

The
**SCHOOL
EMPLOYEES
RETIREMENT
SYSTEM**
of Ohio

Annual Financial Report
June 30, 1982





**SCHOOL EMPLOYEES RETIREMENT SYSTEM
OF OHIO**

45 NORTH FOURTH STREET
COLUMBUS, OHIO 43215

**ANNUAL
FINANCIAL REPORT**

For The
Year Ended June 30, 1982

THE SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO



GEORGE J. MAZZARO

President
Cleveland City School District
Cleveland, Ohio
Term expires June 30, 1983



MARY E. KASUNIC

Vice President
Wickliffe City School District
Wickliffe, Ohio
Term expires June 30, 1985



ORRIS E. FIELDS

Wilmington City School District
Wilmington, Ohio
Term expires June 30, 1987



WILLIAM J. BROWN

Attorney General
Ex Officio Member



THOMAS E. FERGUSON

Auditor of State
Ex Officio Member



THOMAS R. ANDERSON

Executive Director

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

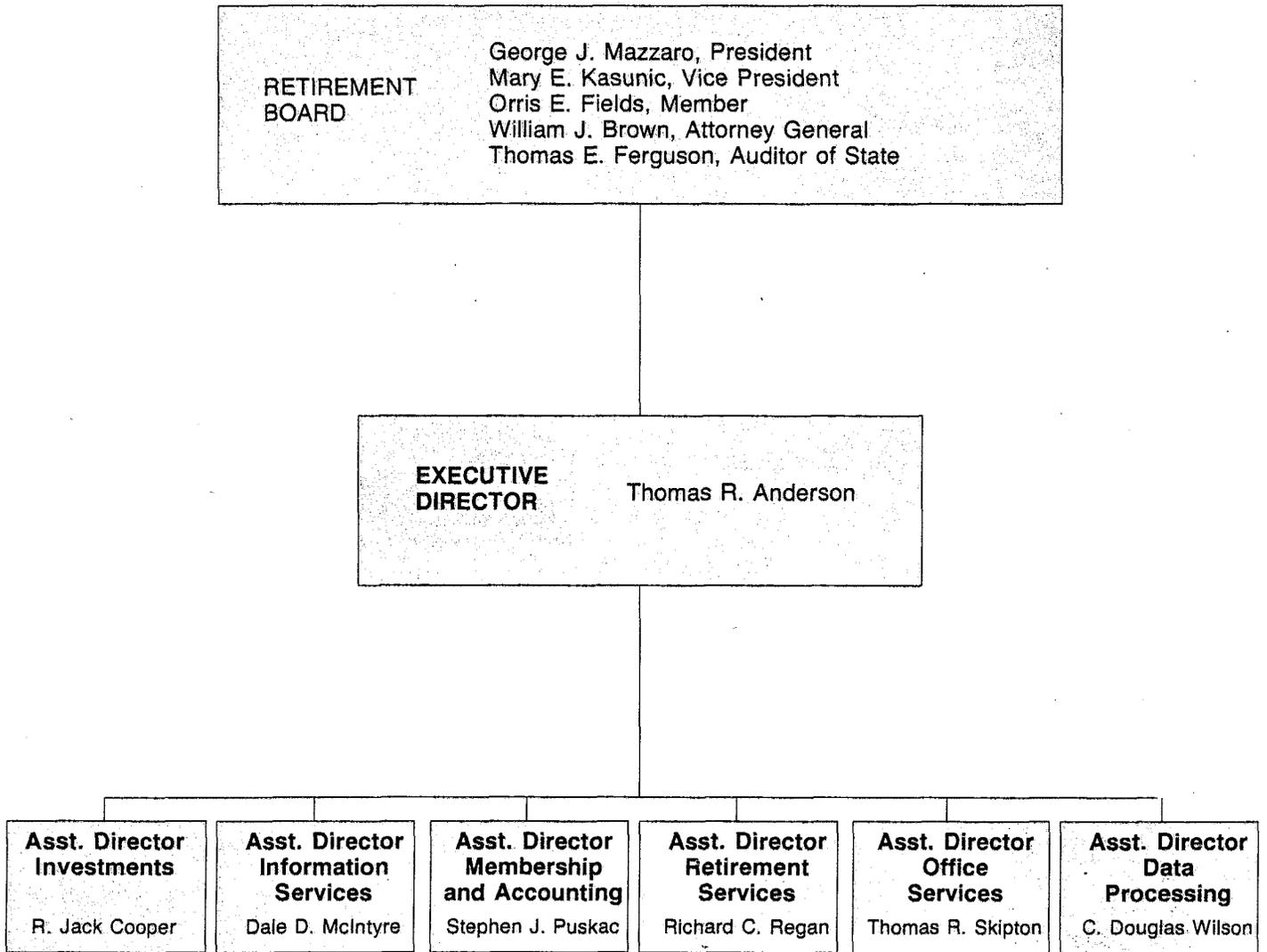


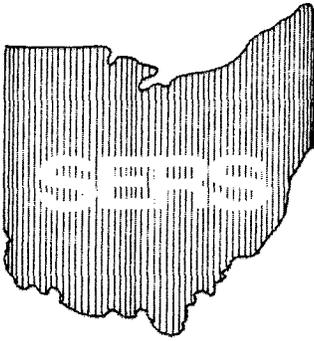
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SEERS

1937—1982

45 YEARS



SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

To The Members of the Board:

The Annual Report of the School Employees Retirement System for the fiscal year ended June 30, 1982 is submitted herewith. The report includes the financial statements, footnotes, schedules, statistical tables, investment portfolio, and a plan summary. This report also contains important actuarial information and data as of June 30, 1981.

Accounting System and Reports

The accrual basis of accounting is used in maintaining the records of the School Employees Retirement System. Revenues of 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 43 years.

In order to adequately inform interested individuals and groups, the following statements and schedules have been prepared in conformity with guidelines established by 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 necessary to pay these benefits. Resources are obtained through member contributions, employee contributions, and from income earned on invested contributions. For the fiscal year ended June 30, 1982, member and employer contributions totaled \$142,531,560 and \$83,719,002 was provided by income from invest-

ments. Miscellaneous sources, including transfers from other retirement systems and refunds of health care premiums, accounted for an additional \$6,151,973. Revenue for 1982 totaled \$232.4 million, an increase of 13.7% over 1981.

