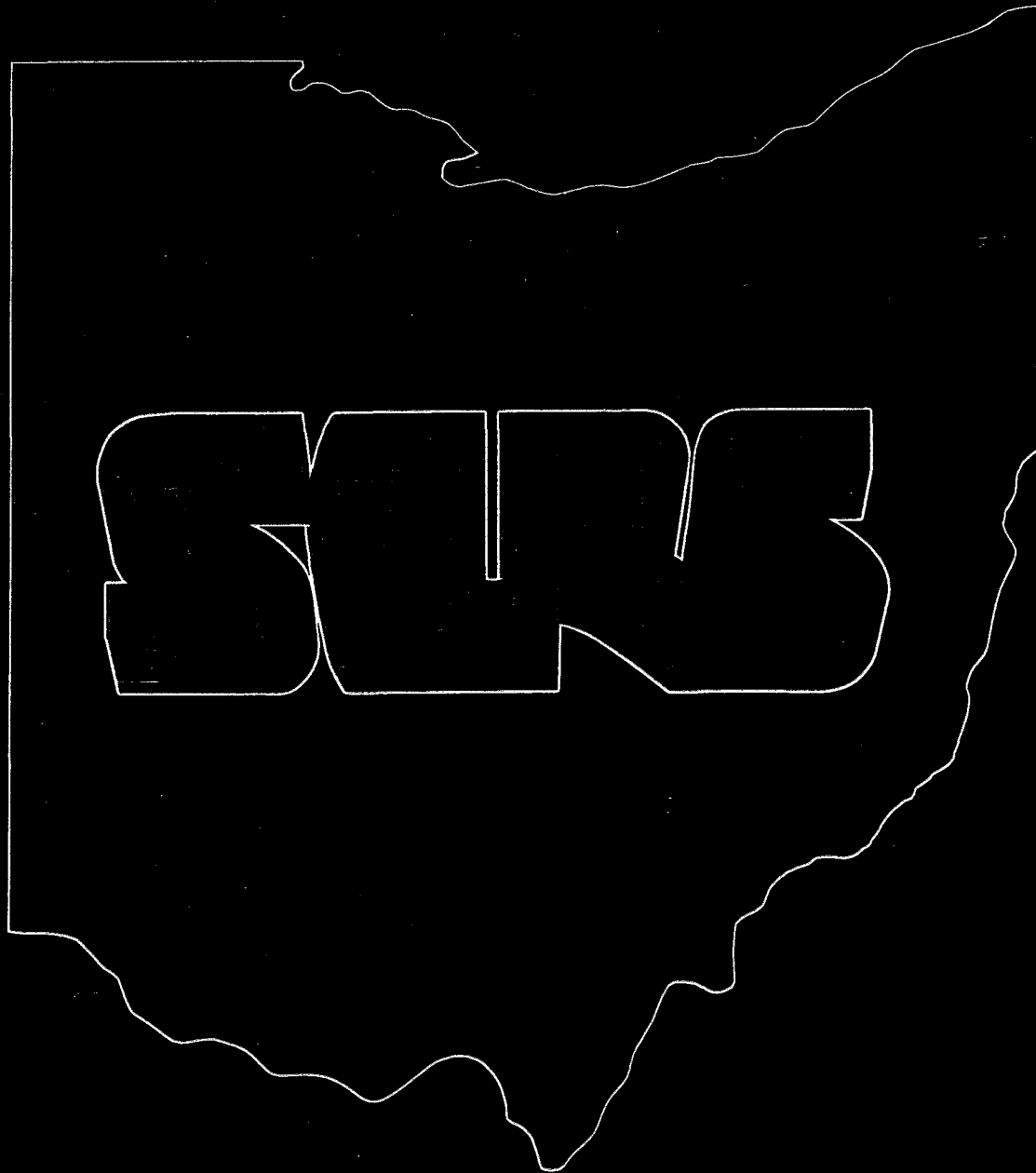


SCHOOL EMPLOYEES
RETIREMENT SYSTEM OF OHIO



Annual Financial Report
June 30, 1981



**SCHOOL EMPLOYEES RETIREMENT SYSTEM
OF OHIO**

45 NORTH FOURTH STREET
COLUMBUS, OHIO 43215

**ANNUAL
FINANCIAL REPORT**

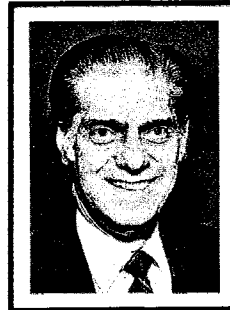
For The
Year Ended June 30, 1981



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



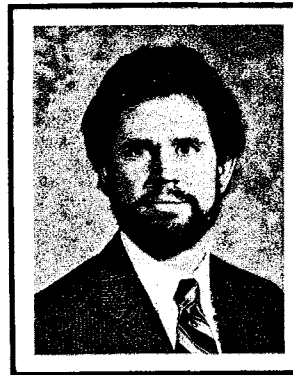
MARY E. KASUNIC
Wickliffe City School District
Wickliffe, Ohio
Term expires June 30, 1985



ORRIS E. FIELDS
Wilmington City School District
Term runs from
July 1, 1981 to
June 30, 1987



WILLIAM J. BROWN
Attorney General
Ex Officio Member



THOMAS R. ANDERSON
Executive Director



THOMAS E. FERGUSON
Auditor of State
Ex Officio Member

Assistant Directors

R. JACK COOPER
Investments

RICHARD C. REGAN
Retirement Services

DALE D. McINTYRE
Information Services

THOMAS R. SKIPTON
Office Services

STEPHEN J. PUSKAC
Membership-Accounting

C. DOUGLAS WILSON
Data Processing

ORGANIZATIONAL CHART

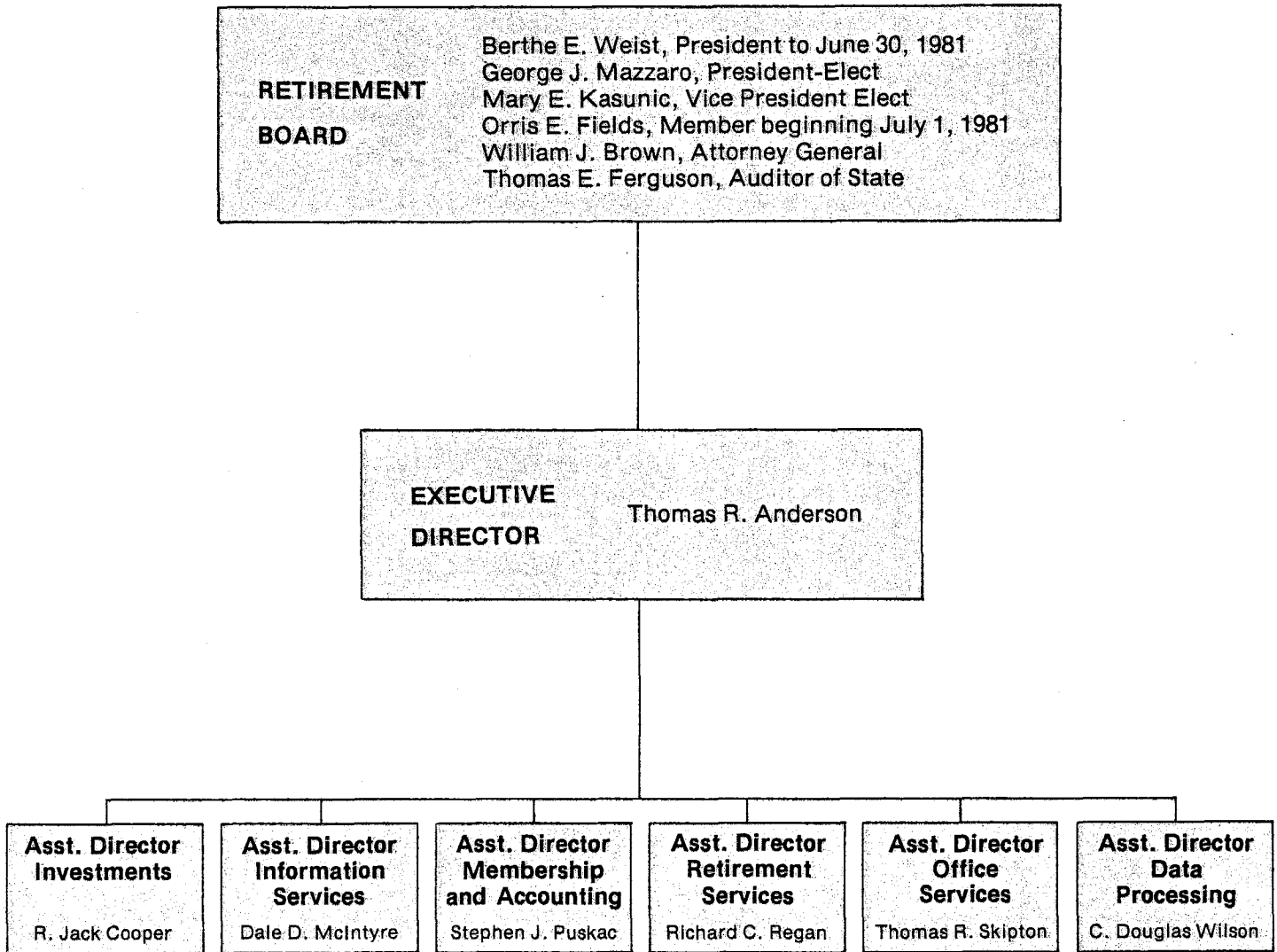
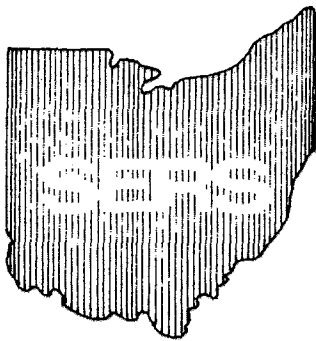


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1937 — 1981
Forty-four Years



SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

To The Members of the Board:

There is presented herewith the Annual Report of the School Employees Retirement System for the fiscal year ended June 30, 1981. The report includes the financial statements, footnotes, schedules, statistical tables, 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 accrual basis is the method of accounting used in maintaining the 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 actuarial liabilities. The statutory deficiency is funded over 20 years and the balance over a period of 38 years.

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.

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, 1981, \$133,823,559 was provided by contributions and \$69,572,728 was generated as income from

investments. Miscellaneous sources, including transfers from other systems, provided another \$1,030,754. Revenue for 1981 totaled \$204.4 million, an increase of 6.1% over 1980.

Expenses

Expenses are incurred primarily for the purpose for which the retirement system was created; namely, the payment of benefits. Included in the total expenses for fiscal 1981 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. Expenses for fiscal 1981 total \$96.9 million, an increase of 8.0% over fiscal 1980 expenses.

Reserves (Funds)

The \$690,852,661 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, 1981. The accumulated contributions by members who have not yet retired amounted to \$298,254,671 and are shown in the Employees' Savings Fund. The Employers' Trust Fund accumulates funds in order to provide retirement benefits to those members not yet retired. On March 16, 1981 the Retirement Board voted to transfer \$170,437,196 from this fund to the Annuity and Pension Reserve Fund and the Survivors' Benefit Fund. The amount transferred represents the statutory fund deficiency which existed at June 30, 1980 and will be funded over the next 20 years by both the state appropriations for House Bills 204 and 284 and revenues from investment activities. This action by the board was recommended by our actuaries in their report dated December 17, 1980 so that the Annuity and Pension Reserve Fund and the Survivors' Benefit Fund plus the anticipated state appropriations will be equal to the related liabilities. The unfunded actuarial liability as of June 30, 1980 was \$997,430,488.

Investments

A major activity of the School Employees Retirement System is the investment of funds for both income yield and long-term appreciation. For the fiscal year ended June 30, 1981, investments provided 34% of the system's total revenues; employee and employer contributions provided 25.7% and 39.8%, respectively; and other sources accounted for the remaining 0.5%.

Investments are reported at cost, net of amortized premium and discount; these premiums and discounts are amortized over the life of the investment. At June 30, 1981, our investment portfolio was structured as follows: 70.2% in debt securities; 19.6% in equity securities; 7.9% in short-term commercial paper; and 2.3% in real estate. The portfolio yield for fiscal 1981 was 9.6%.

Additional information concerning the investment function of SERS is provided in a subsequent section of this annual report. Portfolio composition, rates of return, and an analysis of significant economic conditions are included in this section.

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 our 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. Gabriel, Roeder, and Smith, our actuaries, provide the necessary data to be used in determining the contributions required to support present or anticipated benefits. They also advise 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 of these funds are authorized by the School Employees Retirement Board and

are made on vouchers which bear the names of the board members 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, 1981, were mailed to the members during the week of November 16, 1981.

Acknowledgements

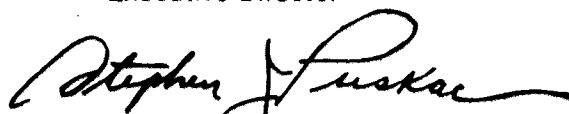
The compilation of this report reflects the combined effort of the System's staff under the direction of the Retirement Board. It is intended to provide complete and reliable information for making management decisions, to determine compliance with legal provisions, and to reflect responsible stewardship 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

HIGHLIGHTS OF 1981

SERS Occupies New Building

The past twenty years has been a period of substantial growth for SERS. Membership in our system has increased from 50,585 in 1961 to over 195,000 in 1981. There are nearly 31,000 persons now receiving monthly benefits, compared with 6,670 in 1961. As a result, our office staff was increased from 37 in 1961 to 85 today.

During these twenty years additional office space was required to handle both the ever-increasing volume of work and the dramatic changes in the retirement laws which made the payment of benefits much more complex. Operations in 1961 were performed in the top floor of a converted department store and were moved in 1964 to the sixth floor of a 20-story office building. This building, at 88 East Broad Street, was constructed by SERS and is now part of our income-producing real estate holdings. Although this building satisfied our needs for several years, as time progressed we experienced problems in adequately servicing the needs of our members and retirants. The building boom in Columbus replaced convenient parking, mail and delivery services were hampered, and the reluctance of other tenants in the building to move in order to provide us with more space convinced us of the need to relocate.

It was decided in 1978 to relocate to a more convenient, street-level location somewhere close by. The new quarters should be centrally located, provide accessibility to our retirants, and be large enough to provide space for all of our operations. These needs resulted in our new building, conveniently located at the corner of 4th and Gay Streets. We began operations in our new facility on February 1, 1981.

