$ 61,430 | |
| Bond Interest received in error, payable | 7,750 | 69,180 |
| | | 149,180 |
| Balance — July 1, 1979 | | \$161,513,239 |

FINANCIAL STATEMENTS

NOTE 3—The following is a summary of investments as of June 30, 1980.

PORTFOLIO VALUATION

| <u>Investment Category</u> | <u>Par Value</u> | <u>Book Value</u> | <u>Estimated Market Value</u> |
|---|----------------------|----------------------|-------------------------------|
| Short-term Investments: | | | |
| Certificate of Deposit | \$ 1,000,000 | \$ 1,000,000 | \$ 1,054,900 |
| Commercial Paper | 32,650,000 | 32,467,759 | 32,541,770 |
| Total Short-term Securities | <u>\$ 33,650,000</u> | <u>\$ 33,467,759</u> | <u>\$ 33,596,670</u> |
| Long-term Investments: | | | |
| Bonds: | | | |
| U. S. Govts. & Agency Obligations | \$ 37,800,000 | \$ 36,620,604 | \$ 38,677,511 |
| Corporate Bonds | 365,770,000 | 364,050,477 | 306,395,861 |
| Canadian Bonds | 63,300,000 | 62,533,304 | 53,391,986 |
| Total Bonds | <u>\$466,870,000</u> | <u>\$463,204,385</u> | <u>\$398,465,358</u> |
| Mortgages: | | | |
| Federally Guaranteed or Insured Mortgage Securities | 247,793,278 | 243,005,806 | 224,733,828 |
| Total Bonds and Mortgages | <u>\$714,663,278</u> | <u>\$706,210,191</u> | <u>\$623,199,186</u> |
| Common Stock | 180,783,324 | 180,783,324 | 159,413,856 |
| Productive Real Estate | 12,592,174 | 12,592,174 | 23,440,800 |
| Total Long-term Securities | <u>\$908,038,776</u> | <u>\$899,585,689</u> | <u>\$806,053,842</u> |
| Total Portfolio | <u>\$941,688,776</u> | <u>\$933,053,448</u> | <u>\$839,650,512</u> |

The Portfolio Rates of Return for the various income segments are shown on page 27. Productive Real Estate had an appraised value of \$23,440,800. The 88 East Broad Street Building was valued at \$8,100,000 according to the appraisal made on June 30, 1980. On the same day PRISA was valued according to methods currently in use by Prudential at an appraised value of \$15,340,800.

NOTE 4—As of June 30, 1980, the School Employees' Retirement System had a long term liability of \$1,197,391. This is the amount due vendors for the acquisition of data processing equipment that had an original cost of \$1,400,142. Of the total debt, \$959,570 is currently being discharged by an annual payment of \$175,128 plus 5% interest, while the remaining \$237,821 is being paid at the rate of \$43,368

per year plus 6% interest. The debt will be fully exhausted in June, 1987.

In addition to the above, SERS had a liability of \$110,350 for unused vacation time and a contingent liability of \$274,300 for unused sick leave time. Although unused sick leave is lost at the time of an employees' termination, employees who retire with unused sick leave are authorized to receive a payment of 25% of unused leave, up to a prescribed maximum limit. At June 30 three employees were eligible to retire and they would receive an estimated \$3,800 in payment for this unused leave time.

NOTE 5—Effective July 1, 1968, a separate accounting of all physical assets was required. The amount shown represents the cost of physical assets acquired prior to July 1, 1968.

CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 1980

| | | | |
|--|----|-------------------|----------------------|
| Cash Balance at Beginning of Year | | \$ | 40,452 |
| Add Cash Receipts: | | | |
| Member Contributions | \$ | 46,863,240 | |
| Employer Contributions | | 67,925,183 | |
| State Subsidies | | 938,613 | |
| Investments Matured and Sold | | 1,080,270,914 | |
| Interest and Dividends | | 65,389,344 | |
| Rental Income | | 305,000 | |
| Reimbursement of Health Care Premium | | 1,331,568 | |
| Transfers from Ohio Retirement Systems | | 1,261,428 | |
| Miscellaneous | | <u>51,189</u> | |
| Total Cash Receipts | | | 1,264,336,479 |
| Deduct Cash Disbursements: | | | |
| Refunds: | | | |
| Member | \$ | 9,155,406 | |
| Beneficiary | | 814,338 | |
| Employer | | <u>195</u> | |
| Total Refunds | | | \$ 9,969,939 |
| Benefit Payments: | | | |
| Age and Service | \$ | 49,893,134 | |
| Disability | | 5,613,195 | |
| Survivor | | 5,210,999 | |
| Health Care | | <u>15,809,333</u> | |
| Total Benefit Payments | | | 76,526,661 |
| Investments Purchased | | 1,172,991,173 | |
| Administrative Expense | | 2,411,375 | |
| Transfers to Ohio Retirement Systems | | 764,674 | |
| Construction Cost — Home Office Building | | <u>1,668,638</u> | |
| Total Cash Disbursements | | | <u>1,264,332,460</u> |
| Cash Balance at End of Year (Exhibit A) | | | <u>\$ 44,471</u> |

ADMINISTRATIVE EXPENSES

Year Ended June 30, 1980

| | | |
|---|--------------|--------------|
| Personal Services: | | |
| Office Salaries | \$ 1,189,274 | |
| Retirement Contributions | 159,603 | |
| Hospital, Medical, Travel, Life Insurance | 71,449 | |
| Parking | 9,006 | |
| Bureau of Employment Services | 2,772 | |
| Total Personal Services | | \$ 1,432,104 |
| | | |
| Professional Services: | | |
| Actuarial | \$ 33,758 | |
| Investment Counsel | 124,840 | |
| Medical | 103,174 | |
| Special Counsel | 210 | |
| Auditing | 3,371 | |
| Employee Training | 4,022 | |
| Total Professional Services | | 269,375 |
| | | |
| Communications: | | |
| Printing and Publications | \$ 43,186 | |
| Telephone | 24,535 | |
| Postage | 123,733 | |
| Total Communications | | 191,454 |
| | | |
| Rentals: | | |
| Office Space | \$ 111,369 | |
| Equipment | 91,776 | |
| Total Rentals | | 203,145 |
| | | |
| Other Services and Charges: | | |
| Transportation and Travel | \$ 48,610 | |
| Membership and Subscriptions | 12,340 | |
| Surety Bonds and Insurance | 40,415 | |
| Equipment Repairs and Maintenance | 85,295 | |
| Supplies | 66,373 | |
| Retirement Study Commission | 10,436 | |
| Miscellaneous | 8,230 | |
| Total Other Services and Charges | | 271,699 |
| Total Administrative Expenses (Exhibit B) | | \$ 2,367,777 |

Actuarial Valuation

A complete valuation of the system was made as of June 30, 1980 in which the present and prospective assets and liabilities were calculated, based on legislation enacted by that date. The present value of future contributions of the present members and the present value of future employer contributions is shown in the balance sheet in a combined total of \$1,412,112,860. Of this total an amount of \$828,973,261 will be funded by the total normal contribution rate of 14.73% and the balance of 5.77% will be available for funding the deficiency amount of \$583,139,599. It is recommended that, unless

changes are made by 1980-81 legislation, the member contribution rate of 8.0% and the employer contribution of 12.50% be continued at present levels. The actuary has recommended that as of July 1, 1980 funds are to be transferred to the Annuity and Pension Reserve Fund and the Survivors' Benefit Fund so that these funds plus the anticipated state appropriations for House Bills 284 and 204 will be equal to the related liabilities. A reserve equal to the amount of the transfer is to be established and funded over 20 years from July 1, 1980.

Exhibit I

ACTUARIAL BALANCE SHEET

Valuation as of June 30, 1980

ASSETS

Present Assets:

| | | |
|---------------------------------------|------------------------|----------------|
| Employees' Savings Fund | \$ 266,829,897 | |
| Annuity and Pension Reserve Fund | 642,286,355 | |
| Survivors' Benefit Fund | 64,592,378 | |
| Employers' Trust Fund | 187,063,843 | |
| Miscellaneous | 1,301,353 | |
| Total | <u>\$1,162,073,826</u> | |
| Reserve for Statutory Fund Deficiency | (170,437,196) | |
| Total Present Assets | | \$ 991,636,630 |

Future Assets:

| | | |
|---|----------------------|-------------------------------|
| Present value of future state appropriations to finance House Bill 284 (1971) and House Bill 204 (1979) | \$ 15,407,317 | |
| Present value of prospective member and employer contributions | <u>1,412,112,860</u> | |
| Total Future Assets | | <u>1,427,520,177</u> |
| TOTAL ASSETS | | <u><u>\$2,419,156,807</u></u> |

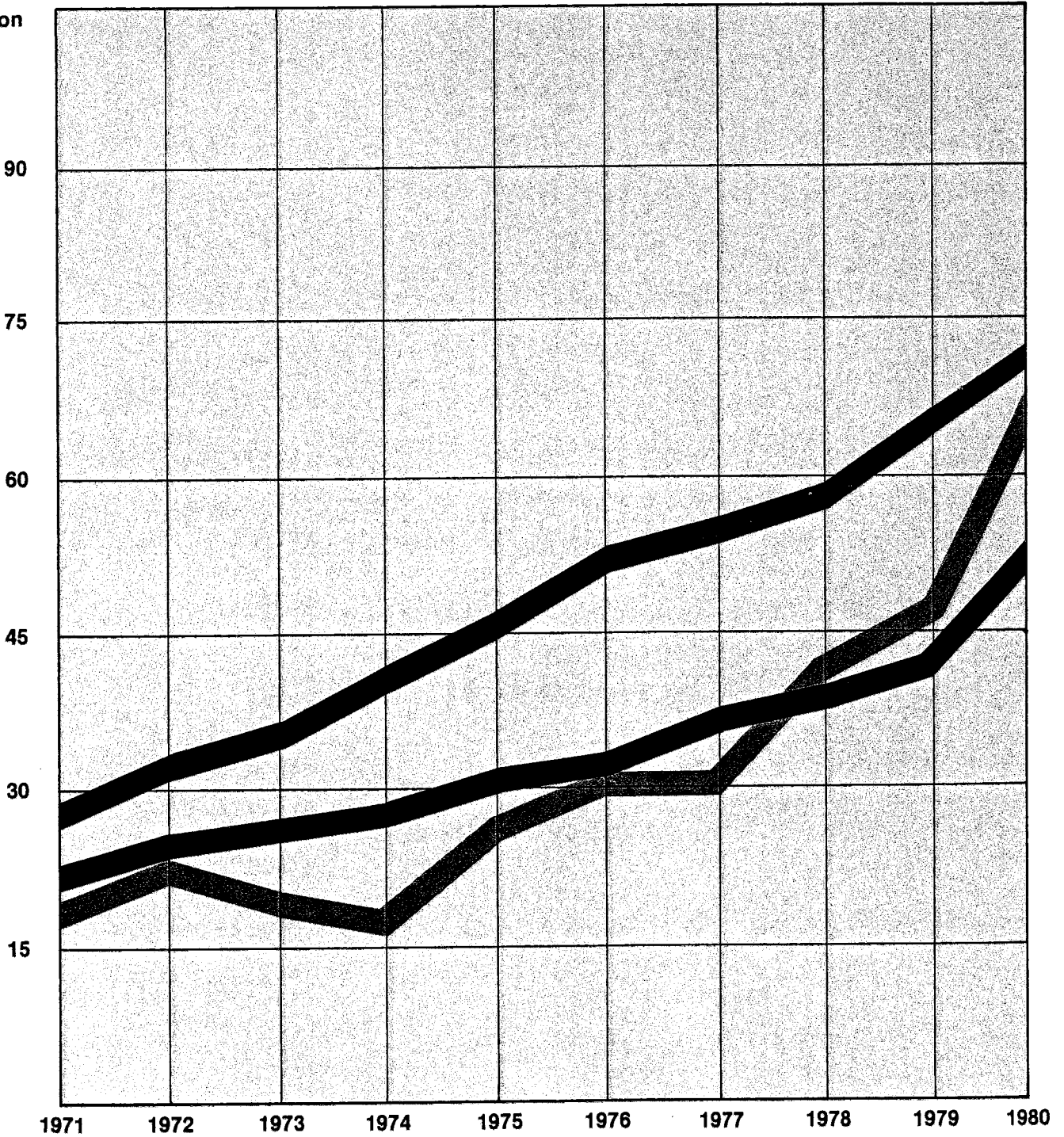
LIABILITIES

| | | |
|---|--|-------------------------------|
| Present value of benefits payable on account of present retirants and beneficiaries | | \$ 869,139,971 |
| Present value of benefits payable on account of active and inactive members | | 1,548,715,483 |
| Miscellaneous | | <u>1,301,353</u> |
| TOTAL LIABILITIES | | <u><u>\$2,419,156,807</u></u> |

Statistical Tables

REVENUES BY SOURCE

Million



Employer Contributions



Member Contributions



Investment Income



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Table I

REVENUES BY SOURCE

Last Ten Years

| Year Ending June 30 | Member Contributions | Employer Contributions | Investment Income | Other | Total |
|---------------------------|-------------------------|---------------------------|----------------------|------------|---------------|
| 1971 | \$23,764,250 | \$29,880,901 | \$20,413,943 | \$ 637,047 | \$ 74,696,141 |
| 1972 | 25,561,901 | 32,966,456 | 25,697,221 | 1,144,986 | 85,370,564 |
| 1973 | 27,656,641 | 36,062,827 | 20,533,839 | 992,974 | 85,246,281 |
| 1974 | 28,012,665 | 42,539,786 | 17,347,518 | 1,152,716 | 89,052,685 |
| 1975 | 31,062,856 | 46,797,580 | 27,703,478 | 1,470,824 | 107,034,738 |
| 1976 | 33,716,679 | 51,370,939 | 29,652,983 | 1,909,999 | 116,650,600 |
| 1977 | 36,378,039 | 55,681,997 | 29,735,598 | 1,011,850 | 122,807,484 |
| 1978 | 38,912,883 | 59,693,632 | 43,129,863 | 912,035 | 142,648,413 |
| 1979 | 41,971,918 | 64,183,954 | 47,220,797 | 1,184,656 | 154,561,325 |
| 1980 | 50,486,674 | 72,574,779 | 66,965,956 | 2,659,240 | 192,686,649 |