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 1982 were benefit payments, refunds of contributions due to member termination or death, transfers of contributions to other Ohio systems to provide benefits for those members who hold membership in more than one system, and administrative expenses. Expenses for fiscal 1982 totaled \$116.5 million, an increase of 20.1% over 1981 expenses. Increases in both the number of benefit recipients and the average benefit paid combined to increase benefit expense by \$17.1 million; this \$17.1 million accounted for 87.6% of the increase in total System expenses for the fiscal year.

Reserves (Funds)

The \$862,078,233 shown in the Annuity and Pension Reserve Fund represents the estimated amount necessary to provide benefits to those members who have filed for retirement prior to June 30, 1982. The accumulated contributions by members who have not yet retired amounted to \$324,180,388 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. The Balance Sheet as of June 30, 1982 discloses an Unreserved Fund Balance (Debit) of (\$150,739,489). This balance is a restriction of the Employers' Trust Fund and represents the amortized statutory fund deficiency which existed at June 30, 1982. This Unreserved Fund Balance was established on March 16, 1981 by the Retirement Board, and follows the recommendation by our actuaries in their report dated December 17, 1980. The unreserved balance is being amortized over 20

years and is funded by both the state appropriations for House Bills 204 and 284 and revenues from investments. The unfunded actuarial liability as of June 30, 1981 was \$937,252,106.

Investments

The School Employees Retirement System invests the previously mentioned funds in order to maximize both current income yield and long-term appreciation. For the fiscal year ended June 30, 1982, investments provided 36% of the System's total revenues; employee and employer contributions provided 23.5% and 37.9%, respectively; and other sources accounted for the remaining 2.6%.

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, 1982, our investment portfolio was structured as follows; 64.6% in debt securities; 21.5% in equity securities; 9% in short-term commercial paper; and 4.9% in real estate. The portfolio yield for fiscal 1982 was 10.09%.