Tailored specifically to the individual needs of our six operating departments, the five-story building utilizes the latest available technology and incorporates the most modern and efficient office design. To conserve energy, the concrete and brick building is constructed with six-inch insulation in the exterior walls, equipped with one-inch insulating windows which pivot to allow inside cleaning, and energy-saving dual level intensity lighting fixtures. Furnishings reflect the modern open-office concept and utilize the space-saving yet functional modular construction principles.

For the first time in our history, we have an address which can be truly known as the SERS building. Designed with growth in mind, this new building should serve our needs for years to come.

Investments Attain a New High

The year 1981 saw investments go over the billion-dollar level for the first time in our history. At June 30, 1981, our investment portfolio was valued at \$1,017,116,011, an increase of over 9% compared to 1980. Total assets of SERS were valued at June 30, 1981 at \$1,082,503,720.

New Benefits to Retirees and Beneficiaries

Mail-order prescription drugs are now being offered to retirees and beneficiaries. For payment of a flat one-dollar fee, retirants and others are able to secure up to a 90-day supply of prescription drugs, plus refills, for long-term ailments. SERS absorbs the remainder of the cost of these drugs.

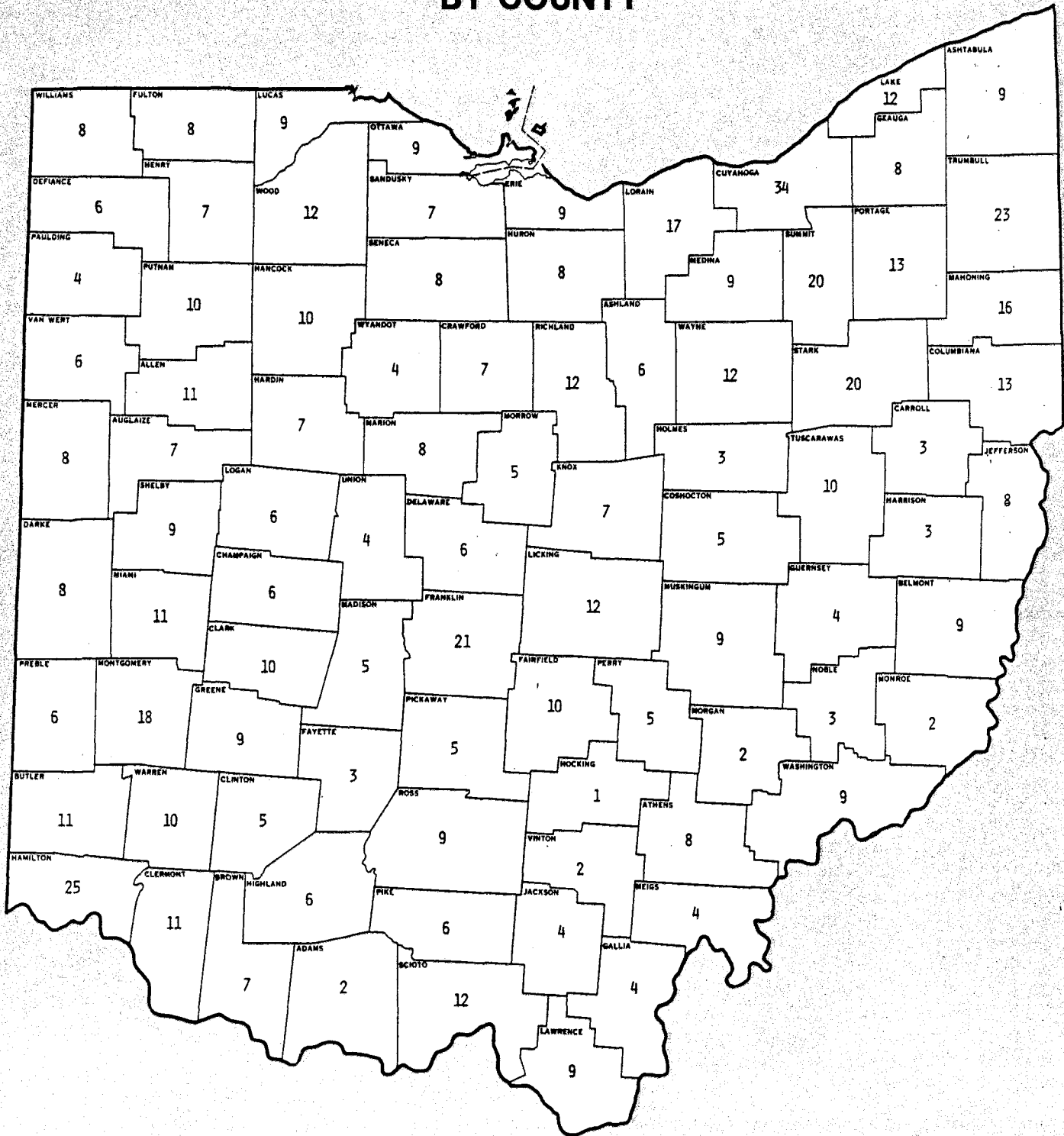
In October, 1980, SERS contracted with the Kaiser Foundation to grant health care to our retirees living in the Cleveland area. The Kaiser Foundation is an example of a HMO (Health Maintenance Organization), a fairly recent concept in the area of health care. Basically, they provide their own doctors, nurses, and hospitals, rather than reimburse others to provide services; in this way they are considerably different from other health insurance plans. Our retirees in the Cleveland area now have a choice between the insurance provided to all other retirees and the Kaiser Foundation Health Plan.

This year, the state legislature passed into law significant cost-of-living increases for SERS retirants. The law provides for a 6% increase in benefits for those persons retired before 1977, and a 4% increase to those who retired in 1977, 1978, or 1979. Attempting to offset part of the cost of these increases, the law also requires that a retiree have a minimum of 10 years of contributing service credit in order to receive the health care coverage provided to existing retirees. This part of the law will apply only to those persons retiring on and after July 1, 1986.

In April, 1981, the law was changed regarding survivors benefits to SERS members. Previously, widows and widowers of SERS members forfeited their survivor benefits if they had remarried before age 62. The law has now been changed to provide benefits if the remarriage was not long-lasting (lasted more than two years).

Details of the benefits offered to retired SERS members and beneficiaries may be found in the last section of this annual report. Included in this plan summary are also facts concerning membership in and administration of the School Employees Retirement System.

PARTICIPATING EMPLOYERS BY COUNTY



Financial Statements

Balance Sheet

**Statement of Revenue
and Expense**

**Statement of Changes
in Funds**

**Statement of Changes
in Financial Position**



JAMES A. BOLDEN
DEPUTY AUDITOR

CHARLES E. MAUGER
DEPUTY AUDITOR

THOMAS E. FERGUSON

AUDITOR OF STATE
COLUMBUS, OHIO 43216

RICHARD G. NUSS
DEPUTY AUDITOR

JOSEPH J. SOMMER
DEPUTY AUDITOR

February 25, 1982

The Retirement Board
School Employees Retirement System
45 North Fourth Street
Columbus, Ohio 43215

Dear Members:

The annual inspection of the records and accounts of the School Employees Retirement System for the fiscal year ended June 30, 1981 has recently been completed.

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 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.

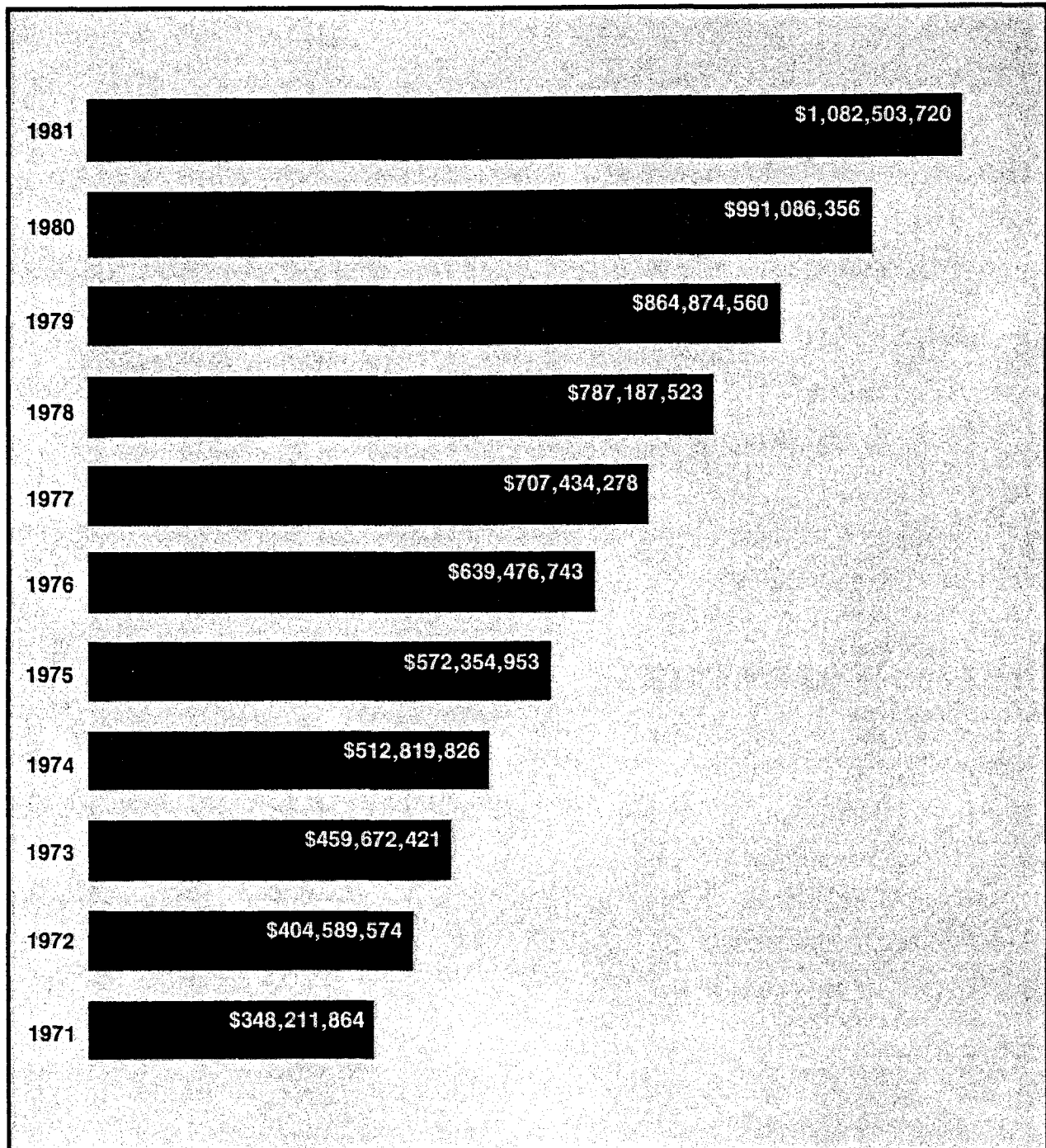
Sincerely yours,

A handwritten signature in cursive script that reads "Thomas E. Ferguson".

THOMAS E. FERGUSON
Auditor of State

TEF:ac

ASSETS



FINANCIAL STATEMENTS

Exhibit A

BALANCE SHEET

June 30,

ASSETS:

	1981	1980
Current Assets:		
Cash and Short-Term Securities:		
Cash	\$ 436,204	\$ 44,471
Commercial Paper	80,471,727	33,467,759
	<u>80,907,931</u>	<u>33,512,230</u>
Receivables:		
Employee	4,492,479	3,623,434
Employer	793,812	474,246
Interest and Dividends	14,183,187	12,764,143
Investment Sale Proceeds	1,137,343	3,309,535
State Subsidies	1,294,981	1,398,477
State Foundation Program	36,553,855	32,114,076
Miscellaneous	17,654	28,621
	<u>58,473,311</u>	<u>53,712,532</u>
Investments: (note 4)		
Bonds and Mortgages	713,867,928	706,210,191
Common Stocks, at cost	199,093,353	180,783,324
Real Estate	23,683,003	12,592,174
	<u>936,644,284</u>	<u>899,585,689</u>
Deferred Charges:		
Prepaid Expenses	12,213	3,287
Total Current Assets	<u>\$1,076,037,739</u>	<u>\$ 986,813,738</u>
Other Assets:		
Deposits with Ohio Public Employees' Deferred Compensation Board (note 6)	\$ 22,336	\$ 9,110
Fixed Assets: (note 2)		
Land and Building, Net of Accumulated Depreciation	\$ 4,823,747	\$ 2,998,056
Furniture and Equipment, Net of Accumulated Depreciation	1,619,898	1,265,452
Total Fixed Assets	<u>\$ 6,443,645</u>	<u>\$ 4,263,508</u>
Total Assets	<u><u>\$1,082,503,720</u></u>	<u><u>\$ 991,086,356</u></u>
LIABILITIES AND FUND BALANCE:		
Current Liabilities: (note 5)		
Accounts Payable and Accrued Expenses	\$ 364,113	\$ 470,653
Investment Commitments Payable	7,378,530	23,206,257
Benefits Payable	123,443	86,558
	<u>\$ 7,866,086</u>	<u>\$ 23,763,468</u>
Deferred Credit:		
Prepaid Mortgage Interest (note 8)	304	
Total Current Liabilities	<u>\$ 7,866,390</u>	<u>\$ 23,763,468</u>
Fixed Liabilities:		
Deferred Purchase Contract (note 5)	1,037,375	1,197,391
Investment in General Fixed Assets (note 2)		
Employees' Deferred Compensation (note 7)	22,336	9,110
Total Fixed Liabilities	<u>\$ 1,059,711</u>	<u>\$ 1,206,501</u>
Fund Balances: (note 1)		
Employees' Savings Fund	298,254,671	266,829,897
Employers' Trust Fund	12,029,542	162,931,511
Annuity and Pension Reserve Fund	690,852,661	475,052,446
Survivors' Benefit Fund	72,440,745	61,302,533
Total Fund Balances	<u>\$1,073,577,619</u>	<u>\$ 966,116,387</u>
Total Liabilities and Fund Balances	<u><u>\$1,082,503,720</u></u>	<u><u>\$ 991,086,356</u></u>