Table II

EXPENSES BY TYPE

Last Ten Years

| Year Ending June 30 | Aggregate Benefit Payments | Administrative Expenses | Transfer to Ohio Retirement Systems | Other | Total |
|---------------------------|----------------------------------|----------------------------|--|-----------|--------------|
| 1971 | \$23,567,321 | \$ 896,565 | | \$ 25,712 | \$24,489,598 |
| 1972 | 28,078,849 | 980,955 | | 18,340 | 29,078,144 |
| 1973 | 33,146,424 | 1,154,206 | | 3,444 | 34,304,074 |
| 1974 | 36,721,322 | 1,336,564 | | 264,754 | 38,322,640 |
| 1975 | 44,266,634 | 1,489,285 | \$ 3,288,997 | 45,630 | 49,090,546 |
| 1976 | 47,699,699 | 1,660,095 | 3,127,491 | 8,475 | 52,495,760 |
| 1977 | 53,821,330 | 1,843,181 | 617,525 | 8,822 | 56,290,858 |
| 1978 | 62,995,337 | 1,934,825 | 743,655 | 15,947 | 65,689,764 |
| 1979 | 76,380,937 | 2,232,180 | 912,031 | 13,154 | 79,538,302 |
| 1980 | 86,590,668 | 2,367,777 | 764,675 | 15,970 | 89,739,090 |

Table III

NUMBER OF PARTICIPATING MEMBERS

Active and Inactive
Last Ten Years

| Year Ending June 30 | ACTIVE | | INACTIVE | | Total |
|---------------------------|--------|--------|----------|--------|---------|
| | Male | Female | Male | Female | |
| 1971 | 29,873 | 58,488 | 18,729 | 27,013 | 134,103 |
| 1972 | 30,867 | 61,807 | 20,383 | 30,159 | 143,216 |
| 1973 | 29,949 | 63,697 | 20,992 | 33,150 | 147,788 |
| 1974 | 29,891 | 66,360 | 22,321 | 34,918 | 153,490 |
| 1975 | 29,628 | 68,452 | 23,538 | 36,553 | 158,171 |
| 1976 | 28,339 | 67,186 | 24,505 | 39,252 | 159,282 |
| 1977 | 27,815 | 68,325 | 25,902 | 42,592 | 164,634 |
| 1978 | 29,228 | 71,513 | 27,230 | 46,137 | 174,108 |
| 1979 | 28,789 | 72,288 | 29,181 | 50,771 | 181,029 |
| 1980 | 29,298 | 74,833 | 30,998 | 55,171 | 190,300 |

Table IV

NUMBER OF PARTICIPATING EMPLOYERS

Year Ending June 30

| Year | Total | Counties | Local | City | Village | Colleges | Technical | Vocational | Other |
|------|-------|----------|-------|------|---------|----------|-----------|------------|-------|
| 1971 | 753 | 88 | 403 | 171 | 50 | 2 | 10 | 28 | 1 |
| 1972 | 761 | 88 | 398 | 179 | 49 | 2 | 13 | 31 | 1 |
| 1973 | 766 | 88 | 394 | 181 | 49 | 2 | 14 | 37 | 1 |
| 1974 | 765 | 87 | 385 | 184 | 49 | 2 | 14 | 43 | 1 |
| 1975 | 771 | 87 | 386 | 183 | 49 | 2 | 14 | 49 | 1 |
| 1976 | 770 | 87 | 386 | 183 | 49 | 2 | 13 | 49 | 1 |
| 1977 | 769 | 87 | 384 | 184 | 49 | 2 | 13 | 49 | 1 |
| 1978 | 769 | 87 | 381 | 187 | 49 | 2 | 13 | 49 | 1 |
| 1979 | 768 | 86 | 381 | 187 | 49 | 2 | 13 | 49 | 1 |
| 1980 | 768 | 86 | 378 | 189 | 49 | 2 | 13 | 50 | 1 |

CONTRIBUTION RATES

Member and Employer
Last Ten Years

| Year Ending June 30 | RATES | | |
|---------------------------|--------|----------|-------|
| | Member | Employer | Total |
| 1971 | 7.90 | 11.40 | 19.30 |
| 1972 | 7.90 | 11.40 | 19.30 |
| 1973 | 7.90 | 11.40 | 19.30 |
| 1974 | 8.00* | 12.50* | 20.50 |
| 1975 | 8.00 | 12.50 | 20.50 |
| 1976 | 8.00 | 12.50 | 20.50 |
| 1977 | 8.00 | 12.50 | 20.50 |
| 1978 | 8.00 | 12.50 | 20.50 |
| 1979 | 8.00 | 12.50 | 20.50 |
| 1980 | 8.00 | 12.50 | 20.50 |

*Effective 1-1-74

WITHDRAWAL OF SERVICE CREDIT BY REFUND

Last Ten Years

| Year Ending June 30 | Number |
|---------------------------|--------|
| 1971 | 10,162 |
| 1972 | 9,881 |
| 1973 | 9,303 |
| 1974 | 10,136 |
| 1975 | 9,001 |
| 1976 | 8,126 |
| 1977 | 8,119 |
| 1978 | 9,338 |
| 1979 | 11,296 |
| 1980 | 10,457 |

Table VII

BENEFIT EXPENSES BY TYPE

Last Ten Years

| Year Ending June 30 | BENEFITS | | | |
|---------------------------|--------------|-------------|-------------|----------------|
| | Service | Disability | Survivor | Health Care |
| 1971 | \$15,942,848 | \$1,049,318 | \$2,140,145 | \$ 746,444 |
| 1972 | 19,261,809 | 1,237,172 | 2,496,744 | 1,236,364 |
| 1973 | 23,128,899 | 1,608,099 | 2,811,799 | 1,095,232 |
| 1974 | 24,207,046 | 1,791,018 | 3,050,025 | 1,848,272 |
| 1975 | 27,398,816 | 2,416,467 | 3,582,618 | 5,189,645 |
| 1976 | 30,872,861 | 2,750,166 | 3,857,886 | 5,322,100 |
| 1977 | 35,223,220 | 3,306,082 | 4,129,714 | 5,277,046 |
| 1978 | 39,821,999 | 3,958,026 | 4,500,933 | 6,772,412 |
| 1979 | 44,834,588 | 4,743,472 | 4,855,008 | 11,290,894 |
| 1980 | 49,938,156 | 5,619,031 | 5,221,125 | 15,809,333 |

Table VIII

NUMBER OF BENEFIT PAYMENTS

By Type

Last Ten Years

| At Year Ending June 30 | Service | Disability | Survivor | Total |
|------------------------------|---------|------------|----------|--------|
| 1971 | 12,185 | 694 | 1,417 | 14,296 |
| 1972 | 13,171 | 764 | 1,498 | 15,433 |
| 1973 | 14,326 | 867 | 1,614 | 16,807 |
| 1974 | 15,602 | 981 | 1,720 | 18,303 |
| 1975 | 16,998 | 1,143 | 1,858 | 19,999 |
| 1976 | 18,296 | 1,334 | 1,961 | 21,591 |
| 1977 | 19,774 | 1,510 | 2,056 | 23,340 |
| 1978 | 21,233 | 1,716 | 2,144 | 25,093 |
| 1979 | 22,869 | 1,867 | 2,259 | 26,995 |
| 1980 | 24,539 | 2,083 | 2,370 | 28,992 |

Table VII

BENEFIT EXPENSES BY TYPE

Last Ten Years

| REFUNDS | | | | |
|-----------|-------------|---------------|-----------|--------------|
| Death | Separation | Beneficiaries | Employer | Total |
| | \$3,373,792 | \$273,089 | \$ 41,685 | \$23,567,321 |
| | 3,610,808 | 235,952 | | 28,078,849 |
| | 4,206,199 | 216,349 | 79,847 | 33,146,424 |
| \$122,000 | 5,252,079 | 263,264 | 187,618 | 36,721,322 |
| 340,500 | 4,826,558 | 284,804 | 227,226 | 44,266,634 |
| 357,000 | 4,261,542 | 237,616 | 40,528 | 47,699,699 |
| 430,000 | 5,119,935 | 277,128 | 58,205 | 53,821,330 |
| 409,708 | 7,231,287 | 288,093 | 12,879 | 62,995,337 |
| 432,500 | 9,943,847 | 278,477 | 2,151 | 76,380,937 |
| 508,375 | 9,155,406 | 339,047 | 195 | 86,590,668 |

Table IX

RETIREMENT AVERAGES

Last Ten Years

| SERVICE RETIREMENT | | | | |
|---------------------|----------------|----------------|-------|------------|
| Year Ending June 30 | Service Credit | Monthly Amount | Age | Salary |
| 1971 | 15.361 | \$129.61 | 64.47 | \$3,933.33 |
| 1972 | 15.641 | 136.94 | 64.65 | 4,322.97 |
| 1973 | 14.861 | 130.60 | 64.31 | 4,445.87 |
| 1974 | 14.556 | 127.92 | 64.38 | 4,385.90 |
| 1975 | 15.150 | 146.16 | 63.72 | 5,085.90 |
| 1976 | 15.486 | 158.40 | 63.87 | 5,577.98 |
| 1977 | 15.672 | 174.21 | 63.64 | 5,974.37 |
| 1978 | 15.969 | 184.01 | 63.40 | 6,265.35 |
| 1979 | 16.495 | 200.63 | 63.28 | 6,821.83 |
| 1980 | 16.326 | 209.82 | 63.32 | 7,221.61 |

Table X

| DISABILITY RETIREMENT | | | | |
|-----------------------|----------------|----------------|-------|------------|
| Year Ending June 30 | Service Credit | Monthly Amount | Age | Salary |
| 1971 | 11.139 | \$122.96 | 55.04 | \$4,167.94 |
| 1972 | 11.626 | 140.99 | 56.54 | 3,965.21 |
| 1973 | 11.443 | 147.85 | 56.23 | 4,297.13 |
| 1974 | 11.587 | 163.24 | 55.63 | 4,483.20 |
| 1975 | 11.774 | 189.73 | 55.05 | 5,077.91 |
| 1976 | 12.252 | 222.72 | 52.01 | 5,742.16 |
| 1977 | 12.026 | 210.87 | 52.99 | 5,559.93 |
| 1978 | 12.239 | 243.79 | 52.63 | 6,373.75 |
| 1979 | 12.963 | 282.13 | 52.79 | 7,185.03 |
| 1980 | 13.381 | 297.37 | 52.83 | 7,566.03 |

NEW BENEFIT PAYMENTS BY YEAR

Last Ten Years

| Year Ending June 30 | SERVICE RETIREMENT | | | |
|---------------------------|-------------------------|----------|-----------|-----------|
| | Years of Service Credit | 5-9 | 10-14 | 15-19 |
| 1971 | Male | 226 | 228 | 144 |
| | Female | 255 | 248 | 177 |
| | Total | 481 | 476 | 321 |
| | Average Monthly Payment | \$ 48.41 | \$ 89.69 | \$ 126.56 |
| 1972 | Male | 260 | 204 | 187 |
| | Female | 293 | 300 | 233 |
| | Total | 553 | 504 | 420 |
| | Average Monthly Payment | \$ 51.50 | \$ 91.52 | \$ 134.32 |
| 1973 | Male | 252 | 171 | 147 |
| | Female | 246 | 275 | 213 |
| | Total | 498 | 446 | 360 |
| | Average Monthly Payment | \$ 51.54 | \$ 92.77 | \$ 151.17 |
| 1974 | Male | 280 | 177 | 153 |
| | Female | 322 | 295 | 209 |
| | Total | 602 | 472 | 362 |
| | Average Monthly Payment | \$ 52.59 | \$ 96.40 | \$ 140.22 |
| 1975 | Male | 242 | 186 | 169 |
| | Female | 316 | 259 | 224 |
| | Total | 558 | 445 | 393 |
| | Average Monthly Payment | \$ 54.54 | \$ 103.11 | \$ 158.09 |
| 1976 | Male | 275 | 176 | 154 |
| | Female | 287 | 282 | 261 |
| | Total | 562 | 458 | 415 |
| | Average Monthly Payment | \$ 61.47 | \$ 106.22 | \$ 160.47 |
| 1977 | Male | 234 | 191 | 160 |
| | Female | 323 | 333 | 260 |
| | Total | 557 | 524 | 420 |
| | Average Monthly Payment | \$ 64.59 | \$ 113.91 | \$ 174.97 |
| 1978 | Male | 217 | 168 | 162 |
| | Female | 345 | 333 | 270 |
| | Total | 562 | 501 | 432 |
| | Average Monthly Payment | \$ 64.78 | \$ 112.98 | \$ 179.01 |
| 1979 | Male | 230 | 205 | 172 |
| | Female | 319 | 409 | 312 |
| | Total | 549 | 614 | 484 |
| | Average Monthly Payment | \$ 66.94 | \$ 118.39 | \$ 176.83 |
| 1980 | Male | 197 | 229 | 151 |
| | Female | 312 | 403 | 346 |
| | Total | 509 | 632 | 497 |
| | Average Monthly Payment | \$ 65.82 | \$ 124.88 | \$ 192.23 |