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

Professional Services

In order to operate the School Employees Retirement System in the most effective and efficient manner, several professional consultants are appointed by the Retirement Board to provide information and advice essential to the fulfillment of our fiduciary responsibility. The System employs the services of an investment advisor, Bankers Trust Company, to assist our in-house investment staff and furnish expert economic advice on a continuing basis, including portfolio recommendations with respect to equity selection, and market and credit information on fixed-income securities. Gabriel, Roeder, and Smith, our actuaries, provide the necessary data used in determining the contributions required to provide for present and anticipated benefits. The actuaries also advise the Board regarding the assumptions which are made in conjunction with the more complex calculations involved in determining 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 were mailed to the members of the System during the week of November 1, 1982. These statements report the amount of contributions and service credited to each individual account as of June 30, 1982.

Acknowledgements

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

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

Respectfully submitted,



Thomas R. Anderson
Executive Director



Stephen J. Puskac
Assistant Director,
Membership & Accounting

HIGHLIGHTS OF 1982

Actuaries Raise Warning

Maintaining the System's free health care coverage for retirants and beneficiaries became a major cost concern as outlays for that sector of the benefit program approached two million dollars monthly. An increase of almost six million dollars over the previous year was recorded.

Actuaries for the System sounded a warning that "future adjustments to health care benefits and/or contributions are likely" if the Retirement Board was to have the program under better control.

It was noted that the 12.5 percent employer rate in 1974 originally included 0.75 percent earmarked for health care, a portion now grown to 4.22 percent while the overall rate still remains unchanged.

"The more contributions needed for health care, the less contributions available for basic retirement benefits," cautioned the actuaries.

Benefits Reach New Mark

As concern grew over the health care problem, the System fund reached \$1.2 billion at the fiscal close. For the first time, however, yearly benefit costs topped the \$100 million mark at \$101.7 million. There were 32,863 retirants and beneficiaries on the monthly benefit rolls at year's end.

A relatively rare occurrence, total membership declined slightly. There were 196,848 present or former school employees with funds on deposit with the System. Only 97,321, however, were actively employed and contributing during the year.

Refunds for the year were up slightly at \$9.4 million, paid to 10,065 former members.

Investments & Service Changes

Wider investment authority was bestowed upon the System by the legislature in the main areas of real estate, mortgage lending and venture capital. Sought for some time, these changes reflected a considerable degree of SERS thinking, and the System moved quickly to make use of the broader powers. Among early investments was \$2.5 million in direct financial backing to open a steel mini-mill at Marion with a workforce of around 300 persons.

The only major law change affecting benefits was the "POW" amendment on buying SERS service credit for military duty. Former prisoners of war are

now allowed to purchase double credit for years spent in enemy captivity.

To the special services provided for retirants was added a statewide WATS line for their exclusive use in contacting the System. Retired school employees with requests or problems may phone the Retirement System free of charge from anywhere in Ohio, night or day.

The Social Security Impact

Possibly the subject stirring the greatest current interest among SERS members, however, was an ongoing drama played well outside Ohio: the troubled affairs of the Social Security system.

Although SERS itself never was directly involved, a fact not readily understood by many, a number of System members had a heavy stake in the outcome. In many cases they stood to suffer financially from some of the proposals to bail out Social Security.

At one point there were reports, denied officially, that all government employees were about to be drafted into Social Security over their protests. This had been mentioned as a feasible means of quickly pumping badly needed funds into the S.S. coffers.

Public Pension Offset

This was the national scene as the deadline neared for women school employees to reach SERS retirement eligibility and thereby qualify for a full Social Security spouse benefit later. Failure to meet the Dec. 1, 1982 deadline meant the spouse benefit would be "offset" by the amount of any pension paid by SERS.

Only the spouse benefit and not other types of Social Security benefits were affected by the offset provision. But there was considerable confusion, even within S.S. local offices, on the proper application of the offset.

Adding to the jumbled Social Security picture was a federal court decision, now being appealed, that Congress discriminated against males when it gave women the extra deadline to escape the offset. However, instead of extending males the same right, the court said the five-year grace period for women was unconstitutional and ruled it out completely.

**Financial
Statements**

Balance Sheet

**Statement of Revenue
and Expense**

**Statement of Changes
in Funds**

**Statement of Changes
in Financial
Position**

**Notes to
Financial
Statements**



THOMAS E. FERGUSON
AUDITOR OF STATE
COLUMBUS, OHIO 43216

January 19, 1983

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

Dear Members:

The annual inspection of the accounts and records of the School Employees' Retirement System for the fiscal year ended June 30, 1982 has been completed.