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

STATEMENT OF REVENUE AND EXPENSE

Year Ended June 30,	1981	1980
REVENUE:		
Member Contributions:		
Payroll Deductions	\$ 51,641,776	\$ 49,685,143
Service Credit Purchases	574,318	570,905
Reinstatements	250,798	228,144
Expense Fees - Prior Years	2,676	2,482
	<u>52,469,568</u>	<u>50,486,674</u>
Employer Contributions:		
Employer Charges	79,169,391	70,244,693
State Subsidies	2,184,600	2,330,086
	<u>81,353,991</u>	<u>72,574,779</u>
Investment Income:		
Interest	70,731,234	69,911,296
Dividends	9,254,490	8,308,765
Rent	506,377	305,000
Accrued Interest Purchased	(2,389,575)	(3,906,041)
Accumulation of Discount	20,902,078	9,547,280
Gain on Sale of Securities	9,250,798	2,712,715
Loss on Sale of Securities	(38,589,957)	(19,874,238)
Other	(92,717)	(38,821)
	<u>69,572,728</u>	<u>66,965,956</u>
Other:		
Transfers from Other Ohio Systems	927,414	1,261,428
Loss on Sale of Furnishings	(5,597)	
Miscellaneous	108,937	1,397,812
	<u>1,030,754</u>	<u>2,659,240</u>
Total Revenue	<u>\$204,427,041</u>	<u>\$192,686,649</u>
EXPENSE:		
Benefit Payments:		
Service Retirement	\$ 55,597,625	\$ 49,938,156
Disability Retirement	6,328,456	5,619,031
Survivor Benefits	5,567,213	5,221,125
Health Care	17,084,324	15,809,333
	<u>84,577,618</u>	<u>76,587,645</u>
Refunds:		
Separations	7,914,438	9,155,406
Death	508,917	847,422
Employer	4,746	195
	<u>8,428,101</u>	<u>10,003,023</u>
Other:		
Transfers to Other Ohio Systems	844,547	764,675
Miscellaneous	22,950	15,970
	<u>867,497</u>	<u>780,645</u>
Administrative Expenses	<u>3,092,593</u>	<u>2,367,777</u>
Total Expense	<u>\$ 96,965,809</u>	<u>\$ 89,739,090</u>
Excess of Revenue over Expense	<u>\$107,461,232</u>	<u>\$102,947,559</u>

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

FINANCIAL STATEMENTS

STATEMENT OF
Year Ended

	Total	Employees' Savings Fund
Balance, July 1, 1980	\$ 966,116,387	\$ 266,829,897
Operating Revenues		
Member Contributions	\$ 52,469,568	\$ 52,466,892
Employer Contributions	81,353,991	
Investment Income	69,572,728	
Other	1,030,754	1,972
Total Operating Revenues	<u>\$ 204,427,041</u>	<u>\$ 52,468,864</u>
Operating Expenses		
Benefit Payments	\$ 84,577,618	
Refunds	8,428,101	\$ 7,914,438
Administrative Expense	3,092,593	
Other Expenses	867,497	
Total Operating Expenses	<u>\$ 96,965,809</u>	<u>\$ 7,914,438</u>
Other Changes in Funds		
Retirement Annuities		\$ (11,229,572)
Disability Retirement		(1,084,852)
Survivor Annuities		(865,756)
Other Transfers and Accruals		50,528
Total Changes in Funds		<u>\$ (13,129,652)</u>
 Balance, June 30, 1981	 <u>\$1,073,577,619</u>	 <u>\$ 298,254,671</u>

FINANCIAL STATEMENTS

Exhibit C

CHANGES IN FUNDS

June 30, 1981

Employers' Trust Fund	Annuity Pension Reserve Fund	Guarantee Fund	Survivors' Benefit Fund	Expense Fund
\$ 162,931,511	\$ 475,052,446		\$ 61,302,533	
				\$ 2,676
\$ 81,314,791	\$ 12,902	\$ 26,298		
2,985		69,569,743		
39,821	969,600	(8,574)	\$ 27,938	(3)
<u>\$ 81,357,597</u>	<u>\$ 982,502</u>	<u>\$ 69,587,467</u>	<u>\$ 27,938</u>	<u>\$ 2,673</u>
\$ 9,489,010	\$ 68,850,562		\$ 6,238,046	
4,746	508,917			
	836,511	\$ (160,016)		\$ 3,252,609
		22,950	8,036	
<u>\$ 9,493,756</u>	<u>\$ 70,195,990</u>	<u>\$ (137,066)</u>	<u>\$ 6,246,082</u>	<u>\$ 3,252,609</u>
\$ (228,305,417)	\$ 239,534,989			
(25,036,468)	26,121,320			
(13,375,349)			\$14,241,105	
43,951,424	19,357,394	(69,724,533)	3,115,251	\$ 3,249,936
<u>\$ (222,765,810)</u>	<u>\$ 285,013,703</u>	<u>\$ (69,724,533)</u>	<u>\$ 17,356,356</u>	<u>\$ 3,249,936</u>
<u>\$ 12,029,542</u>	<u>\$ 690,852,661</u>		<u>\$ 72,440,745</u>	

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended June 30, 1981

Resources provided by:

Excess of Revenues over Expenses	\$107,461,232	
Items Not Requiring Resources Currently:		
Depreciation	209,933	\$107,671,165
Disposition of Equipment		23,864
Total Resources Provided		\$107,695,029

Resources used by:

Current Year Acquisitions of Fixed Assets:		
Equipment	\$ 550,045	
Home Office Construction	1,863,889	\$ 2,413,934
Long-term Debt Reduction		160,016
Total Resources Used		\$ 2,573,950

Increase (Decrease) in Working Capital		<u>\$105,121,079</u>
--	--	----------------------

Increase (Decrease) in Working Capital by Element:

	Years Ended June 30		Increase (Decrease)
	1981	1980	
Current Assets:			
Cash	\$ 436,204	\$ 44,471	\$ 391,733
Contributions Receivable	5,286,291	4,097,680	1,188,611
Receivable From Employer	36,553,855	32,114,076	4,439,779
Interest and Dividends Receivable	14,183,187	12,764,143	1,419,044
Investment Sale Proceeds	1,137,343	3,309,535	(2,172,192)
Other Receivables	1,312,635	1,427,098	(114,463)
Prepaid Expenses	12,213	3,287	8,926
Investments, at cost:			
Commercial Paper	80,471,727	33,467,759	47,003,968
Bonds and Mortgages	713,867,928	706,210,191	7,657,737
Common Stocks	199,093,353	180,783,324	18,310,029
Real Estate	23,683,003	12,592,174	11,090,829
Total Current Assets	<u>\$1,076,037,739</u>	<u>\$ 986,813,738</u>	<u>\$ 89,224,001</u>
Current Liabilities:			
Accrued Expenses	\$ 364,113	\$ 470,653	\$ (106,540)
Investment Commitments Payable	7,378,530	23,206,257	(15,827,727)
Benefits Payable	123,443	86,558	36,885
Deferred Investment Revenue	304		304
Total Current Liabilities	<u>\$ 7,866,390</u>	<u>\$ 23,763,468</u>	<u>\$ (15,897,078)</u>
Working Capital	<u>\$1,068,171,349</u>	<u>\$ 963,050,270</u>	<u>\$105,121,079</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 the 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. These contributions may be refunded to either a member who has withdrawn membership or to the member's beneficiary, following the member's death.

The Employers' Trust Fund holds the contributions of employers to fund the members' retirement benefit: health care; minimum retirement allowance; prior service pension; and the basic annual pension.

The contributions held in the above funds are held in trust until application is made for benefit, at which time they are transferred to the appropriate benefit disbursement fund.

The Annuity and Pension Reserve Fund is the fund from which all annuities and pensions are paid.

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

The Guarantee Fund receives all income from the investment of assets. By retirement board resolution, at the end of the fiscal year a transfer of interest is made to the other funds. In addition to this 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.

NOTE 2—Fixed Assets. Building, furniture, and fixtures are recorded at cost, and depreciated over their useful lives. These useful lives vary from three to ten years for furniture and fixtures, to a forty-year estimated useful life on the building.

No depreciation expense had been recorded in previous years; in order to present the fixed assets at their depreciated basis, it was necessary to adjust the employers' trust fund beginning balance by \$455,421. This represents the depreciation expense incurred, but not recorded, for the fiscal years ending prior to this year. In addition, prior to this year we had maintained an account titled "Investment in General Fixed Assets". This was a contra-asset account which reflected the original cost of assets acquired prior to July 1, 1968. This account has been eliminated because the assets which were represented have been determined to be fully depreciated. The total cost represented by this account was \$103,963, and is reflected in the June 30, 1980 balance of accumulated depreciation.

The following schedule reflects the activity in furniture, fixtures, and equipment for the current fiscal year.

**Furniture, Fixtures and Equipment
Year Ended June 30, 1981**

	Balance June 30 1980	Additions	Deletions	Balance June 30 1981
Furniture and Equipment Accumulated	\$1,824,836	\$ 550,045	\$ 80,730	\$2,294,151
Depreciation	559,384	171,735	56,866	674,253
	<u>\$1,265,452</u>	<u>\$ 378,310</u>	<u>\$ 23,864</u>	<u>\$1,619,898</u>

Land was valued at June 30, 1981 at \$1,177,542. The capitalized building cost was \$3,684,403, less depreciation for the current year of \$38,198.

FINANCIAL STATEMENTS

NOTE 3- 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 the accrual basis of accounting in measuring financial position and operating results.

NOTE 4- The following is a summary of investments as of June 30, 1981:

<u>Investment Category</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Estimated Market Value</u>
Short-term Investments:			
Commercial Paper	\$ 81,449,359	\$ 80,471,727	\$ 81,148,899
Total Short-term Investments	<u>\$ 81,449,359</u>	<u>\$ 80,471,727</u>	<u>\$ 81,148,899</u>
Long-term Investments:			
Bonds:			
U.S. Govt.'s & Agency Obligations	\$ 100,748,000	\$ 99,131,596	\$ 93,536,053
Corporate Bonds	306,920,000	306,772,254	204,134,011
Canadian Bonds	55,300,000	55,011,486	36,085,904
Total Bonds	<u>\$ 462,968,000</u>	<u>\$ 460,915,336</u>	<u>\$ 333,755,968</u>
Mortgages:			
Federally Guaranteed or Insured Mortgages	\$ 259,522,358	\$ 252,952,592	\$ 186,537,091
Total Bonds & Mortgages	<u>\$ 722,490,358</u>	<u>\$ 713,867,928</u>	<u>\$ 520,293,059</u>
Common Stock	199,093,353	199,093,353	202,990,388
Productive Real Estate	23,683,003	23,683,003	40,013,303
Total Long-term Investments	<u>\$ 945,266,714</u>	<u>\$ 936,644,284</u>	<u>\$ 763,296,750</u>
Total Portfolio	<u>\$1,026,716,073</u>	<u>\$1,017,116,011</u>	<u>\$ 844,445,649</u>

The Portfolio Rates of Return for the various income segments are shown on page 32. Productive Real Estate holdings were appraised on June 30, 1981, and reflected the following component values: The 88 E. Broad St. building was appraised at \$10,800,000; PRISA - \$17,841,303; productive real estate outside the state of Ohio - \$11,372,000.

FINANCIAL STATEMENTS

NOTE 5— As of June 30, 1981, the School Employees Retirement System had a long-term liability of \$1,037,375. This reflects the amount due vendors for the purchase of data processing equipment which had an original purchase price of \$1,400,142. This debt of \$1,037,375 is currently being discharged by an annual payment of \$218,496 plus an average of 5.2% interest, and will be fully exhausted by June 1987.

In addition to the preceding liability, SERS employees had accrued, as of June 30, unused vacation leave amounting to \$132,851 and unused sick leave time (a contingent liability) amounting to \$352,528. Although unused sick leave is lost at the time an employee terminates employment, employees who retire with unused sick leave are authorized to receive a payment of 25% of their unused time. At June 30 five employees were eligible to receive an estimated \$13,684, representing 25% of their unused sick leave time.

NOTE 6— Shown here are funds on deposit with our agent, The Ohio Public Employees Deferred Compensation Board.

NOTE 7— These monies represent wages deferred by employees from inclusion in their taxable compensation, as provided by Section 457 of the United States Internal Revenue Code.

NOTE 8— On June 30, we had received \$304.15 in interest from mortgagors whose mortgage installments were due on July 1, 1981. Recognition of this interest income will be deferred until fiscal 1982.

CASH RECEIPTS AND DISBURSEMENTS

Year ended June 30,	1981	1980
Cash Balance at Beginning of Year	\$ 44,471	\$ 40,452
Receipts		
Member Contributions	51,601,011	46,863,240
Employer Contributions	74,462,381	67,925,183
State Subsidies	2,288,095	938,613
Investments Matured and Sold	1,051,030,787	1,080,270,914
Investment Income	80,061,039	65,694,344
Reimbursement of Health Care Premium	39,048	1,331,568
Transfers from Ohio Retirement Systems	927,414	1,261,428
Miscellaneous	98,798	51,189
Total Receipts	<u>\$1,260,508,573</u>	<u>\$1,264,336,479</u>
Disbursements		
Refunds		
Member	\$ 7,552,882	\$ 9,155,406
Beneficiary	361,634	340,047
Employer	57,080	195
Total Refunds	<u>7,971,596</u>	<u>9,495,648</u>
Benefits		
Age and Service	55,594,656	49,893,134
Disability	6,333,632	5,613,195
Survivor	5,564,763	5,210,999
Health Care	17,085,422	15,809,333
Death Benefit	470,500	474,291
Total Benefits	<u>85,048,973</u>	<u>77,000,952</u>
Administrative Expense	3,231,757	2,411,375
Investments Purchased	1,160,733,010	1,172,991,173
Transfers to Ohio Retirement Systems	844,548	764,674
Construction Cost - Home Office Building	2,286,956	1,668,638
Total Disbursements	<u>\$1,260,116,840</u>	<u>\$1,264,332,460</u>
Cash Balance at End of Year (Exhibit A)	<u>\$ 436,204</u>	<u>\$ 44,471</u>

ADMINISTRATIVE EXPENSES

Year ended June 30,	1981	1980
Personal Services		
Office Salaries	\$1,371,092	\$1,189,274
Retirement Contributions	189,919	159,603
Insurance	79,900	71,449
Parking	5,820	9,006
Bureau of Employment Services	225	2,772
Total Personal Services	<u>1,646,956</u>	<u>1,432,104</u>
Professional Services		
Actuarial and Technical	61,713	33,758
Investment Counsel	160,235	124,840
Medical	92,746	103,174
Special Legal Counsel	444	210
Auditing	3,334	3,371
Employee Training	10,813	4,022
Total Professional Services	<u>329,285</u>	<u>269,375</u>
Communications		
Printing and Publications	78,394	43,186
Telephone	25,200	24,535
Postage	161,271	123,733
Retirement Counselling Services	6,557	
Total Communications	<u>271,422</u>	<u>191,454</u>
Rentals		
Office Space	103,430	111,369
Equipment	83,408	35,544
Total Rentals	<u>186,838</u>	<u>146,913</u>
Other Services and Charges		
Transportation and Travel	51,303	48,610
Memberships and Subscriptions	11,199	12,340
Surety Bonds and Insurance	24,085	40,415
Equipment Repairs and Maintenance	117,384	85,295
Supplies	74,390	66,373
Retirement Study Commission	11,873	10,436
Interest on Long-term Debt	58,480	56,232
Miscellaneous	11,814	8,230
Building Occupancy and Maintenance	87,631	
Total Other Services and Charges	<u>448,159</u>	<u>327,931</u>
	<u>\$2,882,660</u>	<u>\$2,367,777</u>
Depreciation (note 2)		
Building	\$ 38,198	
Equipment and Fixtures	171,735	
Total Depreciation	<u>209,933</u>	
Total Administrative Expenses (Exhibit B)	<u>\$3,092,593</u>	<u>\$2,367,777</u>

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 results of that valuation were shown in last year's report. Subsequent to completion of that valuation, an actuarial investigation was completed, comparing assumed financial experiences and actual financial experiences during the 5 year period ended in 1980. Based upon the investigation findings, the actuary recommended changes in the assumptions used for actuarial valuations. Overall, the recommended revised assumptions resulted in larger liability deficiencies, and longer financing periods for the deficiencies. The balance sheet below is based upon

this second June 30, 1980 valuation using the revised assumptions. 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 \$1,869,481,098. Of this total an amount of \$872,050,610 will be funded by the total normal contribution rate of 14.25% and the balance of 6.25% will be available for funding the deficiency amount of \$997,430,488. It was recommended that the member contribution rate of 8.0% and the employer contribution of 12.50% be continued at present levels. The June 30, 1981 actuarial valuation was being completed at time of this printing.