NEW BENEFIT PAYMENTS BY YEAR

Last Ten Years

SERVICE RETIREMENT

| 20-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45 & Over | Total |
|------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|
| 76 | 72 | 29 | 33 | 19 | 6 | 833 |
| 77 | 31 | 10 | 11 | 11 | — | 820 |
| 153 | 103 | 39 | 44 | 30 | 6 | 1,653 |
| <u>\$ 193.98</u> | <u>\$ 214.45</u> | <u>\$ 322.72</u> | <u>\$ 449.32</u> | <u>\$ 579.60</u> | <u>\$1,021.42</u> | <u>\$ 129.61</u> |
| 128 | 86 | 37 | 34 | 28 | 1 | 965 |
| 94 | 49 | 12 | 6 | 7 | 4 | 998 |
| 222 | 135 | 49 | 40 | 35 | 5 | 1,963 |
| <u>\$ 195.38</u> | <u>\$ 240.24</u> | <u>\$ 334.42</u> | <u>\$ 506.67</u> | <u>\$ 645.61</u> | <u>\$ 578.65</u> | <u>\$ 136.94</u> |
| 77 | 61 | 22 | 24 | 8 | 4 | 766 |
| 96 | 45 | 11 | 14 | 1 | — | 901 |
| 173 | 106 | 33 | 38 | 9 | 4 | 1,667 |
| <u>\$ 188.72</u> | <u>\$ 231.51</u> | <u>\$ 345.83</u> | <u>\$ 529.71</u> | <u>\$ 491.31</u> | <u>\$ 773.85</u> | <u>\$ 130.60</u> |
| 101 | 58 | 27 | 21 | 4 | 4 | 825 |
| 114 | 46 | 13 | 10 | 3 | 2 | 1,014 |
| 215 | 104 | 40 | 31 | 7 | 6 | 1,839 |
| <u>\$ 191.93</u> | <u>\$ 264.99</u> | <u>\$ 402.72</u> | <u>\$ 445.79</u> | <u>\$ 707.64</u> | <u>\$ 602.68</u> | <u>\$ 127.92</u> |
| 88 | 66 | 41 | 20 | 4 | 3 | 819 |
| 126 | 53 | 23 | 10 | — | 3 | 1,014 |
| 214 | 119 | 64 | 30 | 4 | 6 | 1,833 |
| <u>\$ 207.22</u> | <u>\$ 283.66</u> | <u>\$ 431.38</u> | <u>\$ 519.11</u> | <u>\$ 843.97</u> | <u>\$ 800.04</u> | <u>\$ 146.16</u> |
| 104 | 68 | 54 | 15 | 9 | 5 | 860 |
| 128 | 60 | 23 | 7 | 5 | 3 | 1,056 |
| 232 | 128 | 77 | 22 | 14 | 8 | 1,916 |
| <u>\$ 225.86</u> | <u>\$ 293.09</u> | <u>\$ 462.44</u> | <u>\$ 647.16</u> | <u>\$ 544.07</u> | <u>\$ 790.65</u> | <u>\$ 158.40</u> |
| 100 | 61 | 71 | 21 | 10 | 2 | 850 |
| 168 | 64 | 31 | 11 | 3 | — | 1,193 |
| 268 | 125 | 102 | 32 | 13 | 2 | 2,043 |
| <u>\$ 239.00</u> | <u>\$ 327.89</u> | <u>\$ 496.88</u> | <u>\$ 631.06</u> | <u>\$ 771.07</u> | <u>\$ 406.47</u> | <u>\$ 174.21</u> |
| 127 | 81 | 88 | 26 | 5 | — | 874 |
| 166 | 78 | 27 | 7 | 1 | 3 | 1,230 |
| 293 | 159 | 115 | 33 | 6 | 3 | 2,104 |
| <u>\$ 244.79</u> | <u>\$ 323.15</u> | <u>\$ 554.54</u> | <u>\$ 723.37</u> | <u>\$ 632.88</u> | <u>\$ 756.41</u> | <u>\$ 184.01</u> |
| 124 | 99 | 102 | 23 | 6 | 1 | 962 |
| 214 | 126 | 49 | 7 | 4 | 1 | 1,441 |
| 338 | 225 | 151 | 30 | 10 | 2 | 2,403 |
| <u>\$ 258.00</u> | <u>\$ 340.79</u> | <u>\$ 603.66</u> | <u>\$ 670.05</u> | <u>\$ 981.88</u> | <u>\$1,058.60</u> | <u>\$ 200.63</u> |
| 121 | 74 | 80 | 28 | 5 | 2 | 887 |
| 211 | 110 | 44 | 10 | 2 | 2 | 1,440 |
| 332 | 184 | 124 | 38 | 7 | 4 | 2,327 |
| <u>\$ 283.69</u> | <u>\$ 360.26</u> | <u>\$ 616.92</u> | <u>\$ 808.67</u> | <u>\$1,151.25</u> | <u>\$1,133.82</u> | <u>\$ 209.82</u> |

NEW BENEFIT PAYMENTS BY YEAR

Last Ten Years

SURVIVOR BENEFITS

| Benefit | Year Ending June 30 | | 1972 | |
|------------------------|------------------------|-------------------------|--------------|-------------------------|
| | Number | Avg. Monthly Payment | Number | Avg. Monthly Payment |
| Joint Survivor Annuity | 322 | \$119.36 | 333 | \$122.61 |
| Spouse — Age 65 | 60 | 95.75 | 69 | 99.52 |
| Spouse — Age 62 | 430 | 96.76 | 457 | 98.00 |
| Spouse — Age 50 | 238 | 109.28 | 265 | 112.90 |
| Spouse with Children | 287 | 184.50 | 313 | 184.52 |
| Unmarried Children | 65 | 115.75 | 66 | 120.28 |
| Dependent Parents | 8 | 96.58 | 8 | 97.58 |
| Other | 7 | 90.10 | 7 | 91.05 |
| Total | 1,417 | | 1,518 | |

| Benefit | Year Ending June 30 | | 1977 | |
|------------------------|------------------------|-------------------------|--------------|-------------------------|
| | Number | Avg. Monthly Payment | Number | Avg. Monthly Payment |
| Joint Survivor Annuity | 408 | \$179.60 | 428 | \$188.51 |
| Spouse — Age 65 | 75 | 114.35 | 88 | 117.81 |
| Spouse — Age 62 | 588 | 131.15 | 608 | 137.65 |
| Spouse — Age 50 | 420 | 152.15 | 459 | 159.28 |
| Spouse with Children | 354 | 239.71 | 363 | 240.41 |
| Unmarried Children | 83 | 161.00 | 85 | 158.50 |
| Dependent Parents | 10 | 138.81 | 8 | 143.28 |
| Other | 24 | 126.23 | 28 | 136.33 |
| Total | 1,962 | | 2,067 | |

NEW BENEFIT PAYMENTS BY YEAR

Last Ten Years

SURVIVOR BENEFITS

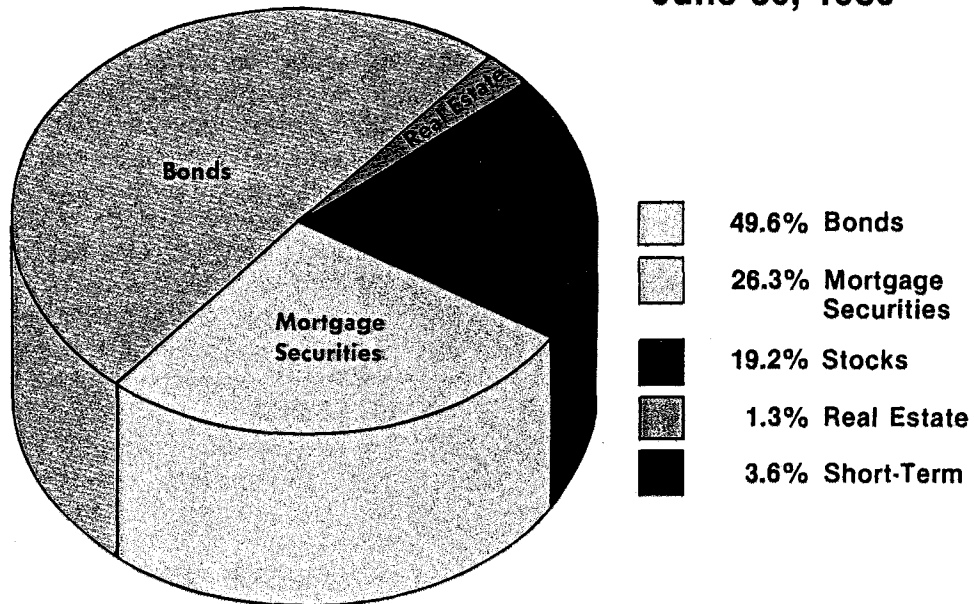
| 1973 | | 1974 | | 1975 | |
|--------|----------------------|--------|----------------------|--------|----------------------|
| Number | Avg. Monthly Payment | Number | Avg. Monthly Payment | Number | Avg. Monthly Payment |
| 368 | \$126.54 | 378 | \$131.94 | 403 | \$138.85 |
| 82 | 104.52 | 81 | 99.65 | 102 | 101.84 |
| 523 | 102.73 | 488 | 102.36 | 485 | 103.46 |
| 309 | 120.86 | 275 | 123.95 | 294 | 129.36 |
| 354 | 186.09 | 495 | 173.46 | 527 | 180.87 |
| 80 | 129.96 | 56 | 133.56 | 40 | 136.75 |
| 9 | 115.42 | 8 | 107.83 | 10 | 111.57 |
| 7 | 92.93 | 4 | 99.60 | 4 | 110.42 |
| <hr/> | | <hr/> | | <hr/> | |
| 1,732 | | 1,785 | | 1,865 | |
| 1978 | | 1979 | | 1980 | |
| Number | Avg. Monthly Payment | Number | Avg. Monthly Payment | Number | Avg. Monthly Payment |
| 448 | \$199.30 | 455 | \$204.70 | 469 | \$217.18 |
| 91 | 117.89 | 110 | 119.28 | 106 | 121.81 |
| 624 | 137.51 | 660 | 139.21 | 678 | 144.00 |
| 493 | 161.95 | 558 | 165.52 | 621 | 172.03 |
| 379 | 246.91 | 374 | 252.08 | 386 | 255.12 |
| 75 | 171.48 | 68 | 169.37 | 65 | 175.46 |
| 7 | 144.46 | 6 | 145.68 | 4 | 148.85 |
| 28 | 136.17 | 28 | 136.61 | 27 | 139.92 |
| <hr/> | | <hr/> | | <hr/> | |
| 2,145 | | 2,259 | | 2,356 | |

NEW BENEFIT PAYMENTS BY YEAR
Last Ten Years

| Year Ending June 30 | DISABILITY RETIREMENT | | | | | |
|---------------------------|-------------------------|----------|----------|----------|----------|----------|
| | Years of Service Credit | 5-9 | 10-14 | 15-19 | 20-24 | Total |
| 1971 | Male | 24 | 14 | 4 | 4 | 46 |
| | Female | 20 | 25 | 10 | 1 | 56 |
| | Total | 44 | 39 | 14 | 5 | 102 |
| | Average Monthly Payment | \$ 99.00 | \$119.58 | \$139.30 | \$314.49 | \$122.96 |
| 1972 | Male | 19 | 11 | 9 | 6 | 45 |
| | Female | 21 | 11 | 7 | 3 | 42 |
| | Total | 40 | 22 | 16 | 9 | 87 |
| | Average Monthly Payment | \$105.96 | \$153.36 | \$173.38 | \$208.90 | \$140.99 |
| 1973 | Male | 32 | 18 | 13 | 3 | 66 |
| | Female | 31 | 16 | 15 | 2 | 64 |
| | Total | 63 | 34 | 28 | 5 | 130 |
| | Average Monthly Payment | \$115.39 | \$161.06 | \$185.66 | \$255.28 | \$147.85 |
| 1974 | Male | 42 | 21 | 19 | 10 | 92 |
| | Female | 51 | 27 | 16 | 8 | 102 |
| | Total | 93 | 48 | 35 | 18 | 194 |
| | Average Monthly Payment | \$124.14 | \$163.14 | \$177.92 | \$336.99 | \$163.24 |
| 1975 | Male | 29 | 19 | 16 | 8 | 72 |
| | Female | 43 | 23 | 15 | 4 | 85 |
| | Total | 72 | 42 | 31 | 12 | 157 |
| | Average Monthly Payment | \$160.19 | \$174.88 | \$241.50 | \$285.14 | \$189.73 |
| 1976 | Male | 51 | 36 | 25 | 14 | 126 |
| | Female | 60 | 39 | 24 | 14 | 137 |
| | Total | 111 | 75 | 49 | 28 | 263 |
| | Average Monthly Payment | \$158.71 | \$224.75 | \$281.27 | \$368.53 | \$222.72 |
| 1977 | Male | 41 | 20 | 18 | 20 | 99 |
| | Female | 69 | 51 | 20 | 9 | 149 |
| | Total | 110 | 71 | 38 | 29 | 248 |
| | Average Monthly Payment | \$163.94 | \$175.88 | \$316.70 | \$335.87 | \$210.87 |
| 1978 | Male | 56 | 25 | 15 | 24 | 120 |
| | Female | 61 | 64 | 19 | 12 | 156 |
| | Total | 117 | 89 | 34 | 36 | 276 |
| | Average Monthly Payment | \$209.80 | \$199.39 | \$297.86 | \$412.95 | \$243.79 |
| 1979 | Male | 47 | 26 | 22 | 33 | 128 |
| | Female | 75 | 54 | 25 | 15 | 169 |
| | Total | 122 | 80 | 47 | 48 | 297 |
| | Average Monthly Payment | \$193.89 | \$247.77 | \$290.66 | \$555.32 | \$282.13 |
| 1980 | Male | 29 | 23 | 23 | 34 | 109 |
| | Female | 71 | 62 | 18 | 18 | 169 |
| | Total | 100 | 85 | 41 | 52 | 278 |
| | Average Monthly Payment | \$201.20 | \$236.28 | \$403.35 | \$498.62 | \$297.37 |

Investments

PORTFOLIO DISTRIBUTION
June 30, 1980



Investment Report

During the past year the size of the fund's assets again increased by over 10%, continuing the trend established over the last 8 to 10 years. The majority of the new funds received during the year were designated to be invested in the fixed-income markets. Currently, approximately 49% of the fund is invested in bonds as compared to 48% last year. In the bond portfolio, the fund continued to emphasize quality with 40% of its bonds being rated AAA which is the highest rating available. During these very volatile times it will be important for the fund to continue to emphasize high quality in the bond portfolio.

Additionally the fund has increased the yield and interest rate on the funds invested in bonds during the past year, and as market conditions permit, will continue to do so. At the June 30 fiscal year-end the yield on the bond portfolio was 9.55% as compared to 9.14% on December 31, 1979. During the year progress was also made in the program of investing more of the bond portfolio in shorter term maturities. The fund will continue this program during the coming year.

At June 30, mortgage securities represented approximately 26% of the fund as compared to 23% of the fund in December, 1979. The majority of the funds' cash flow received during the year was invested in mortgage-backed securities guaranteed by Government National Mortgage Association (GNMA's) and by Federal Home Loan Mortgage Corporation

(FHLMC's). GNMA's and FHLMC's are composed of FHA, VA and conventional mortgage loans on single-family housing. The majority of the GNMA's owned by the System were purchased from large Ohio financial institutions, thus enabling the System to provide money for home mortgages throughout the state of Ohio. The fund plans to continue emphasizing GNMA's and FHLMC's during the coming year because of their attractive yields, good quality, high degree of marketability, attractive repayment characteristics and desirable average life.