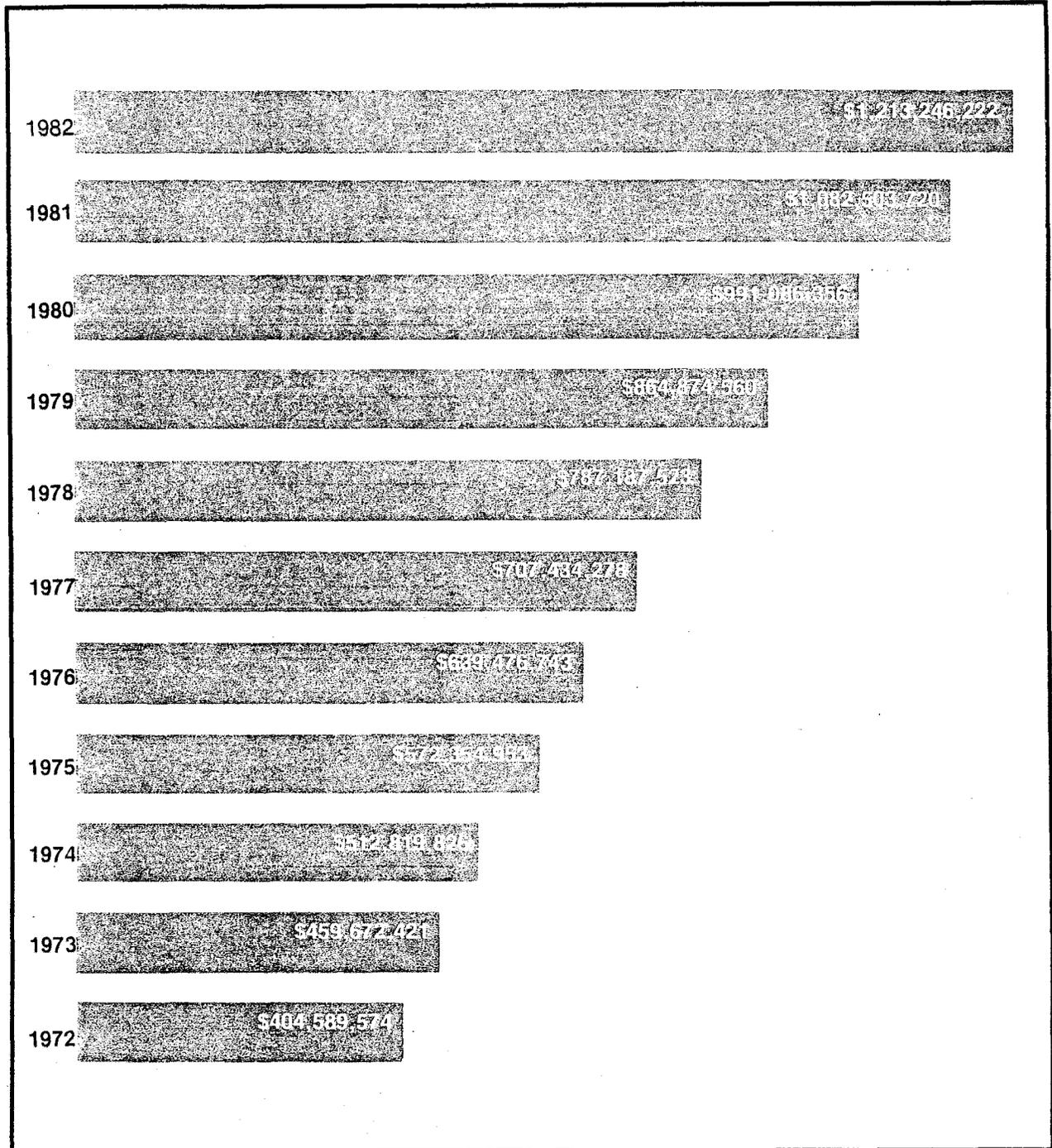
The inspection was performed in accordance with standards for such inspections promulgated by the Bureau of Inspection and Supervision of Public Offices and, accordingly, consisted principally of obtaining an understanding of the accounting system and making determinations regarding compliance with applicable laws and regulations based on observations and discussions with management officials.