ACTUARIAL BALANCE SHEET

Second Valuation as of June 30, 1980, Using Revised Assumptions

Exhibit I

ASSETS

Present Assets:

Employees' Savings Fund	\$ 266,829,897
Annuity and Pension Reserve Fund	634,872,456
Survivors' Benefit Fund	66,892,082
Employers' Trust Fund	192,178,038
Miscellaneous	1,301,353

\$1,162,073,826

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 1,869,481,098

Total Future Assets 1,884,888,415

TOTAL ASSETS \$2,876,525,045

LIABILITIES

Present value of benefits payable on account of
present retirants and beneficiaries \$ 857,819,155

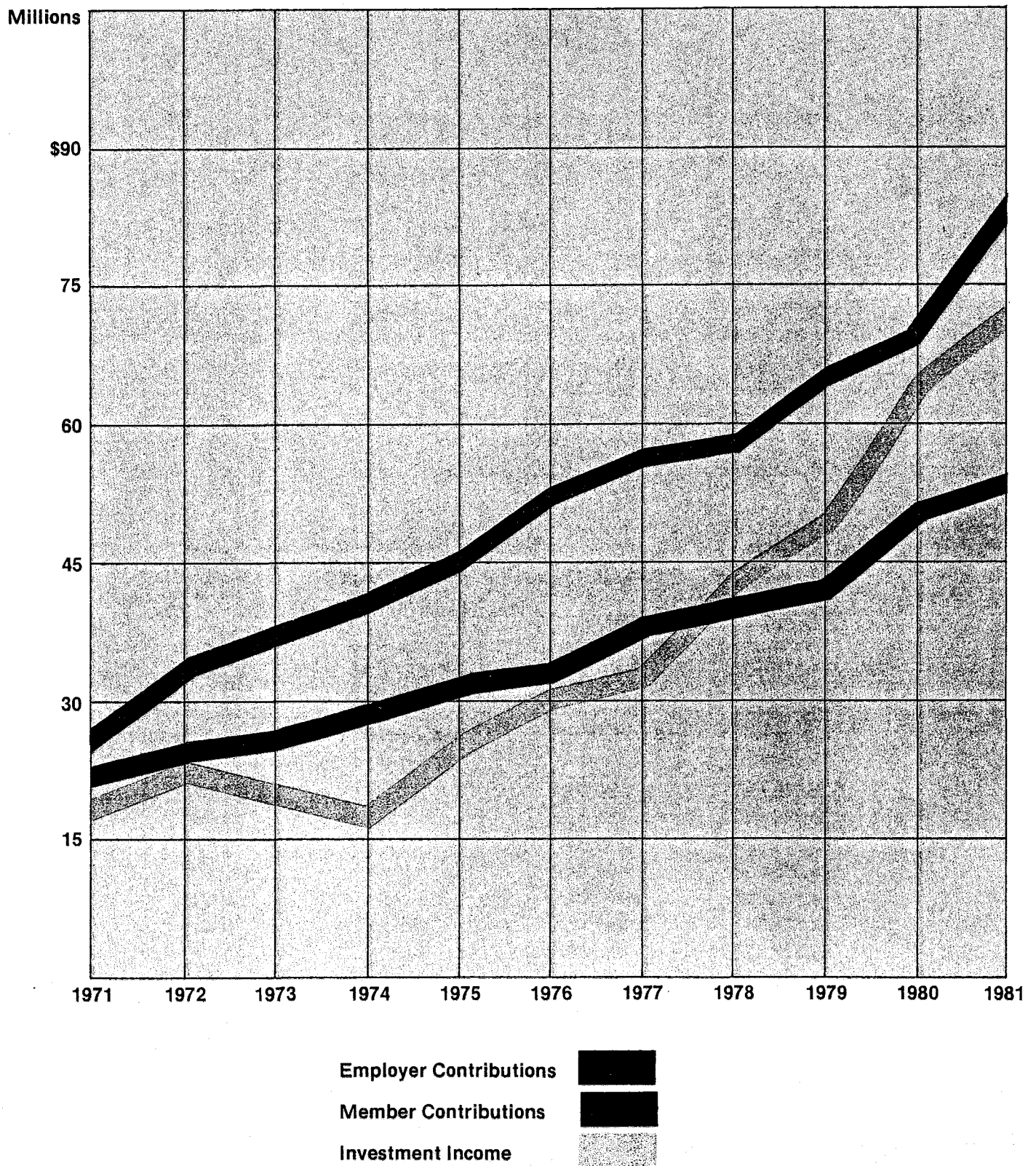
Present value of benefits payable on account of
active and inactive members 2,017,404,537

Miscellaneous 1,301,353

TOTAL LIABILITIES \$2,876,525,045

Statistical Tables

REVENUES BY SOURCE



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

STATISTICAL TABLES

Table I

REVENUES BY SOURCE

Last Ten Years

Year Ending June 30	Member Contributions	Employer Contributions	Investment Income	Other	Total
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
1981	52,469,568	81,353,991	69,572,728	1,030,754	204,427,041

Table II

EXPENSES BY TYPE

Last Ten Years

Year Ending June 30	Aggregate Benefit Payments	Administrative Expenses	Transfer to Ohio Retirement Systems	Other	Total
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
1981	93,005,719	3,092,593	844,547	22,950	96,965,809

STATISTICAL TABLES

NUMBER OF PARTICIPATING MEMBERS

Table III

Active and Inactive
Last Ten Years

Year Ending June 30	ACTIVE		INACTIVE		Total
	Male	Female	Male	Female	
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
1981	29,000	73,876	32,861	59,559	195,296

NUMBER OF PARTICIPATING EMPLOYERS

Table IV

Year Ending June 30

Year	Total	Counties	Local	City	Village	Colleges	Technical	Vocational	Other
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
1981	769	86	378	189	49	2	13	51	1

CONTRIBUTION RATES

Table V

Member and Employer
Last Ten Years

Year Ending June 30	RATES		
	Member	Employer	Total
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
1981	8.00	12.50	20.50

*Effective 1-1-74

**WITHDRAWAL
OF SERVICE CREDIT
BY REFUND**

Table VI

Last Ten Years

Year Ending June 30	Number
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
1981	9,482

BENEFIT EXPENSES BY TYPE

Table VII

Last Ten Years

Year Ending June 30	BENEFITS			
	Service	Disability	Survivor	Health Care
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
1981	55,597,625	6,328,456	5,567,213	17,084,324

NUMBER OF BENEFIT PAYMENTS

Table VIII

By Type
Last Ten Years

At Year Ending June 30	Service	Disability	Survivor	Total
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
1981	26,120	2,237	2,477	30,834

STATISTICAL TABLES

**Table VII
(continued)**

REFUNDS

Death	Separation	Beneficiaries	Employer	Total
	\$ 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
508,917	7,552,804	361,634	4,746	93,005,719

RETIREMENT AVERAGES

Table IX

Last Ten Years

SERVICE RETIREMENT

Year Ending June 30	Service Credit	Monthly Amount	Age	Salary
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
1981	16.626	218.08	63.22	7,495.31

DISABILITY RETIREMENT

Table X

Year Ending June 30	Service Credit	Monthly Amount	Age	Salary
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
1981	12.610	275.07	52.52	7,162.84

STATISTICAL TABLES

NEW BENEFIT PAYMENTS BY YEAR
Last Ten Years

Table XI

Year Ending June 30	SERVICE RETIREMENT			
	Years of Service Credit	5-9	10-14	15-19
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
1981	Male	178	178	151
	Female	303	402	324
	Total	481	580	475
	Average Monthly Payment	\$ 68.37	\$ 129.03	\$ 199.33

STATISTICAL TABLES

Table XI
(continued)

SERVICE RETIREMENT

20-24	25-29	30-34	35-39	40-44	45 & Over	Total
128	86	37	34	28	1	965
94	49	12	6	7	4	998
222	135	49	40	35	5	1,963
\$ 195.38	\$ 240.24	\$ 334.42	\$ 506.67	\$ 645.61	\$ 578.65	\$ 136.94
77	61	22	24	8	4	766
96	45	11	14	1	—	901
173	106	33	38	9	4	1,667
\$ 188.72	\$ 231.51	\$ 345.83	\$ 529.71	\$ 491.31	\$ 773.85	\$ 130.60
101	58	27	21	4	4	825
114	46	13	10	3	2	1,014
215	104	40	31	7	6	1,839
\$ 191.93	\$ 264.99	\$ 402.72	\$ 445.79	\$ 707.64	\$ 602.68	\$ 127.92
88	66	41	20	4	3	819
126	53	23	10	—	3	1,014
214	119	64	30	4	6	1,833
\$ 207.22	\$ 283.66	\$ 431.38	\$ 519.11	\$ 843.97	\$ 800.04	\$ 146.16
104	68	54	15	9	5	860
128	60	23	7	5	3	1,056
232	128	77	22	14	8	1,916
\$ 225.86	\$ 293.09	\$ 462.44	\$ 647.16	\$ 544.07	\$ 790.65	\$ 158.40
100	61	71	21	10	2	850
168	64	31	11	3	—	1,193
268	125	102	32	13	2	2,043
\$ 239.00	\$ 327.89	\$ 496.88	\$ 631.06	\$ 771.07	\$ 406.47	\$ 174.21
127	81	88	26	5	—	874
166	78	27	7	1	3	1,230
293	159	115	33	6	3	2,104
\$ 244.79	\$ 323.15	\$ 554.54	\$ 723.37	\$ 632.88	\$ 756.41	\$ 184.01
124	99	102	23	6	1	962
214	126	49	7	4	1	1,441
338	225	151	30	10	2	2,403
\$ 258.00	\$ 340.79	\$ 603.66	\$ 670.05	\$ 981.88	\$1,058.60	\$ 200.63
121	74	80	28	5	2	887
211	110	44	10	2	2	1,440
332	184	124	38	7	4	2,327
\$ 283.69	\$ 360.26	\$ 616.92	\$ 808.67	\$1,151.25	\$1,133.82	\$ 209.82
98	83	83	15	7	1	794
241	130	32	18	3	2	1,455
339	213	115	33	10	3	2,249
\$ 282.32	\$ 386.68	\$ 625.14	\$ 810.92	\$ 885.81	\$ 828.51	\$ 218.08

NEW BENEFIT PAYMENTS BY YEAR

Last Ten Years

SURVIVOR BENEFITS

Year Ending June 30	1972		1973		
	Benefit	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
	Joint Survivor Annuity	333	\$122.61	368	\$126.54
	Spouse — Age 65	69	99.52	82	104.52
	Spouse — Age 62	457	98.00	523	102.73
	Spouse — Age 50	265	112.90	309	120.86
	Spouse with Children	313	184.52	354	186.09
	Unmarried Children	66	120.28	80	129.96
	Dependent Parents	8	97.58	9	115.42
	Other	7	91.05	7	92.93
	Total	1,518		1,732	

Year Ending June 30	1977		1978		
	Benefit	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
	Joint Survivor Annuity	428	\$188.51	448	\$199.30
	Spouse — Age 65	88	117.81	91	117.89
	Spouse — Age 62	608	137.65	624	137.51
	Spouse — Age 50	459	159.28	493	161.95
	Spouse with Children	363	240.41	379	246.91
	Unmarried Children	85	158.50	75	171.48
	Dependent Parents	8	143.28	7	144.46
	Other	28	136.33	28	136.17
	Total	2,067		2,145	

STATISTICAL TABLES

Table XII
(continued)

SURVIVOR BENEFITS

1974		1975		1976	
Number	Avg. Monthly Payment	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
378	\$131.94	403	\$138.85	408	\$179.60
81	99.65	102	101.84	75	114.35
488	102.36	485	103.46	588	131.15
275	123.95	294	129.36	420	152.15
495	173.46	527	180.87	354	239.71
56	133.56	40	136.75	83	161.00
8	107.83	10	111.57	10	138.81
4	99.60	4	110.42	24	126.23
1,785		1,865		1,962	

1979		1980		1981	
Number	Avg. Monthly Payment	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
455	\$204.70	469	\$217.18	485	\$235.40
110	119.28	106	121.81	113	126.69
660	139.21	678	144.00	699	151.76
558	165.52	621	172.03	665	179.83
374	252.08	386	255.12	370	267.46
68	169.37	65	175.46	112	172.40
6	145.68	4	148.85	3	165.76
28	136.61	27	139.92	26	148.05
2,259		2,356		2,473	