Because of the recent volatility in interest rates, the fund has taken a very cautious approach to investing in the fixed-income markets over the last several months. This volatility is expected to remain throughout 1980 and into 1981 due to the continuing high rate of inflation and large amounts of deficit spending by the U. S. Government, and because of this, caution may be required for several more months until some progress is made to control government spending and reduce the U. S. inflation rate.

The stock portfolio continues to include high quality companies with low debt to equity ratios. The standout performers during the last year, were energy, energy services, technology, and capital goods companies; and the fund will continue to emphasize these firms during periods of market weakness in the coming year since they are the key to growth in the 1980's. Over time, the equity account is expected to grow as a percent of the total fund through additions of cash at opportune times in the market.

PORTFOLIO SUMMARY

Schedule I

| Investment Category | June 30, 1980* | | Dec. 31, 1979 | Dec. 31, 1978 | Dec. 31, 1977 | Dec. 31, 1976 |
|---------------------------------------|----------------------|---------------|----------------------|----------------------|----------------------|----------------------|
| | Par Value | Percent | Par Value | Par Value | Par Value | Par Value |
| U. S. Government & Agency Obligations | \$ 37,800,000 | 4.0% | -0- | -0- | \$ 13,027,250 | \$ 22,026,650 |
| Corporate Obligations | 365,770,000 | 38.9 | \$356,670,000 | \$329,920,000 | 298,236,000 | 253,338,484 |
| Canadian Obligations | 63,300,000 | 6.7 | 62,800,000 | 60,300,000 | 54,800,000 | 50,830,000 |
| G.N.M.A. Mortgage-Backed Securities | 126,660,913 | 13.4 | 98,406,209 | 66,358,165 | 80,955,376 | 42,713,908 |
| F.H.L.M.C. Mortgage-Backed Securities | 110,783,826 | 11.8 | 92,904,140 | 63,687,339 | 6,848,624 | -0- |
| F.H.A., V.A. & H.U.D. Mortgages | 10,348,539 | 1.1 | 10,749,012 | 26,337,784 | 44,126,634 | 66,374,887 |
| Common Stocks | 180,783,324 | 19.2 | 178,801,201 | 169,035,620 | 168,665,778 | 169,862,695 |
| Real Estate | 12,592,174 | 1.3 | 12,859,721 | 13,089,571 | 19,433,104 | 20,231,512 |
| Short-Term Investments | 33,650,000 | 3.6 | 61,075,000 | 59,300,000 | 22,850,000 | 12,285,000 |
| | <u>\$941,688,776</u> | <u>100.0%</u> | <u>\$874,265,283</u> | <u>\$788,028,479</u> | <u>\$708,942,766</u> | <u>\$637,663,136</u> |

*NOTE: For the period ended June 30, 1980, the figures given are reported on an accrual basis; all the other figures are on a cash basis.

PORTFOLIO RATES OF RETURN

Schedule II

For Calendar years as Indicated
and Fiscal Year Ended June 30, 1980

| ASSET CATEGORY | June 30, 1980 | 1979 | 1978 | 1977 | 1976 |
|---|---------------|-------------|-------------|-------------|-------------|
| Bond Portfolio | 9.55% | 9.14% | 8.74% | 8.61% | 8.55% |
| Real Estate Mortgage Portfolio | 10.13 | 9.26 | 8.52 | 7.60 | 6.89 |
| Total Fixed-Income Investment | <u>9.74</u> | <u>9.18</u> | <u>8.68</u> | <u>8.34</u> | <u>8.12</u> |
| Equity Portfolio | 17.06 | 17.96 | 9.13 | (8.82) | 15.85 |
| New Invest. Return Rate (New Long-Term, Fixed-Income Investments) | 12.17 | 9.88 | 9.12 | 8.38 | 8.54 |
| Short-Term Investments | 10.80 | 10.76 | 7.55 | 5.15 | 4.86 |

INVESTMENT ACTIVITY

Schedule III

For the year ended June 30, 1980
(Cash Basis)

PRINCIPAL BALANCE AS OF JUNE 30, 1979

\$833,413,727

Increases in Par Value:

| | |
|---------------------------------------|----------------------|
| U. S. Treasury & Federal Agencies | \$ 51,600,000 |
| Corporate Obligations | 119,000,000 |
| Canadian Obligations | 11,700,000 |
| F.H.L.M.C. Mortgage-Backed Securities | 30,934,008 |
| G.N.M.A. Mortgage-Backed Securities | 54,574,211 |
| Common Stocks | <u>41,278,472</u> |
| Total Increases | <u>\$309,086,691</u> |

Decreases in Par Value:

| | |
|---------------------------------------|----------------------|
| U. S. Treasury & Federal Agencies | 13,800,000 |
| Corporate Obligations | 80,650,000 |
| Canadian Obligations | 11,200,000 |
| F.H.L.M.C. Mortgage-Backed Securities | 6,171,678 |
| G.N.M.A. Mortgage-Backed Securities | 20,520,421 |
| F.H.A. Mortgages | 13,041,864 |
| V.A. Mortgages | 1,939,908 |
| H.U.D. Guaranteed Mortgages | 391,700 |
| Common Stocks | 29,099,637 |
| Real Estate | 267,546 |
| Short-Term Investments (net) | <u>45,180,000</u> |
| Total Decreases | <u>\$222,262,754</u> |

Net Increase to Portfolio

86,823,937

PRINCIPAL BALANCE AS OF JUNE 30, 1980

\$920,237,664

QUALITY OF STOCKS

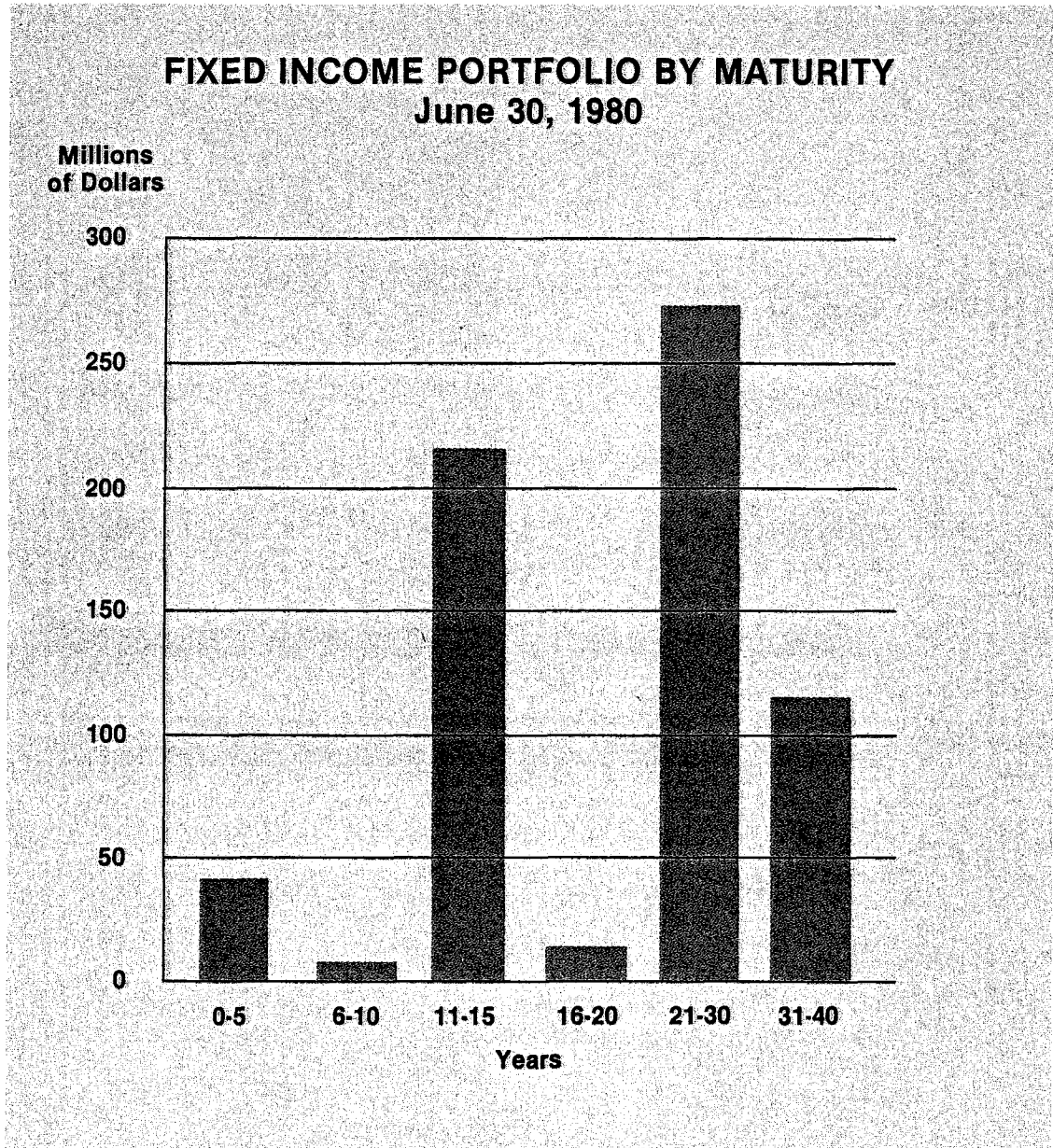
| Quality Rating | Percent of Stock |
|----------------|------------------|
| A + | 35.8 |
| A | 32.1 |
| A - | 14.8 |
| B + | 9.9 |
| B | — |
| B - | — |
| C | — |
| D | — |
| Not Rated | 7.4 |

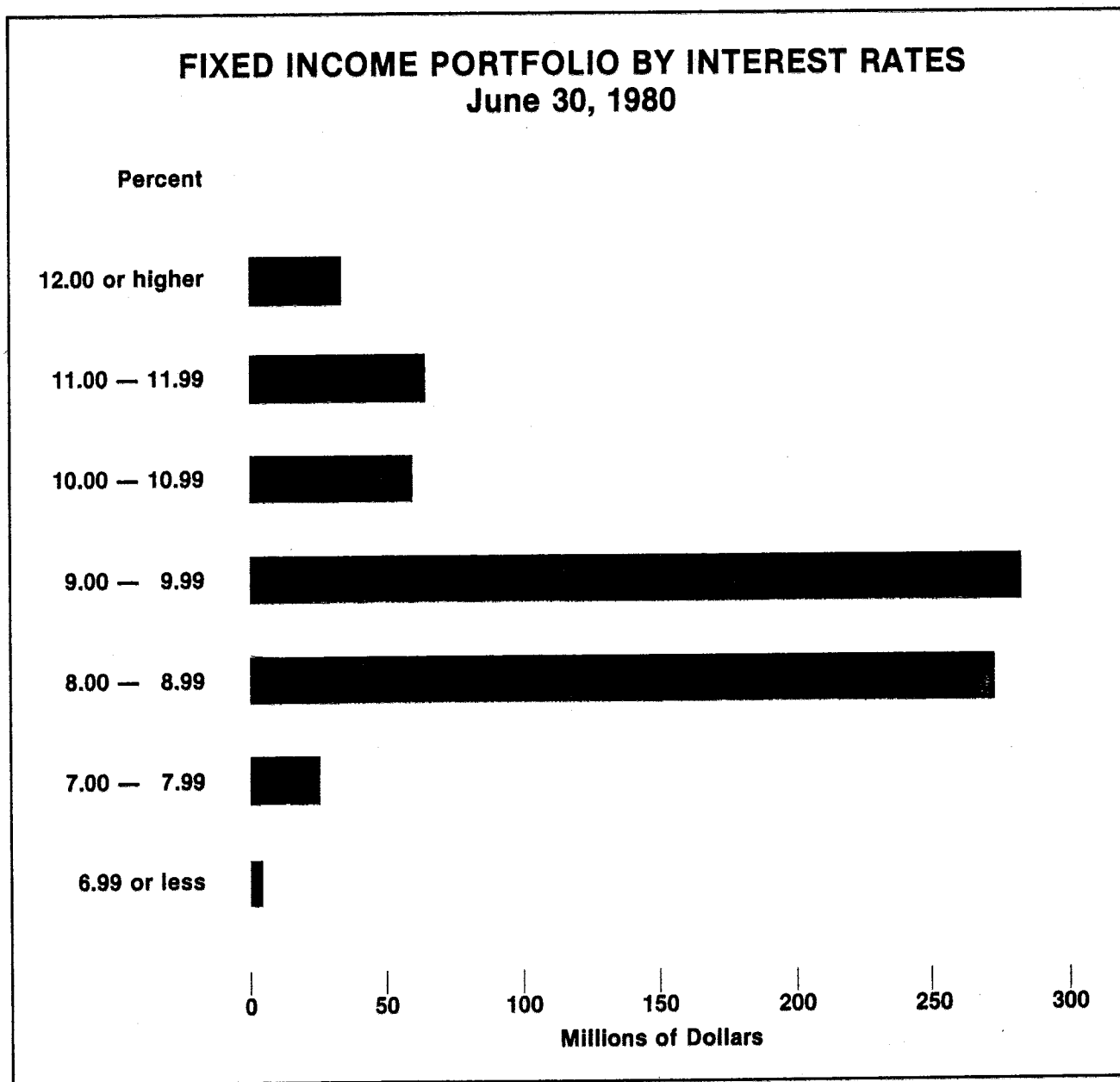
Of the stocks owned by the System, the majority fall within the top four quality grades as rated by Standard and Poor's Corporation with respect to the relative stability and growth of earnings and dividends. The 7.4 percent in the non-rated category are banks and insurance companies which are not rated by Standard and Poor's as a matter of policy

DIVERSIFICATION OF STOCKS

| Category | Percent |
|---------------------------------|---------|
| Credit Sensitive | 14.8 |
| Growth Consumer | 21.8 |
| Consumer Staple | 10.7 |
| Consumer Cyclical | 9.2 |
| Intermediate Goods and Services | 24.7 |
| Capital Goods | 18.8 |

The System's stocks are diversified by industry to reduce risk and to enable the portfolio to participate in up-swings in various sectors of the economy as they arise.