STATISTICAL TABLES

Table XIII

NEW BENEFIT PAYMENTS BY YEAR

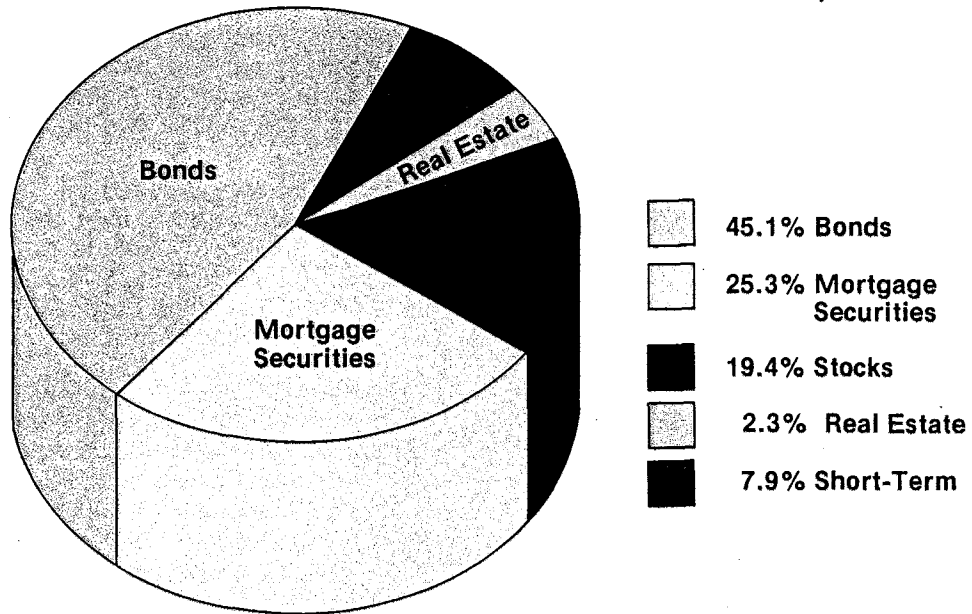
Last Ten Years

DISABILITY RETIREMENT

Year Ending June 30	Years of Service Credit	5-9	10-14	15-19	20-24	Total
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
1981	Male	35	22	17	18	92
	Female	70	66	20	20	176
	Total	105	88	37	38	268
	Average Monthly Payment	\$196.78	\$257.76	\$357.68	\$451.03	\$275.07

Investments

**PORTFOLIO DISTRIBUTION
June 30, 1981**



Investment Report

The economic slowdown experienced in mid-1980 was aborted by the expansionary monetary policy of the Federal Reserve and the decline in oil prices. The Adjusted Monetary Base grew at about 10% from July to December 1980. Economic activity as measured by real GNP grew 2.4% in the third quarter, 3.8% in the fourth quarter and 8.4% in the first quarter of 1981. This stronger than anticipated recovery forced the Federal Reserve to push up interest rates in an effort to control the money supply. The Prime Rate which was 11% in June 1980 rose to 21½% in December 1980 and remained high thru June 1981. Again, high rates are beginning to threaten the economy.

The good news has been on the inflation front. The Consumer Price Index which had been running at double digit rates had slowed to 9.5% for the twelve months ended June 1981. Moderation of energy prices and stable food prices were important factors in the lessening of inflation. The outlook for the remainder of 1981 continues to be very favorable. The inflation rate should continue to decline during the remainder of 1981 since OPEC has agreed to hold oil prices steady and since the outlook for crop harvest and livestock growth is very favorable.

This slowing trend in the rate of inflation should take some of the upward pressure off of interest rates, but the projected government deficit is still huge and causing a great deal of volatility in the fixed-income markets. The budget cuts proposed by President Reagan are a step in the right direction, but Congress has to follow through with these cuts and then another program of budget cuts has to be developed. If the budget deficit can be reduced to a negligible amount or a surplus, and inflation can be kept at a low rate, then interest rates will come down to a manageable level.

Because of these uncertainties the Fund continues to emphasize quality in its bond and mortgage portfolios. During the past year much of the Fund's new cash has been designated for investment in real estate. As a result of this allocation of monies to the real estate portfolio, the bond portfolio on June 30 represented 45% of the total Fund as compared to 49% at this time last year. And the Mortgage Portfolio represented 25% of the Fund as compared to 26% last year.

In addition to an emphasis on quality in the bond

portfolio during the last year, the Fund has continued its program of shortening the maturity of the bonds in the portfolio. During the coming year the Fund will continue this emphasis on quality and shorter maturities when making bond investments.

The cash added to the mortgage portfolio during the last year was again invested in government agency guaranteed mortgage securities. The majority of the cash was used to purchase GNMA mortgage-backed securities from Ohio financial institutions. This is a program the Fund instituted over five years ago and during that time the Fund has purchased over \$125,000,000 worth of this type of security at very attractive yields to the Fund. Since these securities were purchased from Ohio financial institutions, the majority of that \$125,000,000 was made available to the citizens of Ohio for mortgages on their homes.

In the mortgage portfolio we will continue to emphasize the government agency guaranteed mortgage securities because of their excellent quality, short average maturity, good marketability and their high yield to the Fund.

The yield on the Bond and Mortgage Portfolios has increased steadily over the last 10 years. The yield on the bond portfolio at June 30, 1981 was 10.23% as compared to 9.55% last June 30th. The yield on the Mortgage Portfolio was 10.47% on June 30, 1981 as compared to 10.13% last June 30th.

Faced with the possibility of another "credit crunch," the stock portfolio continues to emphasize companies with low debt to equity ratios. The large fall in oil and oil service stocks provided the Fund with an opportunity to add to its position in these securities. Much of the current environment in the stock market centers around mergers of oil companies and a possible peak in interest rates. Banks, fire-casualty insurance, and utility stocks which would benefit from any decline in interest rates have been performing well. The diversification of the stock portfolio with emphasis on quality should continue to provide the fund with safety and increased income over the longer term.

By June 30, 1981, the Fund had purchased five new parcels of real estate. All five were new structures leased to high quality corporate tenants at very high yields to the Fund. It is expected that the Fund will continue to emphasize this type of high-quality, high-yielding real estate investment during the coming year.

PORTFOLIO SUMMARY

Investment Category	June 30, 1981*		June 30, 1980*	Dec. 31, 1979	Dec. 31, 1978	Dec. 31, 1977
	Par Value	Percent	Par Value	Par Value	Par Value	Par Value
U.S. Government & Agency Obligations	\$ 100,748,000	9.8%	\$ 37,800,000	-0-	-0-	\$ 13,027,250
Corporate Obligations	306,920,000	29.9	365,770,000	\$356,670,000	\$329,920,000	298,236,000
Canadian Obligations	55,300,000	5.4	63,300,000	62,800,000	60,300,000	54,800,000
G.N.M.A. Mortgage-Backed Securities	132,285,163	12.9	126,660,913	98,406,209	66,358,165	80,955,376
F.H.L.M.C. Mortgage-Backed Securities	117,462,257	11.5	110,783,826	92,904,140	63,687,339	6,848,624
F.H.A., V.A. & H.U.D. Mortgages	9,774,938	0.9	10,348,539	10,749,012	26,337,784	44,126,634
Common Stocks	199,093,353	19.4	180,783,324	178,801,201	169,035,620	168,665,778
Real Estate	23,683,003	2.3	12,592,174	12,859,721	13,089,571	19,433,104
Short-Term Investments	81,449,359	7.9	33,650,000	61,075,000	59,300,000	22,850,000
	<u>\$1,026,716,073</u>	<u>100.0%</u>	<u>\$941,688,776</u>	<u>\$874,265,283</u>	<u>\$788,028,479</u>	<u>\$708,942,766</u>

*NOTE: For the periods ended June 30, 1980 & June 30, 1981, the figures given are reported on an accrual basis; all other figures are given on a cash basis.

INVESTMENTS

Schedule II

PORTFOLIO RATES OF RETURN

For Calendar Years Indicated
and Fiscal Years Ended
June 30, 1980 and June 30, 1981

ASSET CATEGORY	June 30, 1981	June 30, 1980	1979	1978	1977
Bond Portfolio	10.23%	9.55%	9.14%	8.74%	8.61%
Real Estate Mortgage Portfolio	10.47	10.13	9.26	8.52	7.60
Total Fixed-Income Investment	10.32%	9.74%	9.18%	8.68%	8.34%
Equity Portfolio	22.06%	17.06%	17.96%	9.13%	(8.82)%
New Invest. Return Rate (New Long-Term, Fixed-Income Investments)	13.46	12.17	9.88	9.12	8.38
Short-Term Investments	13.83	10.80	10.76	7.55	5.15

Schedule III

INVESTMENT ACTIVITY

For the year ended June 30, 1981

PRINCIPAL BALANCE AS OF JUNE 30, 1980 (Cash Basis)	\$ 920,237,664
Increases in Par Value:	
U.S. Treasury & Federal Agencies	\$ 84,004,000
Corporate Obligations	52,200,000
F.H.L.M.C. Mortgage-Backed Securities	15,817,323
GNMA Mortgage-Backed Securities	29,358,641
Common Stocks	70,377,607
Real Estate	11,372,000
Short-Term Investments (net)	47,799,368
Total Increases	<u>\$310,928,939</u>
Decreases in Par Value:	
U.S. Treasury & Federal Agencies	\$ 21,056,000
Corporate Obligations	111,050,000
Canadian Obligations	8,000,000
F.H.L.M.C. Mortgage-Backed Securities	4,138,892
G.N.M.A. Mortgage-Backed Securities	5,234,391
F.H.A. Mortgages	113,412
V.A. Mortgages	34,794
H.U.D. Guaranteed Mortgages	425,394
Common Stocks	54,071,625
Real Estate	326,022
Total Decreases	<u>\$204,450,530</u>
Net Increase to Portfolio	<u>\$ 106,478,409</u>
PRINCIPAL BALANCE AS OF JUNE 30, 1981 (Accrual Basis)	<u>\$1,026,716,073</u>

INVESTMENTS

Schedule IV

Quality Rating	Percent of Stock	QUALITY OF STOCKS			
A +	33.7	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 13.0 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.			
A	22.1				
A-	18.2				
B +	10.4				
B	2.6			A + Highest	B Below Average
B-	--			A High	B- Low
C	--			A- Above Average	C Lowest
D	--			B + Average	D In Reorganization
Not Rated	13.0				

Schedule V

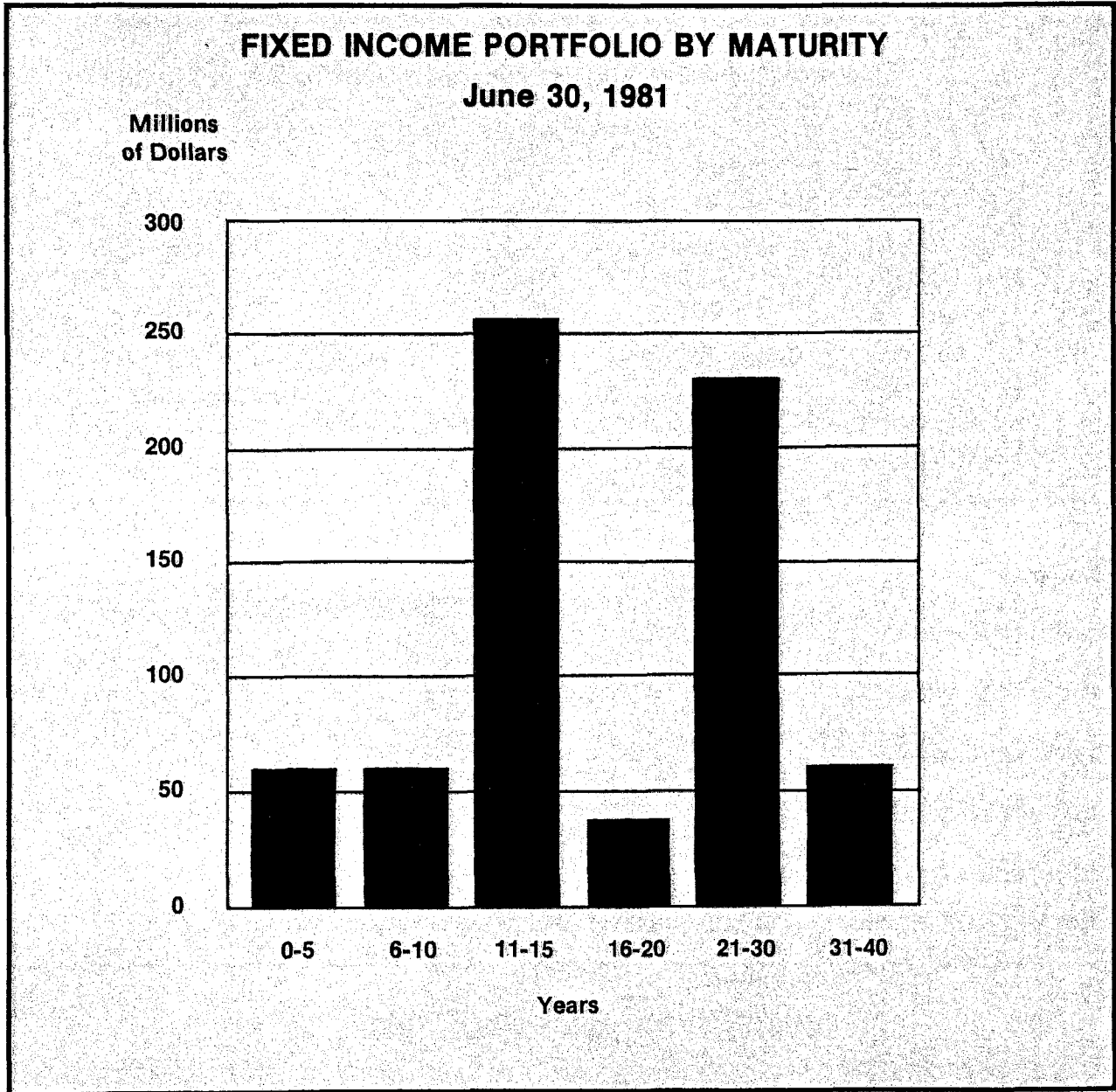
Category	Percent	DIVERSIFICATION OF STOCKS
Credit Sensitive	17.6	The System's stocks are diversified by industry to reduce risk and to enable the portfolio to participate in upswings in various sectors of the economy as they arise.
Growth Consumer	18.3	
Consumer Staple	7.8	
Consumer Cyclical	8.3	
Intermediate Goods and Services	29.0	
Capital Goods	19.0	

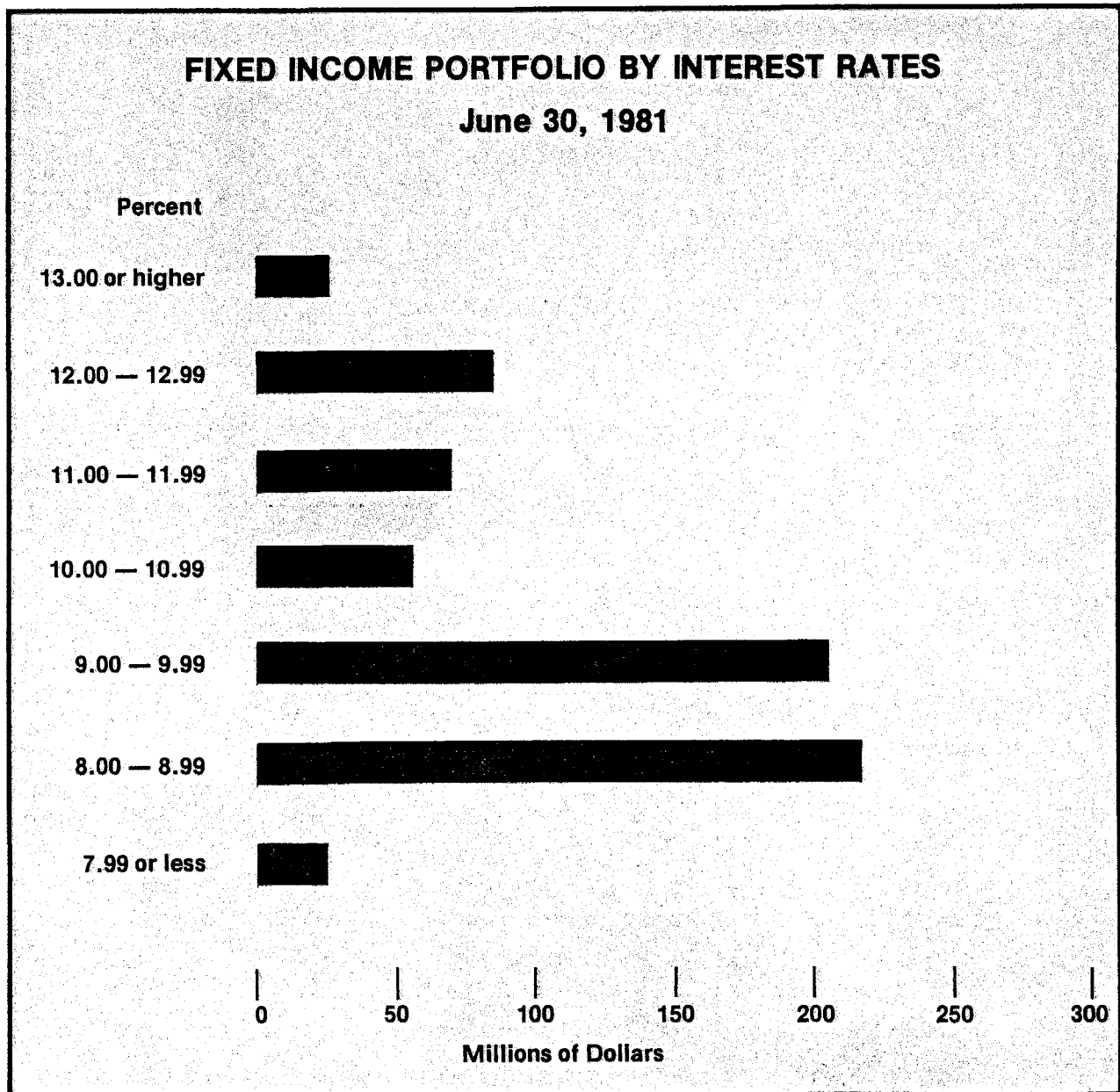
Schedule VI

DIVIDEND GROWTH FROM STOCKS

Fiscal Year Ended	Dividends Received*	% Increase	Yield on Cost
June 1981	\$9,146,619	+ 20.1%	4.62%
June 1980	7,612,723	+ 22.1	4.16
June 1979	6,233,421	+ 20.9	3.65
June 1978	5,154,907	+ 22.5	3.00
June 1977	4,207,829	+ 22.8	2.45

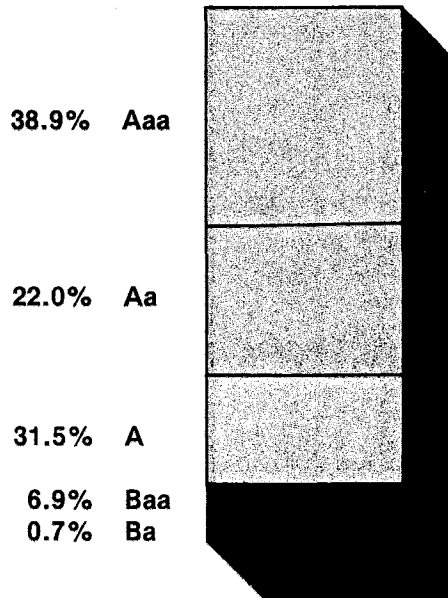
*Cash Basis



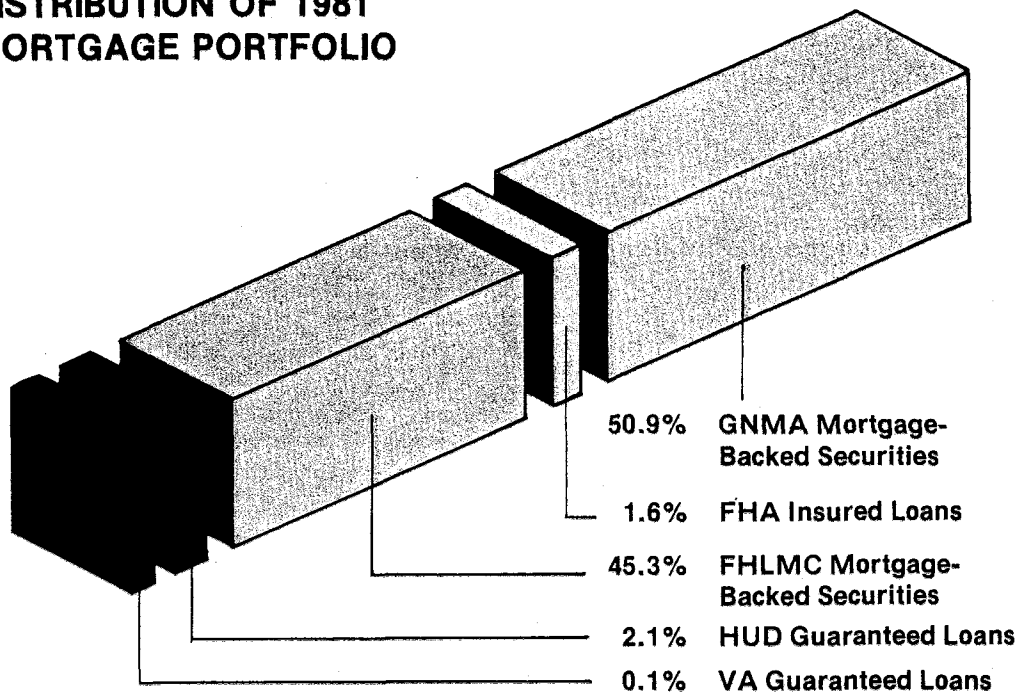


BOND PORTFOLIO QUALITY RATINGS BY MOODY'S
June 30, 1981

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



DISTRIBUTION OF 1981 MORTGAGE PORTFOLIO



INVESTMENTS

LIST OF INVESTMENTS

June 30, 1981

FIXED-INCOME

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
SHORT-TERM INVESTMENTS					
Bankers Acceptances					
BancOhio National Bank		7-01-81	\$ 2,000,000.	\$ 1,972,292.	\$ 1,999,076.
Morgan Guaranty Trust Co.		7-03-81	1,282,359.	1,263,764.	1,280,435.
BancOhio National Bank		7-15-81	1,000,000.	986,467.	993,000.
Morgan Guaranty Trust Co.		7-27-81	1,000,000.	986,972.	987,437.
Morgan Guaranty Trust Co.		8-03-81	1,000,000.	983,837.	984,298.
			<u>\$ 6,282,359.</u>	<u>\$ 6,193,332.</u>	<u>\$ 6,244,246.</u>
Certificate of Deposit					
BancOhio National Bank	14.40%	9-28-81	\$ 3,000,000.	\$3,000,000.	\$ 3,110,400.
Continental Illinois Natl. Bank	14.00	8-26-81	3,667,000.	3,667,000.	3,842,405.
			<u>\$ 6,667,000.</u>	<u>\$ 6,667,000.</u>	<u>\$ 6,952,805.</u>
Commercial Paper					
Arkansas Louisiana Gas Co.		7-23-81	\$ 2,900,000.	\$ 2,850,358.	\$ 2,866,418.
Black & Decker Mfg. Co.		7-29-81	2,600,000.	2,559,483.	2,565,442.
Columbia Gas System, Inc.		7-31-81	2,900,000.	2,850,700.	2,857,547.
Commercial Credit Co.		7-06-81	2,000,000.	1,967,228.	1,994,217.
Dana Corp.		7-16-81	1,000,000.	985,833.	992,444.
Ford Motor Credit Corp.		7-01-81	2,900,000.	2,886,950.	2,898,550.
General Electric Credit Corp.		7-09-81	1,000,000.	986,306.	995,750.
General Electric Credit Corp.		7-06-81	1,600,000.	1,594,711.	1,595,467.
General Mills, Inc.		7-24-81	2,500,000.	2,471,875.	2,471,875.
General Motors Accept. Corp.		7-10-81	1,100,000.	1,094,806.	1,094,806.
General Tel. Co. of Indiana		7-10-81	1,000,000.	988,438.	995,375.
General Tel. Co. of Ohio		7-07-81	900,000.	884,487.	896,806.
General Tel. Co. of Ohio		7-22-81	3,000,000.	2,949,813.	2,966,542.
General Tel. Co. of Southwest		7-14-81	2,500,000.	2,465,260.	2,483,229.
General Tel. Co. of Southwest		7-17-81	800,000.	788,031.	793,436.
Halliburton Co.		7-08-81	4,900,000.	4,831,910.	4,881,217.
Halliburton Co.		7-28-81	2,000,000.	1,968,833.	1,974,333.
Illinois Bell Tel. Co.		7-13-81	2,700,000.	2,665,350.	2,683,913.
Iowa Public Service Co.		7-02-81	1,600,000.	1,583,783.	1,598,456.
Iowa Public Service Co.		7-07-81	2,100,000.	2,078,183.	2,093,058.
Marathon Oil Co.		7-27-81	3,500,000.	3,446,581.	3,456,294.
New England Power Co.		7-24-81	1,000,000.	985,146.	988,500.
Northwestern Bell Tel. Co.		7-16-81	3,500,000.	3,472,316.	3,473,944.
R. J. Reynolds Industries, Inc.		7-15-81	1,000,000.	991,094.	992,969.
Southern New England Tel. Co.		7-09-81	2,100,000.	2,076,375.	2,091,141.
Southern New England Tel. Co.		7-20-81	3,000,000.	2,953,500.	2,970,000.
Tenneco, Inc.		7-02-81	1,200,000.	1,182,898.	1,198,897.
Times Mirror Co.		7-17-81	500,000.	492,681.	495,986.
Tuscon Electric Power Co.		7-01-81	1,500,000.	1,495,173.	1,499,310.
Tuscon Electric Power Co.		7-21-81	2,000,000.	1,975,175.	1,980,692.
U.S. Tobacco Co.		7-21-81	700,000.	688,835.	692,895.
U.S. Tobacco Co.		7-24-81	1,000,000.	985,447.	988,733.

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1981 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
Commercial Paper (continued)					
United Tel. Co. of Ohio		7-28-81	\$ 1,300,000.	\$ 1,279,496.	\$ 1,283,114.
United Tel. Co. of Ohio		7-30-81	2,000,000.	1,970,808.	1,971,750.
Wisconsin Public Service Co.		7-30-81	2,200,000.	2,163,532.	2,168,742.
			<u>\$ 68,500,000.</u>	<u>\$67,611,395.</u>	<u>\$67,951,848.</u>
Total Short-Term			<u>\$ 81,449,359.</u>	<u>\$80,471,727.</u>	<u>\$81,148,899.</u>
U.S. TREASURY & AGENCY OBLIGATIONS					
U.S. Treasury					
U.S. Treasury Notes	11.375%	12-31-81	\$ 15,000,000.	\$14,936,719.	\$14,737,500.
U.S. Treasury Notes	11.500	1-31-82	15,000,000.	14,587,812.	14,695,313.
U.S. Treasury Notes	9.375	5-31-82	5,000,000.	4,873,438.	4,778,125.
U.S. Treasury Bonds	10.000	5-15-10	3,000,000.	2,914,812.	2,319,375.
			<u>\$ 38,000,000.</u>	<u>\$37,312,781.</u>	<u>\$36,530,313.</u>
Agency Obligations					
Federal Farm Credit Banks	15.80 %	1-04-82	\$ 5,000,000.	\$ 5,000,000.	\$ 5,006,250.
Federal Farm Credit Banks	15.40	2-01-82	10,000,000.	10,006,250.	9,981,250.
Federal Home Loan Mtg. Corp.	12.45	9-15-09	47,748,000.	46,812,565.	42,018,240.
			<u>\$ 62,748,000.</u>	<u>\$61,818,815.</u>	<u>\$57,005,740.</u>
Total U.S. Government and Agency Obligations			<u>\$100,748,000.</u>	<u>\$99,131,596.</u>	<u>\$93,536,053.</u>
CORPORATE OBLIGATIONS					
Industrial Bonds					
Cities Service Co.	9.750%	10-01-00	\$ 6,500,000.	\$ 6,518,706.	\$ 4,592,380.
Continental Oil Co.	9.125	11-01-99	9,500,000.	9,653,987.	6,468,645.
Continental Oil Co.	8.875	6-01-01	1,000,000.	962,844.	658,640.
Continental Oil Co.	9.375	4-01-09	3,000,000.	2,947,500.	2,039,430.
Dana Corp.	8.875	11-15-08	1,250,000.	1,232,791.	775,587.
Diamond Shamrock Corp.	9.000	4-01-99	1,000,000.	1,008,572.	647,870.
Diamond Shamrock Corp.	9.125	11-15-00	5,000,000.	5,084,717.	3,269,600.
Diamond Shamrock Corp.	8.500	4-01-08	2,600,000.	2,581,363.	1,549,574.
Dow Chemical Co.	11.250	7-15-10	11,750,000.	11,507,547.	9,130,103.
Ford Motor Co.	9.250	7-15-94	3,000,000.	3,012,401.	1,870,560.
General Mills, Inc.	9.375	3-01-09	8,500,000.	8,491,833.	5,676,640.
McDonalds Corp.	9.000	5-01-85	5,000,000.	4,765,897.	4,237,800.
McDonalds Corp.	10.250	10-01-89	3,000,000.	3,000,000.	2,422,110.
Philip Morris, Inc.	8.650	3-01-84	2,000,000.	1,863,267.	1,742,500.
Philip Morris, Inc.	9.550	6-01-86	6,000,000.	5,724,579.	5,017,200.
Philip Morris, Inc.	9.125	7-15-03	3,500,000.	3,435,226.	2,309,930.
Philip Morris, Inc.	8.875	6-01-04	3,750,000.	3,632,931.	2,395,838.
Phillips Petroleum Co.	8.875	11-15-00	8,000,000.	8,171,600.	5,379,360.