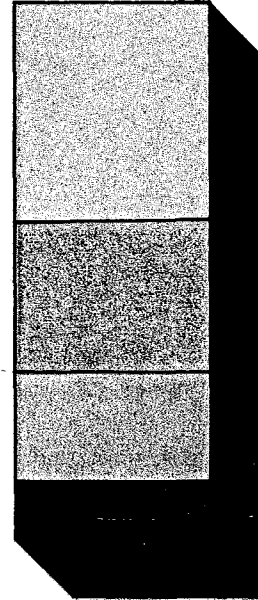




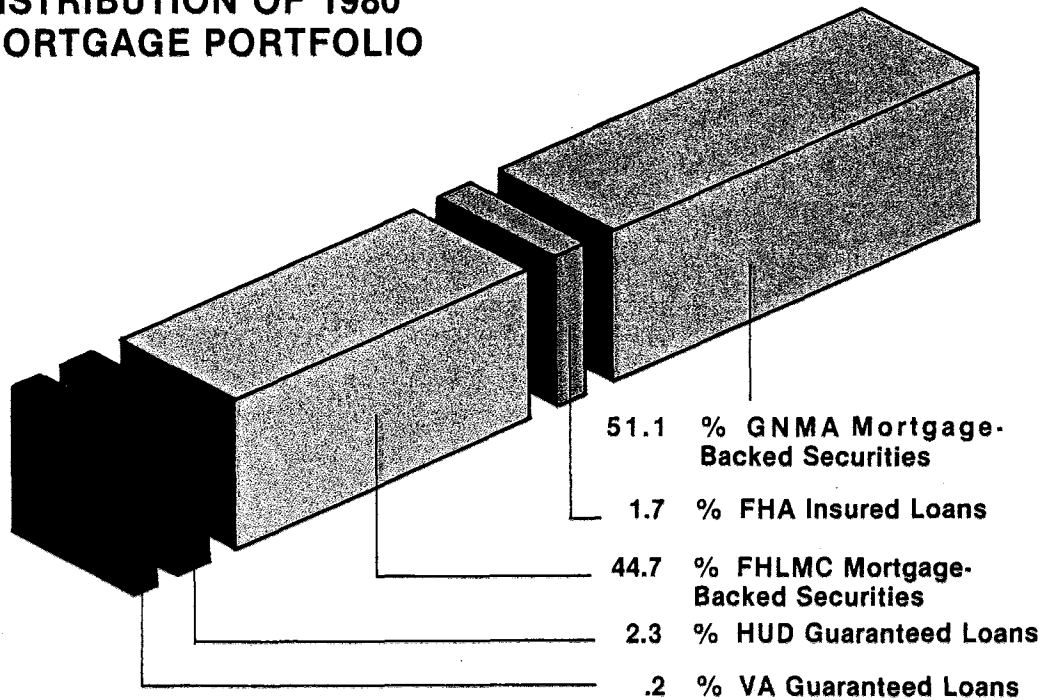
BOND PORTFOLIO QUALITY RATINGS BY MOODY'S
June 30, 1980

All of the bonds in the portfolio fall within the top five grades of the nine bond quality ratings established by Moody's Investors Service, Inc.

40.5% Aaa
 30.0% Aa
 23.8% A
 5.0% Baa
 0.7% Ba



DISTRIBUTION OF 1980 MORTGAGE PORTFOLIO



INVESTMENTS

INVESTMENT PORTFOLIO

June 30, 1980

FIXED-INCOME

| | Interest Rate | Maturity | Par Value | Book Value | Market Value |
|--|------------------|----------|-----------------------|-----------------------|-----------------------|
| SHORT-TERM INVESTMENTS | | | | | |
| Certificate of Deposit | | | | | |
| BancOhio National Bank | 16.20 % | 9-02-80 | \$ 1,000,000. | \$ 1,000,000. | \$ 1,054,900. |
| | | | <u>\$ 1,000,000.</u> | <u>\$ 1,000,000.</u> | <u>\$ 1,054,900.</u> |
| Commercial Paper | | | | | |
| Ford Motor Credit Corp. | | 7-16-80 | \$ 500,000. | \$ 497,165. | \$ 498,028. |
| Ford Motor Credit Corp. | | 7-18-80 | 1,600,000. | 1,590,533. | 1,592,900. |
| Ford Motor Credit Corp. | | 7-23-80 | 4,000,000. | 3,971,403. | 3,977,319. |
| Ford Motor Credit Corp. | | 7-25-80 | 700,000. | 695,333. | 696,111. |
| Ford Motor Credit Corp. | | 7-28-80 | 1,900,000. | 1,886,489. | 1,888,178. |
| General Electric Credit Corp. | | 7-07-80 | 2,600,000. | 2,586,133. | 2,595,955. |
| General Electric Credit Corp. | | 7-11-80 | 900,000. | 897,112. | 897,731. |
| General Electric Credit Corp. | | 7-17-80 | 1,200,000. | 1,194,957. | 1,194,957. |
| General Motors Accept. Corp. | | 7-15-80 | 900,000. | 893,656. | 896,719. |
| General Tel. Co. of California | | 7-02-80 | 1,000,000. | 993,344. | 999,507. |
| General Tel. Co. of California | | 7-25-80 | 2,000,000. | 1,986,144. | 1,988,057. |
| General Tel. Co. of Kentucky | | 7-03-80 | 1,500,000. | 1,488,370. | 1,498,797. |
| General Tel. Co. of Kentucky | | 7-08-80 | 1,700,000. | 1,691,323. | 1,696,694. |
| General Tel. Co. of Michigan | | 7-10-80 | 300,000. | 298,387. | 299,267. |
| General Tel. Co. of Pennsylvania | | 7-07-80 | 800,000. | 796,112. | 798,639. |
| General Tel. Co. of Pennsylvania | | 7-15-80 | 700,000. | 696,646. | 697,484. |
| Getty Oil Company | | 7-15-80 | 2,800,000. | 2,787,555. | 2,790,667. |
| Kansas City Power & Light Co. | | 7-07-80 | 1,050,000. | 1,043,208. | 1,048,239. |
| Kansas City Power & Light Co. | | 7-07-80 | 2,000,000. | 1,990,417. | 1,996,646. |
| N L Industries | | 7-09-80 | 1,000,000. | 994,805. | 997,875. |
| Smith Kline Corp. | | 7-14-80 | 2,500,000. | 2,490,000. | 2,492,222. |
| Southern Bell Tel. & Tel. Co. | | 7-01-80 | 1,000,000. | 998,667. | 999,778. |
| | | | <u>\$ 32,650,000.</u> | <u>\$ 32,467,759.</u> | <u>\$ 32,541,770.</u> |
| Total Short-Term | | | <u>\$ 33,650,000.</u> | <u>\$ 33,467,759.</u> | <u>\$ 33,596,670.</u> |
| U.S. TREASURY OBLIGATIONS | | | | | |
| U.S. Treasury Bills | | 8-07-80 | \$ 5,000,000. | \$ 4,699,822. | \$ 4,963,636. |
| U.S. Treasury Notes | 11.375% | 12-31-81 | 10,000,000. | 9,913,282. | 10,346,875. |
| U.S. Treasury Notes | 11.50 | 1-31-82 | 15,000,000. | 14,175,625. | 15,487,500. |
| U.S. Treasury Bonds | 10.00 | 5-15-10 | 3,000,000. | 2,911,875. | 3,007,500. |
| | | | <u>\$ 33,000,000.</u> | <u>\$ 31,700,604.</u> | <u>\$ 33,805,511.</u> |
| FEDERAL HOME LOAN MORTGAGE CORP. GUARANTEED MORTGAGE CERTIFICATES | | | | | |
| FHLMC Guaranteed Mtg. Ctf. | 12.45 % | 9-15-09 | \$ 4,800,000. | \$ 4,920,000. | \$ 4,872,000. |
| | | | <u>\$ 4,800,000.</u> | <u>\$ 4,920,000.</u> | <u>\$ 4,872,000.</u> |
| Total U.S. Government and Agency Obligations | | | <u>\$ 37,800,000.</u> | <u>\$ 36,620,604.</u> | <u>\$ 38,677,511.</u> |

INVESTMENTS

INVESTMENT PORTFOLIO

June 30, 1980 (Continued)

| | Interest Rate | Maturity | Par Value | Book Value | Market Value |
|---|------------------|----------|----------------|----------------|-----------------|
| CORPORATE OBLIGATIONS | | | | | |
| Industrial Bonds | | | | | |
| Cities Service Co. | 9.75 % | 10-01-00 | \$ 6,500,000. | \$ 6,519,666. | \$ 5,869,890. |
| Continental Oil Co. | 9.125 | 11-01-99 | 9,500,000. | 9,662,310. | 8,357,435. |
| Continental Oil Co. | 8.875 | 6-01-01 | 1,000,000. | 960,987. | 859,710. |
| Continental Oil Co. | 9.375 | 4-01-09 | 3,000,000. | 2,945,625. | 2,671,080. |
| Dana Corporation | 9.00 | 2-15-00 | 2,750,000. | 2,525,086. | 2,340,057. |
| Dana Corporation | 8.875 | 11-15-08 | 8,250,000. | 8,170,437. | 6,823,163. |
| Deere & Company | 8.45 | 3-01-00 | 4,000,000. | 4,000,000. | 3,312,000. |
| Diamond Shamrock Corp. | 9.00 | 4-01-99 | 1,000,000. | 1,009,048. | 824,350. |
| Diamond Shamrock Corp. | 9.125 | 11-15-00 | 5,000,000. | 5,089,061. | 4,184,550. |
| Diamond Shamrock Corp. | 8.50 | 4-01-08 | 2,600,000. | 2,580,673. | 2,028,520. |
| Du Pont (E.I.), de Nemours Co. | 8.45 | 11-15-04 | 1,000,000. | 998,979. | 832,110. |
| Ford Motor Company | 9.25 | 7-15-94 | 3,000,000. | 3,013,320. | 2,474,250. |
| General Mills, Inc. | 9.375 | 3-01-09 | 8,500,000. | 8,491,542. | 7,466,825. |
| McDonalds Corp. | 9.00 | 5-01-85 | 5,000,000. | 4,707,371. | 4,757,200. |
| McDonalds Corp. | 10.25 | 10-01-89 | 3,000,000. | 3,000,000. | 2,921,940. |
| Penney (J.C.) Company | 9.00 | 6-15-99 | 2,000,000. | 2,022,619. | 1,688,260. |
| Philip Morris, Inc. | 8.65 | 3-01-84 | 2,000,000. | 1,817,689. | 1,909,960. |
| Philip Morris, Inc. | 9.55 | 6-01-86 | 6,000,000. | 5,669,495. | 5,829,840. |
| Philip Morris, Inc. | 9.125 | 7-15-03 | 3,500,000. | 3,432,347. | 3,005,275. |
| Philip Morris, Inc. | 8.875 | 6-01-04 | 3,750,000. | 3,627,841. | 3,130,125. |
| Phillips Petroleum Co. | 8.875 | 11-15-00 | 8,000,000. | 8,180,400. | 6,933,680. |
| Standard Brands, Inc. | 9.50 | 12-15-04 | 2,500,000. | 2,551,542. | 2,174,575. |
| Standard Oil Co. of Indiana | 9.20 | 7-15-04 | 5,750,000. | 5,658,293. | 5,121,640. |
| Union Oil Co. of California | 8.375 | 6-01-85 | 3,000,000. | 2,834,600. | 2,814,150. |
| Xerox Corp., Sub. Conv. Deb. | 6.00 | 11-01-95 | 1,220,000. | 1,831,980. | 982,100. |
| | | | \$101,820,000. | \$101,300,911. | \$ 89,312,685. |
| Telephone Bonds | | | | | |
| American Tel. & Tel. Co. | 10.375% | 6-01-90 | \$ 3,000,000. | \$ 3,015,000. | \$ 3,004,590. |
| Bell Tel. Co. of Pennsylvania | 9.25 | 1-15-19 | 3,500,000. | 3,441,034. | 3,006,395. |
| Bell Tel. Co. of Pennsylvania | 11.875 | 4-15-20 | 3,000,000. | 3,187,620. | 3,031,560. |
| Chesapeake & Potomac Tel. Co. of Maryland | 8.875 | 6-01-09 | 2,000,000. | 2,046,994. | 1,668,040. |
| Chesapeake & Potomac Tel. Co. of Virginia | 8.625 | 4-01-09 | 4,000,000. | 4,127,867. | 3,233,600. |
| Chesapeake & Potomac Tel. Co. of Virginia | 9.25 | 12-15-15 | 3,000,000. | 3,061,016. | 2,556,420. |
| Chesapeake & Potomac Tel. Co. of West Virginia | 9.00 | 5-15-15 | 1,000,000. | 1,020,357. | 826,240. |
| Cincinnati Bell, Inc. | 9.60 | 10-01-15 | 3,000,000. | 3,000,000. | 2,626,950. |
| General Tel. Co. of Florida | 10.75 | 7-01-04 | 4,000,000. | 3,760,100. | 3,726,480. |
| General Tel. Co. of Florida | 9.375 | 3-01-05 | 500,000. | 504,519. | 418,710. |
| General Tel. Co. of Michigan | 11.875 | 6-01-10 | 5,000,000. | 4,962,500. | 4,756,700. |
| General Tel. Co. of Ohio | 9.00 | 6-01-06 | 2,000,000. | 1,977,250. | 1,595,940. |
| General Tel. Co. of Pennsylvania | 12.00 | 6-01-10 | 5,000,000. | 5,000,000. | 4,881,500. |
| General Tel. Co. of the Southwest | 9.875 | 12-01-05 | 1,000,000. | 1,001,955. | 870,560. |
| General Tel. Co. of Upstate New York | 9.125 | 4-01-04 | 1,000,000. | 997,960. | 804,620. |