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1981 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
Industrial Bonds (continued)					
Standard Brands, Inc.	9.500%	12-15-04	\$ 2,500,000.	\$ 2,549,439.	\$ 1,687,775.
Standard Oil Co. of Indiana	9.200	7-15-04	5,750,000.	5,662,036.	3,921,902.
Union Oil Co. of California	8.375	6-01-85	3,000,000.	2,867,680.	2,496,000.
Xerox Corp. Sub. Conv. Deb.	6.000	11-01-95	1,220,000.	1,792,497.	869,250.
			<u>\$96,820,000.</u>	<u>\$96,467,413.</u>	<u>\$69,158,694.</u>
Telephone Bonds					
American Tel. & Tel. Co.	10.375%	6-01-90	\$ 3,000,000.	\$ 3,013,500.	\$ 2,455,560.
Bell Tel. Co. of Pennsylvania	11.875	4-15-20	3,000,000.	3,182,929.	2,464,380.
Chesapeake & Potomac Tel. Co. of Maryland	8.875	6-01-09	2,000,000.	2,045,374.	1,282,740.
Chesapeake & Potomac Tel. Co. of Virginia	8.625	4-01-09	4,000,000.	4,123,458.	2,509,280.
Chesapeake & Potomac Tel. Co. of West Virginia	9.000	5-15-05	1,000,000.	1,019,775.	645,110.
General Tel. Co. of Florida	10.750	7-01-04	4,000,000.	3,769,892.	2,911,200.
General Tel. Co. of Florida	9.375	3-01-05	500,000.	504,338.	326,980.
General Tel. Co. of Florida	13.375	9-01-10	5,000,000.	5,000,000.	4,215,150.
General Tel. Co. of Michigan	11.875	6-01-10	5,000,000.	4,963,750.	3,909,200.
General Tel. Co. of Northwest	9.375	7-01-08	1,850,000.	1,553,378.	1,196,858.
General Tel. Co. of Northwest	12.125	7-01-10	5,000,000.	4,970,508.	3,938,300.
General Tel. Co. of Ohio	10.250	12-01-04	1,000,000.	878,049.	704,850.
General Tel. Co. of Ohio	9.000	6-01-06	2,000,000.	1,978,125.	1,249,700.
General Tel. Co. of Ohio	16.625	5-01-11	3,000,000.	2,940,000.	3,074,190.
General Tel. Co. of Pennsylvania	12.000	6-01-10	5,000,000.	5,000,000.	3,929,050.
General Tel. Co. of Southwest	9.875	12-01-05	1,000,000.	1,001,878.	690,530.
General Tel. Co. of Upstate New York	9.125	4-01-04	1,000,000.	998,045.	626,300.
Michigan Bell Tel. Co.	8.625	2-01-10	500,000.	511,070.	315,470.
Michigan Bell Tel. Co.	7.750	6-01-11	1,000,000.	1,008,882.	567,580.
Mountain States Tel. & Tel. Co.	8.625	4-01-18	3,000,000.	2,939,005.	1,853,520.
Mountain States Tel. & Tel. Co.	11.250	11-01-19	1,000,000.	980,750.	775,840.
New York Tel. Co.	8.625	6-15-16	1,000,000.	1,039,873.	623,960.
Northwestern Bell Tel. Co.	8.625	6-15-12	12,000,000.	12,174,828.	7,528,080.
Ohio Bell Tel. Co.	7.875	10-01-13	2,000,000.	1,811,772.	1,150,360.
Pacific Northwest Bell Tel. Co.	8.750	6-01-08	1,000,000.	1,004,153.	639,440.
Pacific Tel. & Tel. Co.	8.650	4-01-05	500,000.	509,943.	296,565.
Pacific Tel. & Tel. Co.	9.000	1-15-18	4,000,000.	4,018,500.	2,371,400.
Pacific Tel. & Tel. Co.	12.350	7-15-20	5,000,000.	5,000,000.	3,956,200.
Southern Bell Tel. & Tel.	8.250	4-15-16	6,000,000.	5,880,180.	3,620,820.
Southwestern Bell Tel. Co.	8.500	3-15-16	12,000,000.	12,300,158.	7,382,040.
Wisconsin Telephone Co.	11.375	6-01-17	2,000,000.	2,024,130.	1,583,800.
			<u>\$98,350,000.</u>	<u>\$98,146,243.</u>	<u>\$68,794,453.</u>
Power & Light Bonds					
Baltimore Gas & Electric Co.	8.375%	9-15-06	\$ 1,250,000.	\$ 1,262,156.	\$ 742,713.
Central Illinois Public Service Co.	8.500	3-01-04	2,000,000.	1,917,660.	1,215,600.
Central Power & Light Co.	9.375	6-01-04	1,500,000.	1,497,999.	993,330.
Cincinnati Gas & Electric Co.	8.625	12-01-00	2,000,000.	1,966,298.	1,231,980.
Cincinnati Gas & Electric Co.	9.125	4-15-08	1,000,000.	1,006,858.	632,280.
Connecticut Light & Power Co.	8.750	3-01-04	1,000,000.	1,017,616.	580,430.

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1981 (Continued)

Power & Light Bonds (continued)	Interest Rate	Maturity	Par Value	Book Value	Market Value
Connecticut Light & Power Co.	8.875%	5-01-07	\$ 700,000.	\$ 718,958.	\$ 407,932.
Duke Power Co.	8.125	9-01-07	4,000,000.	3,945,533.	2,286,480.
Duquesne Light Co.	7.875	3-01-01	1,500,000.	1,370,410.	812,115.
Duquesne Light Co.	9.000	6-01-06	2,000,000.	1,988,886.	1,152,000.
El Paso Electric Co.	8.500	4-01-07	2,500,000.	2,478,333.	1,478,025.
Florida Power Corp.	8.750	10-01-06	5,150,000.	5,240,397.	3,162,872.
Idaho Power Co.	8.375	1-15-04	2,000,000.	2,003,833.	1,178,720.
Illinois Power Co.	9.000	11-01-00	1,500,000.	1,500,000.	967,680.
Indianapolis Power & Light Co.	9.300	6-01-06	2,650,000.	2,661,239.	1,732,305.
Iowa Power & Light Co.	8.750	3-01-06	1,000,000.	1,042,855.	605,370.
Iowa Public Service Co.	9.000	5-01-06	2,500,000.	2,630,983.	1,578,825.
Kansas Gas & Electric Co.	8.125	5-01-01	1,000,000.	916,559.	554,360.
Kansas Gas & Electric Co.	8.375	9-01-06	500,000.	508,712.	276,625.
Kansas Gas & Electric Co.	8.875	3-15-08	1,000,000.	1,002,349.	576,330.
Kansas Power & Light Co.	8.750	9-01-00	1,000,000.	1,033,192.	629,670.
Kansas Power & Light Co.	8.625	5-01-06	2,000,000.	2,074,655.	1,213,000.
Kentucky Utilities Co.	9.125	4-01-04	1,500,000.	1,514,824.	947,160.
Metropolitan Edison Co.	9.000	9-01-08	3,000,000.	2,903,915.	1,444,110.
New England Power Co.	8.625	8-01-03	2,000,000.	2,026,250.	1,207,000.
New England Power Co.	8.625	1-01-07	1,000,000.	935,601.	594,120.
Northern Indiana Public Service Co.	8.900	4-01-04	500,000.	526,134.	317,545.
Ohio Edison Co.	8.500	12-01-06	1,000,000.	1,013,917.	560,030.
Ohio Edison Co.	8.375	6-15-07	5,500,000.	5,490,250.	3,024,230.
Oklahoma Gas & Electric Co.	8.375	1-01-04	1,000,000.	1,010,849.	587,410.
Oklahoma Gas & Electric Co.	8.625	1-01-06	3,100,000.	3,207,167.	1,861,085.
Pacific Gas & Electric Co.	7.500	12-01-03	6,000,000.	5,839,206.	3,206,040.
Pennsylvania Power & Light Co.	9.750	11-01-05	500,000.	528,486.	329,295.
Pennsylvania Power & Light Co.	8.250	12-01-06	2,000,000.	2,006,483.	1,138,360.
Philadelphia Electric Co.	8.250	8-01-96	2,500,000.	2,547,764.	1,435,025.
Philadelphia Electric Co.	8.625	7-15-03	3,000,000.	3,003,243.	1,728,060.
Philadelphia Electric Co.	8.500	1-15-04	4,500,000.	4,469,930.	2,551,500.
Philadelphia Electric Co.	8.625	3-15-07	4,000,000.	3,988,950.	2,276,040.
Public Service Electric & Gas Co.	8.500	3-01-04	1,500,000.	1,536,813.	911,700.
Public Service Electric & Gas Co.	8.750	4-01-06	4,500,000.	4,496,434.	2,804,715.
Public Service Electric & Gas Co.	8.250	6-01-07	2,000,000.	1,994,583.	1,173,240.
Public Service Co. of Colorado	7.250	2-01-01	500,000.	424,404.	261,420.
Public Service Co. of Oklahoma	8.750	6-01-05	1,000,000.	1,046,233.	613,940.
South Carolina Electric & Gas Co.	9.125	2-01-06	4,300,000.	4,498,655.	2,687,543.
Southern California Edison Co.	8.875	3-01-00	3,500,000.	3,567,394.	2,260,370.
Southern California Edison Co.	8.875	3-15-01	2,000,000.	2,075,000.	1,271,540.
Southwestern Public Service Co.	8.800	2-01-05	1,000,000.	1,051,700.	620,500.
Southwestern Public Service Co.	8.750	3-01-08	500,000.	501,125.	309,065.
Union Electric Co.	8.875	9-01-06	3,500,000.	3,567,087.	2,016,350.
Utah Power & Light Co.	8.375	9-01-06	600,000.	606,483.	349,104.
Utah Power & Light Co.	8.500	3-01-07	500,000.	512,113.	292,210.
West Penn Power Co.	7.625	6-01-02	1,000,000.	898,450.	549,260.
Wisconsin Power & Light Co.	8.875	4-01-04	2,500,000.	2,594,091.	1,584,675.
Wisconsin Power & Light Co.	8.875	5-01-06	2,000,000.	1,989,583.	1,259,580.
			<u>\$111,750,000.</u>	<u>\$112,158,598.</u>	<u>\$ 66,180,864.</u>
Total Corporate Bonds			<u>\$306,920,000.</u>	<u>\$306,772,254.</u>	<u>\$204,134,011.</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1981 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
CANADIAN OBLIGATIONS					
Province					
Province of Ontario	9.250%	8-01-00	\$ 500,000.	\$ 482,618.	\$ 331,480.
Province of Ontario	8.600	3-15-04	1,000,000.	1,004,341.	610,040.
Province of Ontario	8.875	3-01-05	4,800,000.	4,836,364.	3,005,712.
Province of Ontario	9.125	6-15-05	4,000,000.	4,123,158.	2,560,120.
Province of Ontario	8.750	1-05-08	500,000.	472,876.	305,500.
Province of Saskatchewan	8.700	11-15-06	1,500,000.	1,448,491.	1,016,325.
Province of Saskatchewan	8.625	5-15-07	7,500,000.	7,242,997.	4,495,050.
Province of Saskatchewan	9.250	4-15-08	1,000,000.	942,632.	639,750.
			<u>\$ 20,800,000.</u>	<u>\$ 20,553,477.</u>	<u>\$ 12,963,977.</u>
Authority, Board, Commission					
Alberta Government Tel. Comm.	6.250%	10-01-92	\$ 1,000,000.	\$ 929,275.	\$ 544,150.
Alberta Government Tel. Comm.	7.875	9-01-96	1,300,000.	1,309,742.	770,250.
British Columbia Hydro & Power Authority	8.625	12-01-06	5,500,000.	5,489,906.	3,323,375.
British Columbia Hydro & Power Authority	8.375	6-15-07	3,000,000.	3,000,000.	1,762,500.
Manitoba Hydro-Electric Board	9.500	10-01-85	7,700,000.	7,502,575.	6,444,977.
Manitoba Hydro-Electric Board	9.250	6-30-01	9,000,000.	9,029,088.	5,858,820.
Manitoba Hydro-Electric Board	9.250	6-15-04	1,500,000.	1,576,908.	965,295.
Manitoba Hydro-Electric Board	9.375	12-01-04	3,000,000.	3,133,928.	1,952,460.
Manitoba Hydro-Electric Board	8.625	12-01-06	2,500,000.	2,486,587.	1,500,100.
			<u>\$ 34,500,000.</u>	<u>\$ 34,458,009.</u>	<u>\$ 23,121,927.</u>
Total Canadian Obligations			<u>\$ 55,300,000.</u>	<u>\$ 55,011,486.</u>	<u>\$ 36,085,904.</u>
Total Bonds			<u>\$462,968,000.</u>	<u>\$460,915,336.</u>	<u>\$333,755,968.</u>
MORTGAGE SECURITIES					
GNMA Modified Pass-Through Mortgage-Backed Securities					
Level Payment	7.50 %	2006-07	\$ 5,004,652.	\$ 4,844,352.	\$ 3,121,652.
Level Payment	8.00	2005-08	23,940,287.	23,750,034.	15,471,410.
Level Payment	8.25	2006-08	6,593,960.	6,457,084.	4,384,984.
Level Payment	8.50	2008	1,270,873.	1,246,261.	857,839.
Level and Graduated Payment	9.00	2008-09	20,978,314.	20,555,755.	14,180,877.
Level and Graduated Payment	9.50	2009	24,182,336.	23,563,553.	16,742,034.
Level and Graduated Payment	10.00	2009	3,209,482.	3,152,161.	2,274,396.
Level Payment	10.50	2016	6,638,000.	4,648,857.	4,580,220.
Level and Graduated Payment	11.00	2010	19,968,353.	19,120,802.	15,185,523.
Level Payment	11.50	2011	3,489,524.	3,412,880.	2,756,724.
Level and Graduated Payment	12.50	2010	9,954,457.	9,444,012.	8,289,007.
Level and Graduated Payment	13.50	2010	7,054,925.	6,977,447.	6,159,814.
			<u>\$132,285,163.</u>	<u>\$127,173,198.</u>	<u>\$94,004,480.</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1981 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
FHLMC Mortgage-Backed Participation Certificates					
Issue date 1977	8.25 %	2007	\$ 2,976,676.	\$ 2,920,511.	\$ 1,927,398.
Issue date 1978	8.75	2008	11,566,562.	11,331,454.	7,720,680.
Issue date 1978	9.00	2008	11,247,780.	10,955,248.	7,564,132.
Issue date 1978	9.25	2008	26,109,959.	25,852,237.	17,820,047.
Issue date 1978	9.50	2008	2,698,357.	2,685,942.	1,868,612.
Issue date 1979	10.00	2009	28,511,762.	28,149,720.	20,314,630.
Issue date 1979	10.25	2009	4,536,212.	4,511,274.	3,277,414.
Issue date 1979-80	12.00	2009-10	15,202,179.	15,063,331.	12,351,770.
Issue date 1980	13.50	2010	1,911,549.	1,917,667.	1,663,047.
Issue date 1980	14.75	2010	7,739,166.	7,669,024.	7,197,425.
Issue date 1981	15.00	2011	4,962,055.	4,948,048.	4,664,332.
			<u>\$117,462,257.</u>	<u>\$116,004,456.</u>	<u>\$ 86,369,487.</u>
FHA Insured Mortgages					
Single Family	5.00 %	Various	\$ 18,182.	\$ 18,182.	\$ 10,682.
Single Family	5.25	Various	247,094.	247,094.	147,021.
Single Family	5.50	Various	41,480.	41,480.	24,992.
Single Family	5.75	Various	47,168.	47,168.	28,772.
Single Family	6.00	Various	32,404.	32,404.	18,389.
Single Family	6.75	Various	48,196.	48,196.	26,628.
FHA PROJECT - Section 231	5.50	5-01-10	3,745,799.	3,745,799.	1,648,152.
			<u>\$ 4,180,323.</u>	<u>\$ 4,180,323.</u>	<u>\$ 1,904,636.</u>
VA Guaranteed Mortgages					
Single Family	4.50 %	Various	\$ 10,332.	\$ 10,332.	\$ 6,380.
Single Family	5.25	Various	226,461.	226,461.	128,517.
Single Family	5.50	Various	13,061.	13,061.	7,380.
Single Family	5.75	Various	33,704.	33,704.	19,380.
Single Family	6.00	Various	75,772.	75,772.	44,137.
Single Family	6.75	Various	17,177.	17,177.	10,220.
			<u>\$ 376,507.</u>	<u>\$ 376,507.</u>	<u>\$ 216,014.</u>
HUD Guaranteed Mortgages					
Section 23	7.00-8.75%	1985-91	\$ 5,218,108.	\$ 5,218,108.	\$ 4,042,474.
Total Mortgages			<u>\$259,522,358.</u>	<u>\$252,952,592.</u>	<u>\$186,537,091.</u>
Total Bonds & Mortgages			<u>\$722,490,358.</u>	<u>\$713,867,928.</u>	<u>\$520,293,059.</u>

LIST OF INVESTMENTS

June 30, 1981 (Continued)

PRODUCTIVE REAL ESTATE

	Book Value	Market Value
Land and Buildings		
K-Mart Store, Edinburg, Texas	\$ 2,182,000.	\$ 2,182,000.
K-Mart Store, Gallatin, Tenn.	2,222,000.	2,222,000.
K-Mart Store, Midland, Texas	2,829,500.	2,829,500.
K-Mart Store, Portland, Texas	2,388,500.	2,388,500.
Kroger/SuperX Store, Gallatin, Tenn.	1,750,000.	1,750,000.
Office Building, Columbus, Ohio	5,311,003.	10,800,000.
	\$16,683,003.	\$22,172,000.
PRUDENTIAL PROPERTY INVESTMENT SEPARATE ACCOUNT (PRISA)	\$ 7,000,000.	\$17,841,303.
Total Real Estate	\$23,683,003.	\$40,013,303.

COMMON STOCKS

Shares		Book Value	Market Value
110,000	Amerada Hess Corp.	\$ 3,418,638.	\$ 3,231,250.
70,000	American Express Co.	2,450,427.	3,403,750.
70,000	American Home Products Corp.	2,271,010.	2,345,000.
50,000	American Stores Co.	1,279,675.	1,312,500.
75,000	American Telephone & Telegraph Co.	4,128,279.	4,246,875.
38,500	Arizona Bank	519,923.	712,250.
50,500	Arkansas Louisiana Gas Co.	1,583,328.	1,786,438.
60,000	Atlantic Richfield Co.	2,981,388.	2,865,000.
70,000	Avon Products, Inc.	5,139,234.	2,712,500.
80,000	Black & Decker Manufacturing Co.	2,215,592.	1,520,000.
70,000	Boeing Co.	2,577,150.	2,143,750.
80,000	Bristol Myers Co.	3,297,525.	4,040,000.
40,000	CBS, Inc.	1,989,562.	2,255,000.
30,000	CSX, Corp.	1,388,988.	1,657,500.
30,000	Caterpillar Tractor Co.	1,466,162.	1,972,500.
90,000	Chubb Corp.	3,714,988.	4,387,500.
65,000	Cities Service Co.	1,629,458.	3,396,250.
55,000	Coca Cola Co.	3,045,757.	1,911,250.
40,000	Continental Illinois Corp.	1,408,700.	1,657,500.
45,000	Control Data Corp.	2,962,913.	3,301,875.
30,000	Corning Glass Works	2,087,975.	2,070,000.
85,000	Dart & Draft, Inc.	3,797,228.	4,345,625.
45,000	Dow Chemical Co.	1,390,662.	1,507,500.
54,000	DuPont (E.I.) de Nemours & Co.	2,551,921.	2,889,000.
58,000	Eastman Kodak Co.	5,975,883.	4,335,500.
76,000	Emerson Electric Co.	3,177,464.	3,524,500.
15,000	Esmark, Inc.	589,749.	1,025,625.
150,800	Exxon Corp.	3,470,726.	5,183,750.
60,000	Federated Department Stores, Inc.	2,487,478.	2,392,500.
45,000	First Bank Systems, Inc.	2,214,625.	1,980,000.

INVESTMENTS

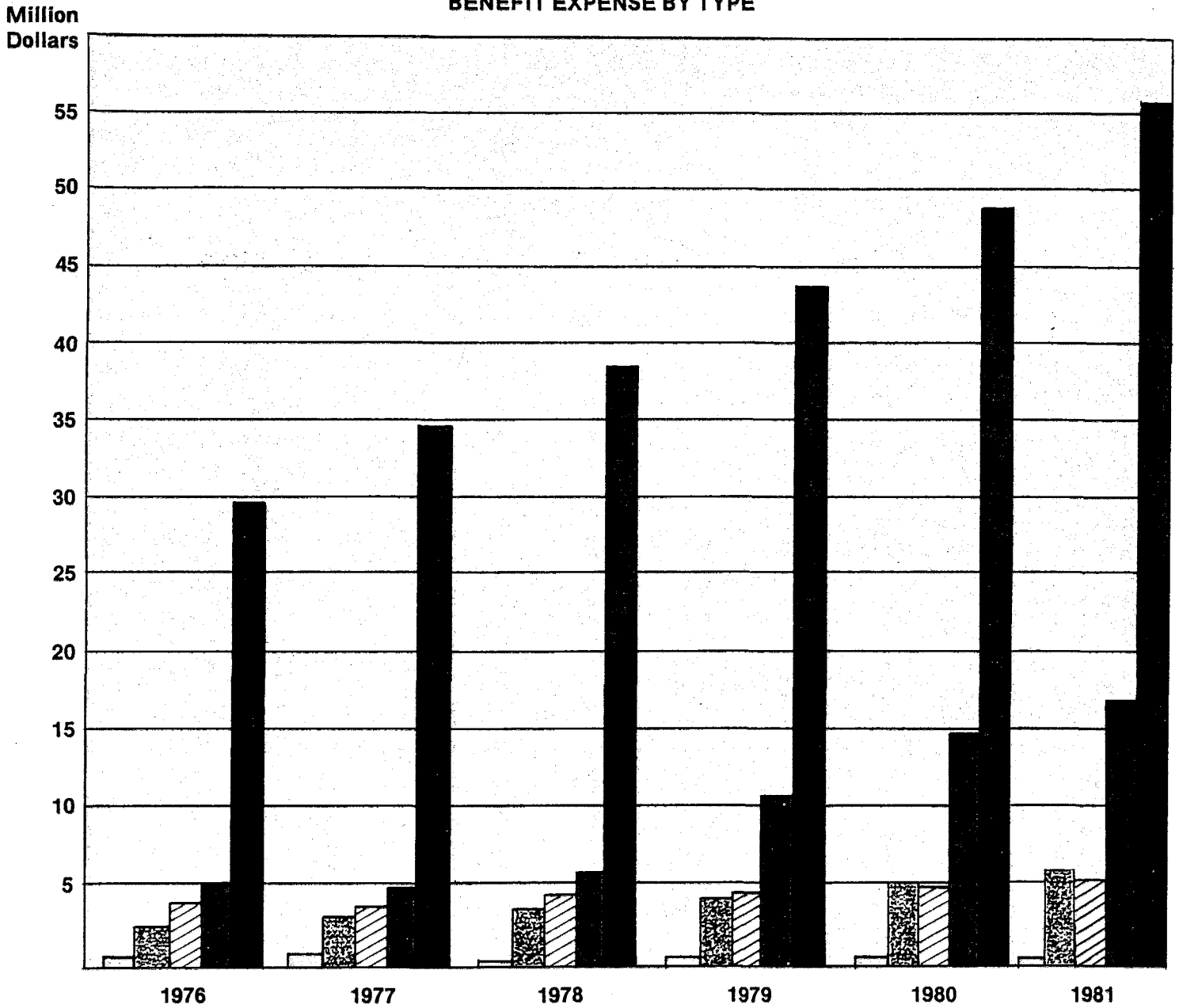
LIST OF INVESTMENTS

June 30, 1981 (Continued)

Shares	COMMON STOCKS	Book Value	Market Value
45,000	Fischback Corp.	\$ 2,386,250.	\$ 1,771,875.
75,000	General Electric Co.	3,697,628.	4,687,500.
50,000	General Foods Corp.	1,747,925.	1,556,250.
44,000	Getty Oil Co.	2,388,872.	3,036,000.
30,000	Grainger (W.W.), Inc.	1,046,858.	1,241,250.
50,000	Halliburton Co.	2,455,238.	2,993,750.
80,000	Hercules, Inc.	1,791,938.	2,050,000.
25,000	Honeywell, Inc.	1,630,688.	2,137,500.
80,000	International Business Machines Corp.	5,234,950.	4,600,000.
45,000	International Paper Co.	2,508,775.	2,098,125.
70,000	International Telephone & Telegraph Corp.	3,202,284.	2,170,000.
120,000	Johnson & Johnson	4,342,060.	4,170,000.
80,000	Kimberly Clark Corp.	3,711,870.	5,660,000.
80,000	K-Mart Corp.	3,134,208.	1,720,000.
40,000	McDonald's Corp.	2,207,037.	2,600,000.
60,000	M.G.I.C. Investment Corp.	2,819,072.	2,310,000.
56,400	Merck & Company, Inc.	5,136,082.	5,273,400.
75,000	Minnestoa Mining & Mfg. Co.	5,087,318.	4,340,625.
90,000	Mobil Oil Corp.	1,489,800.	2,700,000.
37,000	Monsanto Co.	2,305,327.	3,024,750.
40,000	Morgan, J.P. Company Inc.	2,289,474.	2,380,000.
80,000	NL Industries, Inc.	1,423,512.	2,790,000.
20,000	Newmont Mining Corp.	993,850.	1,310,000.
70,000	Northwest Airlines, Inc.	2,713,831.	2,362,500.
70,000	Penney, (J.C.) Co.	3,518,085.	2,362,500.
45,000	Philip Morris, Inc.	1,603,300.	2,238,750.
20,000	Polaroid Corp.	1,604,845.	592,500.
30,000	Procter & Gamble Co.	2,820,104.	2,276,250.
70,000	RCA Corp.	1,828,112.	1,583,750.
45,000	Reynolds, (R.J.) Industries, Inc.	1,377,570.	2,025,000.
35,000	St. Regis Paper Co.	1,449,120.	1,229,375.
100,000	Santa Fe International Corp.	2,107,600.	2,262,500.
71,000	Sears Roebuck & Co.	3,376,277.	1,375,625.
40,000	Simplicity Pattern Company, Inc.	1,321,699.	450,000.
70,000	Smithkline Corp.	4,199,038.	5,521,250.
60,000	Southeast Banking Corp.	1,809,086.	1,312,500.
90,000	Standard Oil Co. of California	1,939,719.	3,386,250.
80,000	Standard Oil Co. of Ohio	2,151,857.	3,920,000.
115,400	Sun, Inc.	3,172,537.	3,952,450.
10,000	Tektronix, Inc.	580,075.	550,000.
70,000	Texaco, Inc.	2,808,450.	2,485,000.
80,000	Texas Eastern Corp.	4,689,000.	4,000,000.
100,000	Texas Utilities Co.	1,972,300.	2,050,000.
50,000	Union Carbide Corp.	2,421,312.	3,000,000.
82,200	Weyerhaeuser Co.	3,253,455.	2,969,475.
70,000	Whirlpool Corp.	2,027,365.	1,907,500.
46,000	Xerox Corp.	4,105,192.	2,461,000.
	Total Common Stock	\$ 199,093,353.	\$202,990,388.
	TOTAL PORTFOLIO	Par Value \$1,026,716,073.	\$1,017,116,011.
		\$1,017,116,011.	\$844,445,649.

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 769 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 18 months of Ohio service credit, three of which were 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 premium is paid for by SERS and is added to the retirant's monthly benefit.

An optional prescription drug program is available to all benefit recipients of SERS and their dependents who are covered under the Aetna health care plan. Participants may either choose to obtain prescription drugs from their local pharmacy and receive reimbursement from the Aetna health care plan or they may elect to receive the drugs by mail from a licensed mail order pharmacy for a minimal fee of \$1.00 per medication.

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 12 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—Each January retired members and others receiving monthly allowances are sent a detailed statement showing benefits received during the year.

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.