INVESTMENTS

INVESTMENT PORTFOLIO

June 30, 1980 (Continued)

| | Interest Rate | Maturity | Par Value | Book Value | Market Value |
|------------------------------------|------------------|----------|----------------|----------------|-----------------|
| Telephone Bonds (Continued) | | | | | |
| Michigan Bell Tel. Co. | 8.625% | 2-01-10 | \$ 500,000. | \$ 511,451. | \$ 401,965. |
| Michigan Bell Tel. Co. | 7.75 | 6-01-11 | 1,000,000. | 1,009,178. | 731,890. |
| Michigan Bell Tel. Co. | 9.125 | 12-01-18 | 3,000,000. | 2,516,018. | 2,508,330 |
| Mountain States Tel. & Tel. Co. | 9.25 | 12-15-14 | 2,000,000. | 1,949,625. | 1,722,180. |
| Mountain States Tel. & Tel. Co. | 9.75 | 8-01-12 | 3,000,000. | 2,943,210. | 2,658,240 |
| Mountain States Tel. & Tel. Co. | 9.625 | 9-01-15 | 7,500,000. | 7,290,535. | 6,578,325. |
| Mountain States Tel. & Tel. Co. | 8.625 | 4-01-18 | 3,000,000. | 2,937,357. | 2,407,230. |
| Mountain States Tel. & Tel. Co. | 11.25 | 11-01-19 | 3,000,000. | 3,096,570. | 2,928,030. |
| New York Tel. Co. | 8.875 | 3-15-15 | 5,500,000. | 4,986,761. | 4,566,045. |
| New York Tel. Co. | 8.625 | 6-15-16 | 3,000,000. | 2,914,857. | 2,420,700. |
| Northwestern Bell Tel. Co. | 8.625 | 6-15-12 | 12,000,000. | 12,180,467. | 9,711,480. |
| Northwestern Bell Tel. Co. | 9.50 | 8-15-16 | 1,000,000. | 980,191. | 870,390. |
| Ohio Bell Tel. Co. | 7.875 | 10-01-13 | 2,000,000. | 1,805,980. | 1,495,420. |
| Ohio Bell Tel. Co. | 9.00 | 11-01-18 | 2,750,000. | 2,433,456. | 2,299,798. |
| Pacific Northwest Bell Tel. Co. | 8.75 | 6-01-08 | 1,000,000. | 1,004,307. | 820,250. |
| Pacific Northwest Bell Tel. Co. | 9.00 | 11-01-12 | 1,000,000. | 860,520. | 842,720. |
| Pacific Northwest Bell Tel. Co. | 11.00 | 5-01-20 | 1,000,000. | 1,033,900. | 969,540. |
| Pacific Tel. & Tel. Co. | 8.65 | 4-01-05 | 500,000. | 510,357. | 385,500. |
| Pacific Tel. & Tel. Co. | 8.875 | 7-01-15 | 5,000,000. | 5,186,603. | 3,585,200. |
| Pacific Tel. & Tel. Co. | 9.00 | 1-15-18 | 4,000,000. | 4,019,000. | 3,157,200. |
| South Central Bell Tel. Co. | 9.20 | 4-01-10 | 6,000,000. | 5,286,654. | 5,081,280. |
| South Central Bell Tel. Co. | 9.625 | 3-01-19 | 5,000,000. | 5,073,125. | 4,453,100. |
| Southern Bell Tel. & Tel. Co. | 8.25 | 4-15-16 | 6,000,000. | 5,876,756. | 4,659,120. |
| Southern Bell Tel. & Tel. Co. | 10.90 | 12-01-19 | 2,500,000. | 2,590,325. | 2,419,025. |
| Southern New England Tel. Co. | 9.625 | 12-01-10 | 2,000,000. | 2,028,588. | 1,736,540. |
| Southwestern Bell Tel. Co. | 8.50 | 3-15-16 | 12,000,000. | 12,308,734. | 9,548,040. |
| Southwestern Bell Tel. Co. | 11.375 | 1-15-20 | 11,000,000. | 11,138,720. | 10,863,160. |
| | | | \$147,250,000. | \$145,577,417. | \$126,829,003. |

| | | | | | |
|-------------------------------------|--------|----------|---------------|---------------|-------------|
| Power & Light Bonds | | | | | |
| Baltimore Gas & Electric Co. | 8.375% | 9-15-06 | \$ 1,250,000. | \$ 1,262,632. | \$ 974,037. |
| Baltimore Gas & Electric Co. | 9.375 | 7-01-08 | 1,000,000. | 1,010,519. | 852,140. |
| Central Illinois Public Service Co. | 8.50 | 3-01-04 | 2,000,000. | 1,914,080. | 1,581,500. |
| Central Power & Light Co. | 9.375 | 6-01-04 | 1,500,000. | 1,497,912. | 1,289,985 |
| Cincinnati Gas & Electric Co. | 8.625 | 12-01-00 | 2,000,000. | 1,964,570. | 1,596,500. |
| Cincinnati Gas & Electric Co. | 9.125 | 4-15-08 | 1,000,000. | 1,007,112. | 823,700. |
| Connecticut Light & Power Co. | 8.75 | 3-01-04 | 1,000,000. | 1,018,382. | 760,540. |
| Connecticut Light & Power Co. | 8.875 | 5-01-07 | 700,000. | 719,688. | 535,822. |
| Duke Power Co. | 8.125 | 9-01-07 | 4,000,000. | 3,943,477. | 2,984,880. |
| Duquesne Light Co. | 7.875 | 3-01-01 | 1,500,000. | 1,363,932. | 1,110,915. |
| Duquesne Light Co. | 9.00 | 6-01-06 | 2,000,000. | 1,988,442. | 1,616,480. |
| El Paso Electric Co. | 8.50 | 4-01-07 | 2,500,000. | 2,477,500. | 1,972,925. |
| Florida Power Corp. | 8.75 | 10-01-06 | 8,000,000. | 8,170,730. | 6,479,120. |
| Idaho Power Co. | 8.375 | 1-15-04 | 2,000,000. | 2,004,000. | 1,527,740. |
| Illinois Power Co. | 9.00 | 11-01-00 | 1,500,000. | 1,500,000. | 1,252,950. |
| Indianapolis Power & Light Co. | 9.30 | 6-01-06 | 2,650,000. | 2,661,688. | 2,236,732. |
| Iowa Power & Light Co. | 8.75 | 3-01-06 | 1,000,000. | 1,044,570. | 798,040. |
| Iowa Public Service Co. | 9.00 | 5-01-06 | 2,500,000. | 2,636,222. | 2,047,150. |
| Kansas Gas & Electric Co. | 8.125 | 5-01-01 | 1,000,000. | 912,386. | 714,210. |
| Kansas Gas & Electric Co. | 8.375 | 9-01-06 | 500,000. | 509,054. | 360,585. |

INVESTMENTS

INVESTMENT PORTFOLIO

June 30, 1980 (Continued)

| | Interest Rate | Maturity | Par Value | Book Value | Market Value |
|--|------------------|----------|-----------------------|-----------------------|-----------------------|
| Power & Light Bonds (Continued) | | | | | |
| Kansas Gas & Electric Co. | 8.875% | 3-15-08 | \$ 1,000,000. | \$ 1,002,436. | \$ 761,190. |
| Kansas Power & Light Co. | 8.75 | 9-01-00 | 1,000,000. | 1,034,894. | 812,250. |
| Kansas Power & Light Co. | 8.625 | 5-01-06 | 2,000,000. | 2,077,641. | 1,581,420. |
| Kentucky Utilities Co. | 9.125 | 4-01-04 | 1,500,000. | 1,515,468. | 1,248,285. |
| Metropolitan Edison Co. | 9.00 | 9-01-08 | 3,000,000. | 2,900,421. | 1,600,560. |
| New England Power Co. | 8.625 | 8-01-03 | 2,000,000. | 2,027,417. | 1,563,980. |
| New England Power Co. | 8.625 | 1-01-07 | 1,000,000. | 933,124. | 774,790. |
| Northern Indiana Public Services Co. | 8.90 | 4-01-04 | 500,000. | 527,270. | 408,515. |
| Ohio Edison Co. | 8.50 | 12-01-06 | 1,000,000. | 1,014,463. | 720,560. |
| Ohio Edison Co. | 8.375 | 6-15-07 | 5,500,000. | 5,489,875. | 3,878,160. |
| Oklahoma Gas & Electric Co. | 8.375 | 1-01-04 | 1,000,000. | 1,011,321. | 784,040. |
| Oklahoma Gas & Electric Co. | 8.625 | 1-01-06 | 3,100,000. | 3,211,454. | 2,442,087. |
| Pacific Gas & Electric Co. | 7.50 | 12-01-03 | 6,000,000. | 5,832,059. | 4,303,440. |
| Pennsylvania Power & Light Co. | 9.75 | 11-01-05 | 500,000. | 529,648. | 428,390. |
| Pennsylvania Power & Light Co. | 8.25 | 12-01-06 | 2,000,000. | 2,006,737. | 1,529,540. |
| Philadelphia Electric Co. | 8.25 | 8-01-96 | 2,500,000. | 2,550,845. | 1,824,750. |
| Philadelphia Electric Co. | 8.625 | 7-15-03 | 3,000,000. | 3,003,387. | 2,210,220. |
| Philadelphia Electric Co. | 8.50 | 1-15-04 | 4,500,000. | 4,468,622. | 3,266,595. |
| Philadelphia Electric Co. | 8.625 | 3-15-07 | 4,000,000. | 3,988,525. | 2,920,240. |
| Public Service Electric & Gas Co. | 8.50 | 3-01-04 | 1,500,000. | 1,538,413. | 1,201,755. |
| Public Service Electric & Gas Co. | 8.75 | 4-01-06 | 4,500,000. | 4,496,291. | 3,622,050. |
| Public Service Electric & Gas Co. | 9.375 | 11-01-08 | 1,100,000. | 1,060,473. | 937,057. |
| Public Service Electric & Gas Co. | 8.25 | 6-01-07 | 2,000,000. | 1,994,375. | 1,555,600. |
| Public Service Co. of Colorado | 7.25 | 2-01-01 | 500,000. | 420,624. | 333,710. |
| Public Service Co. of Oklahoma | 8.75 | 6-01-05 | 1,000,000. | 1,048,159. | 806,120. |
| South Carolina Electric & Gas Co. | 9.125 | 2-01-06 | 4,300,000. | 4,506,602. | 3,501,103. |
| Southern California Edison Co. | 8.875 | 3-01-00 | 3,500,000. | 3,570,941. | 2,882,215. |
| Southern California Edison Co. | 8.875 | 3-15-01 | 2,000,000. | 2,078,750. | 1,641,900. |
| Southwestern Public Service Co. | 8.80 | 2-01-05 | 1,000,000. | 1,053,855. | 807,340. |
| Southwestern Public Service Co. | 8.75 | 3-01-08 | 500,000. | 501,167. | 399,470. |
| Union Electric Co. | 8.875 | 9-01-06 | 3,500,000. | 3,569,717. | 2,704,835. |
| Utah Power & Light Co. | 8.375 | 9-01-06 | 600,000. | 606,737. | 471,750. |
| Utah Power & Light Co. | 8.50 | 3-01-07 | 500,000. | 512,579. | 386,055. |
| West Penn Power Co. | 7.625 | 6-01-02 | 1,000,000. | 893,614. | 735,330. |
| Wisconsin Power & Light Co. | 8.875 | 4-01-04 | 2,500,000. | 2,598,182. | 2,055,000. |
| Wisconsin Power & Light Co. | 8.875 | 5-01-06 | 2,000,000. | 1,989,167. | 1,637,920. |
| | | | <u>\$116,700,000.</u> | <u>\$117,172,149.</u> | <u>\$ 90,254,173.</u> |
| Total Corporate Bonds | | | <u>\$365,770,000.</u> | <u>\$364,050,477.</u> | <u>\$306,395,861.</u> |

CANADIAN OBLIGATIONS

| Province | Interest Rate | Maturity | Par Value | Book Value | Market Value |
|---------------------|------------------|----------|-------------|---------------|-----------------|
| Province of Ontario | 9.25 % | 8-01-00 | \$ 500,000. | \$ 481,726. | \$ 432,210. |
| Province of Ontario | 8.60 | 3-15-04 | 1,000,000. | 1,004,530. | 803,930. |
| Province of Ontario | 8.875 | 3-01-05 | 4,800,000. | 4,837,879. | 3,952,512. |
| Province of Ontario | 9.125 | 6-15-05 | 4,000,000. | 4,128,290. | 3,377,000. |
| Province of Ontario | 9.25 | 11-15-05 | 3,500,000. | 3,596,177. | 2,990,330. |

INVESTMENTS

INVESTMENT PORTFOLIO

June 30, 1980 (Continued)

| | Interest Rate | Maturity | Par Value | Book Value | Market Value |
|--|------------------|----------|-----------------------|-----------------------|-----------------------|
| Province (Continued) | | | | | |
| Province of Ontario | 8.75 % | 1-05-08 | \$ 500,000. | \$ 471,871. | \$ 405,610. |
| Province of Ontario | 9.75 | 3-01-09 | 4,500,000. | 3,974,550. | 4,008,870. |
| Province of Saskatchewan | 8.70 | 11-15-06 | 1,500,000. | 1,446,471. | 1,207,110. |
| Province of Saskatchewan | 8.625 | 5-15-07 | 7,500,000. | 7,233,113. | 5,982,375. |
| Province of Saskatchewan | 9.25 | 4-15-08 | 1,000,000. | 940,507. | 846,790. |
| | | | <u>\$ 28,800,000.</u> | <u>\$ 28,115,114.</u> | <u>\$ 24,006,737.</u> |
| Authority, Board, Commission | | | | | |
| Alberta Government Tel. Comm. | 6.25 % | 10-01-92 | \$ 1,000,000. | \$ 923,125. | \$ 705,390. |
| Alberta Government Tel. Comm. | 7.875 | 9-01-96 | 1,300,000. | 1,310,370. | 1,012,180. |
| British Columbia Hydro & Power Auth. | 8.375 | 6-15-07 | 3,000,000. | 3,000,000. | 2,344,800. |
| British Columbia Hydro & Power Auth. | 8.625 | 12-01-06 | 5,500,000. | 5,489,510. | 4,363,425. |
| Manitoba Hydro-Electric Board | 9.50 | 10-01-85 | 7,700,000. | 7,458,703. | 7,484,939. |
| Manitoba Hydro-Electric Board | 9.25 | 6-30-01 | 9,000,000. | 9,030,543. | 7,655,220. |
| Manitoba Hydro-Electric Board | 9.375 | 12-01-04 | 3,000,000. | 3,139,626. | 2,567,130. |
| Manitoba Hydro-Electric Board | 9.25 | 6-15-04 | 1,500,000. | 1,580,252. | 1,268,790. |
| Manitoba Hydro-Electric Board | 8.625 | 12-01-06 | 2,500,000. | 2,486,061. | 1,983,375. |
| | | | <u>\$ 34,500,000.</u> | <u>\$ 34,418,190.</u> | <u>\$ 29,385,249.</u> |
| Total | | | <u>\$ 63,300,000.</u> | <u>\$ 62,533,304.</u> | <u>\$ 53,391,986</u> |
| Canadian Obligations | | | <u>\$466,870,000.</u> | <u>\$463,204,385.</u> | <u>\$398,465,358.</u> |
| Total Bonds | | | | | |
| MORTGAGE SECURITIES | | | | | |
| GNMA Modified Pass-Through Mortgage-Backed Securities | | | | | |
| Level Payment | 7.50 % | 2006-07 | \$ 5,205,527. | \$ 5,014,219. | \$ 4,190,449. |
| Level Payment | 8.00 | 2005-08 | 25,195,633. | 24,972,561. | 21,164,331. |
| Level Payment | 8.25 | 2006-08 | 6,840,604. | 6,681,986. | 5,882,920. |
| Level Payment | 8.50 | 2008 | 1,349,887. | 1,321,759. | 1,181,151. |
| Level and Graduated Payment | 9.00 | 2008-09 | 21,792,494. | 21,310,435. | 19,169,081. |
| Level and Graduated Payment | 9.50 | 2009 | 24,457,078. | 23,760,947. | 21,902,983. |
| Level and Graduated Payment | 10.00 | 2009 | 3,239,701. | 3,175,215. | 2,990,908. |
| Level and Graduated Payment | 11.00 | 2010 | 16,920,764. | 16,425,059. | 16,247,529. |
| Level and Graduated Payment | 12.50 | 2010 | 16,634,555. | 15,725,231. | 17,024,584. |
| Graduated Payment | 13.50 | 2010 | 5,024,670. | 4,955,581. | 5,244,500. |
| | | | <u>\$126,660,913.</u> | <u>\$123,342,993.</u> | <u>\$114,998,436</u> |
| FHLMC Mortgage-Backed Participation Certificates | | | | | |
| Issue Date 1977 | 8.25 % | 2007 | \$ 3,104,250. | \$ 3,038,724. | \$ 2,623,091. |
| Issue Date 1978 | 8.75 | 2008 | 12,043,419. | 11,774,725. | 10,417,558. |
| Issue Date 1978 | 9.00 | 2008 | 11,646,720. | 11,312,398. | 10,176,322. |
| Issue Date 1978 | 9.25 | 2008 | 27,026,782. | 26,732,243. | 23,918,702. |
| Issue Date 1978 | 9.50 | 2008 | 2,795,429. | 2,781,240. | 2,501,909. |
| Issue Date 1979 | 10.00 | 2009 | 29,545,954. | 29,136,705. | 27,071,480. |

INVESTMENTS

INVESTMENT PORTFOLIO

June 30, 1980 (Continued)

| | Interest Rate | Maturity | Par Value | Book Value | Market Value |
|---|------------------|----------|-----------------------|-----------------------|-----------------------|
| FHLMC Mortgage-Backed Participation Certificates (Continued) | | | | | |
| Issue Date 1979 | 10.25 % | 2009 | \$ 4,725,138. | \$ 4,697,083. | \$ 4,370,753. |
| Issue Date 1979-80 | 12.00 | 2009-10 | 9,942,313. | 9,959,609. | 9,967,169. |
| Issue Date 1980 | 13.50 | 2010 | 1,977,556. | 1,984,353. | 2,081,377. |
| Issue Date 1980 | 14.75 | 2010 | 7,976,265. | 7,897,354. | 8,644,277. |
| | | | <u>\$110,783,826.</u> | <u>\$109,314,434.</u> | <u>\$101,772,638.</u> |
| FHA Insured Mortgages | | | | | |
| Single Family | 4.50 % | Various | \$ 95. | \$ 95. | \$ 88. |
| Single Family | 5.00 | Various | 18,946. | 18,946. | 14,141. |
| Single Family | 5.25 | Various | 277,089. | 277,089. | 208,011. |
| Single Family | 5.50 | Various | 44,345. | 44,345. | 33,658. |
| Single Family | 5.75 | Various | 51,194. | 51,194. | 39,276. |
| Single Family | 6.00 | Various | 55,050. | 55,050. | 40,814. |
| Single Family | 6.75 | Various | 49,774. | 49,774. | 36,758. |
| FHA PROJECT—Section 231 | 5.50 | 5-01-10 | 3,797,242. | 3,797,242. | 2,385,048. |
| | | | <u>\$ 4,293,735.</u> | <u>\$ 4,293,735.</u> | <u>\$ 2,757,794.</u> |
| VA Guaranteed Mortgages | | | | | |
| Single Family | 4.50 % | Various | \$ 11,621. | \$ 11,621. | \$ 8,469. |
| Single Family | 5.25 | Various | 239,230. | 239,230. | 169,853. |
| Single Family | 5.50 | Various | 13,618. | 13,618. | 9,726. |
| Single Family | 5.75 | Various | 35,343. | 35,343. | 25,783. |
| Single Family | 6.00 | Various | 79,223. | 79,223. | 58,585. |
| Single Family | 6.75 | Various | 17,692. | 17,692. | 12,975. |
| Single Family | 7.50 | Various | 14,575. | 14,575. | 11,103. |
| | | | <u>\$ 411,302.</u> | <u>\$ 411,302.</u> | <u>\$ 296,494</u> |
| HUD Guaranteed Mortgages | | | | | |
| Section 23 | 7.00-8.75% | 1985-91 | \$ 5,643,502. | \$ 5,643,342. | \$ 4,908,466. |
| Total Mortgages | | | <u>\$247,793,278.</u> | <u>\$243,005,806.</u> | <u>\$224,733,828.</u> |
| Total Bonds & Mortgages | | | <u>\$714,663,278.</u> | <u>\$706,210,191.</u> | <u>\$623,199,186.</u> |

PRODUCTIVE REAL ESTATE

| | Book Value | Market Value |
|--|-----------------------|-----------------------|
| Land and Buildings | | |
| 88 East Broad Street, Columbus, Ohio | \$ 5,592,174. | \$ 8,100,000. |
| PRUDENTIAL PROPERTY INVESTMENT SEPARATE ACCOUNT (PRISA) | 7,000,000. | 15,340,800. |
| Total Real Estate | <u>\$ 12,592,174.</u> | <u>\$ 23,440,800.</u> |

INVESTMENTS

INVESTMENT PORTFOLIO

June 30, 1980 (Continued)

| Number of Shares | COMMON STOCKS | Book Value | Market Value |
|---------------------|---|-------------|---------------|
| 20,000 | Amerada Hess Corporation | \$ 903,550. | \$ 1,060,000. |
| 100,000 | American Express Company | 3,493,927. | 3,487,500. |
| 40,000 | American Home Products Corporation | 1,384,335. | 1,140,000. |
| 45,000 | American Stores Company | 1,134,025. | 1,282,500. |
| 95,000 | American Telephone & Telegraph Company | 5,229,279. | 4,987,500. |
| 35,000 | Arizona Bank | 519,923. | 586,250. |
| 60,000 | Avon Products, Inc. | 4,734,284. | 2,145,000. |
| 29,500 | Black & Decker Manufacturing Company | 1,139,355. | 516,250. |
| 55,000 | Boeing Company (The) | 2,064,575. | 1,925,000. |
| 35,000 | Bristol Myers Company | 1,184,530. | 1,360,625. |
| 30,000 | Caterpillar Tractor Company | 1,466,162. | 1,582,500. |
| 13,500 | CBS, Inc. | 632,820. | 636,187. |
| 42,000 | Cities Service Company | 749,972. | 1,470,000. |
| 55,000 | Coca Cola Company | 3,045,757. | 1,815,000. |
| 12,000 | Conoco, Inc. | 357,060. | 631,500. |
| 50,000 | Dart Industries, Inc. | 2,151,480. | 2,118,750. |
| 30,378 | Disney (Walt) Productions | 1,845,915. | 1,458,144. |
| 40,000 | Dow Chemical Company | 1,182,050. | 1,345,000. |
| 54,000 | Du Pont (E.I.) de Nemours & Company | 2,551,921. | 2,261,250. |
| 58,000 | Eastman Kodak Company | 5,975,883. | 3,248,000. |
| 76,000 | Emerson Electric Company | 3,177,464. | 2,774,000. |
| 25,000 | Esmark, Inc. | 670,787. | 1,218,750. |
| 75,400 | Exxon Corporation | 3,470,726. | 4,995,250. |
| 32,000 | Federated Department Stores, Inc. | 1,595,617. | 928,000. |
| 25,000 | First Bank Systems, Inc. | 1,286,625. | 912,500. |
| 45,000 | Fischback & Moore, Inc. | 2,386,250. | 1,243,125. |
| 75,000 | General Electric Company | 3,697,627. | 3,862,500. |
| 50,000 | General Foods Corporation | 1,747,925. | 1,531,250. |
| 20,600 | General Motors Corporation | 1,421,445. | 955,325. |
| 34,000 | Getty Oil Company | 1,533,835. | 2,677,500. |
| 55,000 | Grainger (W.W.), Inc. | 1,919,158. | 1,650,000. |
| 15,000 | Halliburton Company | 1,165,412. | 1,642,500. |
| 30,000 | Heinz, H.J. Company | 1,130,422. | 1,260,000. |
| 50,000 | Hercules, Inc. | 1,193,763. | 937,500. |
| 40,000 | Honeywell, Inc. | 2,428,863. | 3,135,000. |
| 20,000 | Ingersoll Rand Company | 1,411,347. | 1,150,000. |
| 104,000 | International Business Machines Corporation | 6,805,510. | 6,110,000. |
| 45,000 | International Paper Company | 2,508,775. | 1,642,500. |
| 70,000 | International Telephone & Telegraph Corp. | 3,202,284. | 1,942,500. |
| 40,000 | Johnson & Johnson | 4,342,060. | 3,140,000. |
| 60,000 | Kimberly Clark Corporation | 2,698,571. | 2,737,500. |
| 80,000 | K Mart Corporation | 3,134,208. | 1,830,000. |
| 46,000 | Knight Ridder Newspaper, Inc. | 1,210,760. | 1,058,000. |
| 35,000 | Kraft, Inc. | 1,645,748. | 1,614,375. |
| 40,000 | Lilly, Eli & Company | 3,187,290. | 1,955,000. |

INVESTMENTS

INVESTMENT PORTFOLIO

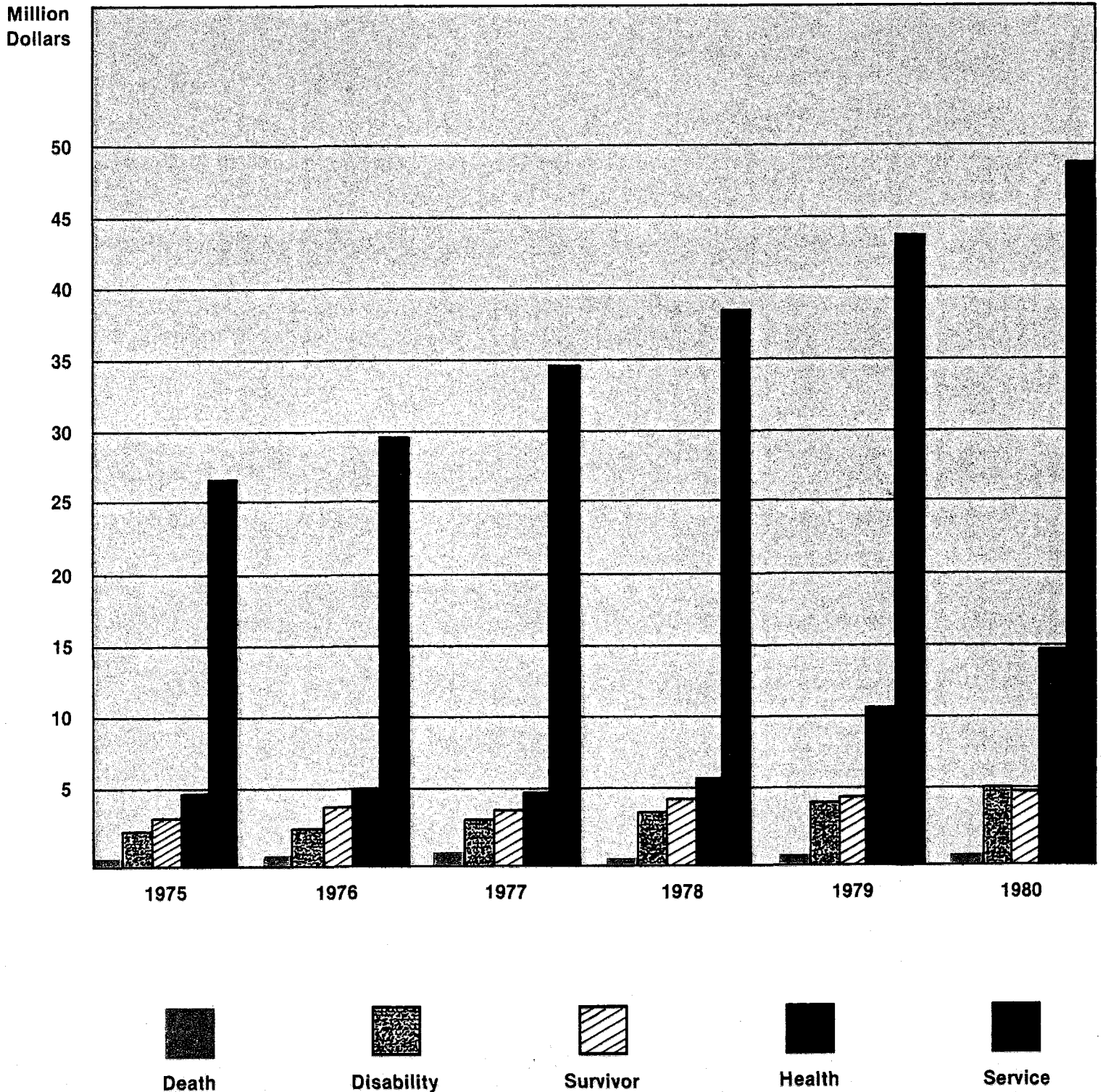
June 30, 1980 (Continued)

COMMON STOCKS

| Shares | | Book Value | Market Value |
|---------|--|-----------------------|-----------------------|
| 35,000 | McDonald's Corporation | \$ 1,979,687. | \$ 1,697,500. |
| 25,000 | M.G.I.C. Investment Corporation | 1,675,935. | 656,250. |
| 41,400 | Merck & Company | 3,639,007. | 2,929,050. |
| 65,000 | Minnesota Mining & Manufacturing Company | 4,529,068. | 3,477,500. |
| 45,000 | Mobil Oil Corporation | 1,489,800. | 3,206,250. |
| 37,000 | Monsanto Company | 2,305,327. | 1,924,000. |
| 40,000 | Morgan, (J.P.) Company, Inc. | 2,289,474. | 1,940,000. |
| 40,000 | Motorola, Inc. | 2,410,708. | 1,925,000. |
| 65,000 | NL Industries, Inc. | 1,571,100. | 3,095,625. |
| 47,000 | Northern States Power Company | 1,355,513. | 1,169,125. |
| 55,000 | Northwest Airlines, Inc. | 2,274,531. | 1,368,125. |
| 70,000 | Penney (J.C.) Company | 3,518,085. | 1,767,500. |
| 60,000 | Philip Morris, Inc. | 2,055,450. | 2,415,000. |
| 20,000 | Polaroid Corporation | 1,604,845. | 460,000. |
| 50,000 | Proctor & Gamble Company | 4,700,104. | 3,687,500. |
| 70,000 | Reynolds, (R.J.) Industries, Inc. | 2,142,820. | 2,721,250. |
| 60,000 | Robins, (A.H.) Company, Inc. | 1,606,169. | 495,000. |
| 35,000 | St. Regis Paper Company | 1,449,120. | 984,375. |
| 35,000 | Santa Fe International Corporation | 1,198,425. | 1,391,250. |
| 100,000 | Schering Plough Corporation | 4,364,070. | 3,762,500. |
| 71,000 | Sears Roebuck & Company | 3,376,277. | 1,207,000. |
| 40,000 | Simplicity Pattern Co., Inc. | 1,321,699. | 355,000. |
| 25,000 | Smithkline Corporation | 1,293,113. | 1,459,375. |
| 45,000 | Southeast Banking Corporation | 1,550,799. | 691,875. |
| 45,000 | Standard Oil Co. of California | 1,939,719. | 3,459,375. |
| 60,000 | Standard Oil Co. of Ohio | 1,193,545. | 2,985,000. |
| 80,000 | Sun Company, Inc. | 1,627,772. | 3,060,000. |
| 50,000 | Sundstrand Corporation | 1,735,613. | 2,125,000. |
| 25,000 | Texas Eastern Corporation | 1,174,945. | 1,728,125. |
| 44,000 | Texas Gas Transmission Corporation | 1,015,445. | 1,248,500. |
| 80,000 | Texas Utilities Company | 1,563,200. | 1,460,000. |
| 25,000 | Union Camp Corporation | 1,336,959. | 1,037,500. |
| 70,000 | Union Carbide Corporation | 3,389,713. | 3,053,750. |
| 82,200 | Weyerhaeuser Company | 3,253,455. | 2,681,775. |
| 70,000 | Whirlpool Corporation | 2,027,365. | 1,356,250. |
| 46,000 | Xerox Corporation | 4,105,192. | 2,472,500. |
| | Total Common Stock | \$180,783,324. | \$159,413,856. |
| | TOTAL PORTFOLIO | \$941,688,776. | \$839,650,512. |

Plan Summary

BENEFIT EXPENSE BY TYPE



PURPOSE

The School Employees Retirement System of Ohio was established in 1937 by the state legislature to provide retirement and disability benefits for all non-certificated persons employed by the state's school districts. This purpose is sustained by member and employer contributions and the income realized from investments of those contributions.

ADMINISTRATION

The functioning of SERS is supervised by a five-member Board which works in conjunction with the System's executive director. Three of the five Board members are elected by the general membership (those who contribute to SERS). The Ohio Attorney General and State Auditor, by virtue of their elected offices, serve as the remaining two Board members in an ex-officio capacity.

The executive director is appointed by the Board. This person oversees the administrative and supervisory operations of the System, and is aided by six assistant directors. Their areas of responsibility are accounting/membership, investments, office services, retirement services, information services, and data processing.

EMPLOYER PARTICIPATION

The school districts served by SERS include public schools within the state's cities, villages and counties, as well as local districts, vocational schools, and some of the state universities.

Employer school districts make contributions to SERS at the current rate of 12.5%. Some districts pay the System directly on a monthly, quarterly, or annual basis, while others have payments made for them through participation in the Ohio Department of Education's School Foundation Fund.

In addition to forwarding appropriate contribution amounts to SERS, it is the responsibility of the school districts, through their individual representatives, to supply SERS with new membership records, members' contribution information, and any data needed at the time of a member's application for benefits or refund of deposits on termination of employment.

EMPLOYEE PARTICIPATION

Membership in SERS is divided into several groups based on the activity of a member's SERS account. Member groups are:

- A. **Active Members** — These are persons currently employed by a represented school district. Membership is required for anyone working in a position which does not require certification by the Ohio Department of Education. These persons include clerical workers, maintenance personnel, bus drivers, food service workers, playground supervisors, data processing personnel, etc. There are two exceptions to the membership requirement. A person need not become a member of SERS if he/she is a student, and is excluded from membership, or if he/she is retired from one of the other state retirement systems. A retired member may not be employed in the schools for 60 calendar days following the effective date of retirement. Thereafter employment in the schools cannot exceed 59 days of the fiscal year, beginning July 1. Active members have an amount equal to 8% of their earnings deducted from their gross salaries for each payroll period. These amounts are then forwarded to SERS by the district payroll officer, and applied to the member's account at SERS. A member may be working in more than one district at any given time.
- B. **Inactive Members** — These are persons who have contributions on deposit with SERS, but who are not currently employed by a represented school district. Persons who are inactive are free to be employed elsewhere and such employment does not require withdrawal of funds from SERS.
- C. **Retired/Disabled Members** — These are persons who have either: (1) met the age and service requirements for retirement from service; or (2) become eligible to receive benefits as a result of an injury or illness which prevents the member from performing his/her regularly assigned duties.
- D. **Members' Survivors** — When a member dies before achieving retirement age, his/her qualified beneficiaries become eligible for monthly benefits from SERS.

REFUND OF CONTRIBUTIONS

Should a member terminate his/her employment with the school district, he/she is entitled to a full refund of contributions deposited with SERS. Only the money which the member has contributed is refunded to him/her. In accordance with Ohio Revised Code, there is a 90-day waiting period after the member's last day of service before the refund can be paid. Return of these funds to the member cancels any claim to benefits offered by SERS.

If, at some later date, the member returns to school service, or to any other public service within the state of Ohio, he/she may redeposit the refunded amount, plus interest, after gaining 1½ years of service credit.

SERVICE RETIREMENT

Members may retire from employment with a school district if they have attained one of three combinations of age and service:

1. Five years of service and age 60,
or
2. Twenty-five years of service and age 55-60,
or
3. Thirty years of service at any age.

A member's age is defined to be the actual age a person has reached on the day of retirement. Any change of the date of birth on our records must be substantiated by submitting proof of date of birth to the System.

SERVICE CREDIT

Service credit is the actual number of years or fraction thereof which a person worked within a school district or districts, plus any other free or purchasable service which the System may recognize.

Free service is service for which no contributions are required. This includes military service performed while on leave from the school district; service with a school system before establishment of SERS in 1937; or service granted for a period (three years or less) spent off the district's payroll while drawing State Worker's Compensation for a job-related accident.

Purchased service is service for which payment plus interest is required. Interest rates are 4% on military and 5.5% on all other types. Service must be purchased before the date of retirement if it is to be considered in calculating the member's benefits. Payment may be made in a lump sum or in multiples of one month or more so long as the complete amount due is tendered before retirement time. The types of service which can be purchased are:

Military—For service with the armed forces before July 1, 1973, a member may purchase up to 5 years of credit for time spent before working for a school district or after leaving the employ of the district. There is no restriction placed on the time elapsed between school employment and the time spent in the military. Purchased credit may not be greater than the member's actual Ohio school employment credit.

Federal, Other State, or Private Service—The member may purchase credit for service he/she rendered in a school or government position other than with the State of Ohio. The amount of service cannot be greater than the member's SERS service nor can it exceed 5 years.

Refunded Service—Service lost due to the payment of a refund may be restored after the member has returned to work and accrued 1½ years of service credit in a represented school district. An interest charge is payable in addition to the restored funds.

Compulsory Service—This is the only type of purchased service which the member is required to buy before he/she may retire. It reflects contributions which the member should have made while working, but did not, for whatever reason. The full amount, plus interest, must be paid before retirement benefits are granted.

Optional Service—This is service which reflects a period when the member was given a choice of contributing or refraining from doing so. In order for the member to receive credit in this instance, the employer school district must likewise make its contribution, and the employer is under no obligation to do so.

Leave of Absence — A member may purchase service credit for a period of authorized leave as long as he/she returned to work after such a period. As with optional service, an employer contribution is required for this service to be granted, but the employer is under no obligation to make payment.

A member who has contributions not only at SERS, but also at State Teachers (STRS) or Public Employees (PERS) Retirement Systems is eligible to receive transferred credit from either or both of those systems. Any service which is not concurrent to (served at the same time as) SERS service will be included in determination of retirement benefits.

BENEFIT CALCULATION

In addition to age and amount of service, the member's salary is important to the determination of his/her benefit. The final average salary is the average of the member's highest three years of earnings while in school service.

The benefit amount is calculated in this way:

The final average salary amount is multiplied by 2% to determine the value of a year of service credit. This value cannot be less than \$86.00. If it is, \$86.00 is used. The value is then multiplied by the number of years of service credit. This calculation yields the annual retirement benefit amount for a person who has reached age 65 or who has 30 years of service at retirement time.

For "early retirement" (the member is under age 65 or has less than 30 years of service) there is a corresponding percentage of decrease in the benefit amount to allow for an extended period of retirement. Reduction factors are specified by Ohio state law.

RETIREMENT OPTIONS

Should the retiring member wish to provide a benefit amount for his/her beneficiary, this may be done by the selection of one of the optional retirement plans provided for this purpose. Optional plans may be altered by the retired member should the beneficiary die before the retirant or in the event of a divorce.

DISABILITY RETIREMENT

A member who incurs an injury or illness before reaching retirement age which prevents him/her from performing regular duties on the job may apply for monthly disability benefits. To qualify, the member must have at least 5 years service credit. In addition to the age and service requirements, the member must:

- Have developed the disabling illness or injury after last becoming a member of SERS;
- Have received approval from a SERS-sponsored medical board;
- Have applied for benefits within 2 years of the last day of service with the school district.

The benefit is calculated in the same way as a regular service retirement benefit, except that no reduction is made for being under 65 years of age. SERS grants free credit for each year between the member's date of disability retirement and age 60. Benefits range from a minimum of 30% of final average salary to a maximum of 75% and are granted to the member for as long as he/she remains disabled (subject to re-examination) or until death.

DEATH BENEFITS

The designated beneficiary of any SERS retirant will receive a \$500 payment upon the event of the retirant's death. If there is no beneficiary, payment is made to the estate.

SURVIVOR BENEFITS

Qualified dependents of a deceased member may apply for monthly survivor benefits. Such benefits are payable if the member had at least 1½ years of Ohio service credit, ¼ th of which was served in the 2½ years prior to the member's death; or if the member was receiving a disability benefit.

If the member was eligible for service retirement but had not yet applied for benefits, the surviving spouse or other single dependent beneficiary of any age can draw a monthly lifetime benefit known as the joint survivor option. Duration of survivor benefits depends primarily on the age and marital status of the dependent(s).

HEALTH CARE AND OTHER BENEFITS

Any person receiving a benefit from SERS is entitled to receive free medical insurance. Coverage for a spouse and/or dependent children can be provided by means of a monthly deduction from the benefit. Coverage is offered by the selection of either the AETNA insurance company, or for those persons in the Cleveland area, the Kaiser health plan.

If the retirant participates in Medicare B, the individual's monthly premium is reimbursed by SERS by adding the amount to the retirant's monthly benefit.

As an additional provision to the benefits offered by SERS, a three percent cost of living increase is given to each allotment or pension in years when the federal Consumer Price Index shows an equal (3%) or greater increase. This cost of living increase is paid to persons who have received a minimum of 13 benefit payments.

SERVICE TO THE MEMBERSHIP

The single most important reason for the existence of SERS is service to the members. Some special examples of this are:

REMOTE COUNSELLING AND INFORMATION MEETINGS IN THE VARIOUS REGIONS OF THE STATE—These meetings allow those who are nearing retirement age to speak to representatives from SERS and receive pertinent advice on pending benefits. Through the use of portable electronic data terminals, prospective retirants can receive on-the-spot estimates of their retirement benefits.

IN-OFFICE COUNSELLING—Those members who choose to may come directly to the SERS office in Columbus any time during business hours and receive counselling regarding their retirement benefits.

ANNUAL STATEMENTS—At the end of each fiscal year, the members receive notification of their individual service credit to date, as well as verification of contributions on deposit with SERS.

HEALTH INSURANCE INFORMATION—Retired members and others benefitted by insurance coverage may contact SERS for information on their entitlements under either of the two health plans.

TAX INFORMATION—Retired members and others receiving benefits are mailed a statement of their taxable income each year in January.

PUBLICATIONS—SERS publishes a monthly newsletter which is sent to each person receiving a benefit. This newsletter keeps the retirants and others up to date on events which may affect them, whether in the national news or in the state legislature. The general membership is sent the SERS news report—"News and Views"—four times a year.

In addition to these two pieces of literature, SERS prints many pamphlets on various topics of interest to the general membership. These publications are available on request.