In connection with our inspection, nothing came to our attention that we believe should be reported to you.

Sincerely,


THOMAS E. FERGUSON
Auditor of State

ASSETS



FINANCIAL STATEMENTS
BALANCE SHEET

Exhibit A

June 30,
ASSETS

1982

1981

Current Assets:

Cash and Short-Term Securities:
Cash
Commercial Paper (note 2)

	\$	228,995		\$	436,204
		103,252,110			80,471,727
		<u>\$ 103,481,105</u>			<u>\$ 80,907,931</u>

Receivables:

Employee
Employer
Interest and Dividends
Investment Sale Proceeds
Rental Income
Miscellaneous Investment
State Subsidies
State Foundation Program
Miscellaneous

		4,400,650			4,492,479
		902,186			793,812
		15,450,972			14,183,187
		31,408			1,137,343
		286,965			
		32,492			
		2,669,524			1,294,981
		39,670,482			36,553,855
		18,720			17,654
		<u>\$ 63,463,399</u>			<u>\$ 58,473,311</u>

Investments: (note 2)

Bonds and Mortgages
Common Stocks, at cost
Real Estate

		737,679,649			713,867,928
		246,055,095			199,093,353
		55,659,225			23,683,003
		<u>\$ 1,039,393,969</u>			<u>\$ 936,644,284</u>

Deferred Charges:

Prepaid Expenses
Total Current Assets

		82,413			12,213
		<u>\$ 1,206,420,886</u>			<u>\$ 1,076,037,739</u>

Other Assets:

Deposits with Ohio Public Employees
Deferred Compensation Board (note 3)

		\$ 32,301			\$ 22,336
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Fixed Assets: (note 4)

Land and Building,
Net of Accumulated Depreciation
Furniture and Equipment,
Net of Accumulated Depreciation
Total Fixed Assets

		\$ 4,738,924			\$ 4,823,747
		2,054,111			1,619,898
		<u>\$ 6,793,035</u>			<u>\$ 6,443,645</u>

Total Assets

		<u>\$ 1,213,246,222</u>			<u>\$ 1,082,503,720</u>
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LIABILITIES AND FUND BALANCES

Current Liabilities: (note 5)

Accounts Payable and Accrued Expenses
Investment Commitments Payable (note 6)
Benefits Payable
Medical Insurance Benefits Payable

		\$ 151,310			\$ 364,113
		21,822,242			7,378,530
		227,325			123,443
		184,591			110,556
		<u>22,385,468</u>			<u>7,976,642</u>

Deferred Credit:

Prepaid Mortgage Interest (note 7)
Total Current Liabilities

		404			304
		<u>\$ 22,385,872</u>			<u>\$ 7,976,946</u>

Fixed Liabilities:

Deferred Purchase Contract (note 8)
Employees' Deferred Compensation (note 9)
Advance on Equity Participation Mortgage (note 10)
Total Fixed Liabilities

		1,305,430			1,037,375
		32,301			22,336
		130,000			
		<u>\$ 1,467,731</u>			<u>\$ 1,059,711</u>

Fund Balances: (note 11)

Employees' Savings Fund
Employers' Trust Fund
Annuity and Pension Reserve Fund
Survivors' Benefit Fund
Unreserved Fund Balance (Debit)
Total Fund Balances

		324,180,388			298,254,671
		74,558,951			172,432,991
		862,078,233			690,852,661
		79,314,536			72,440,745
		(150,739,489)			(160,514,005)
		<u>\$ 1,189,392,619</u>			<u>\$ 1,073,467,063</u>

Total Liabilities and Fund Balances

		<u>\$ 1,213,246,222</u>			<u>\$ 1,082,503,720</u>
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The accompanying NOTES are an integral part of the financial statements.

STATEMENT OF REVENUE AND EXPENSE

Year Ended June 30,	1982	1981
REVENUE:		
Member Contributions:		
Payroll Deductions	\$ 53,610,719	\$ 51,641,776
Service Credit Purchases	642,978	574,318
Reinstatements	287,190	250,798
Expense Fees - Prior Years	2,166	2,676
	<u>\$ 54,543,053</u>	<u>\$ 52,469,568</u>
Employer Contributions:		
Employer Charges	85,818,620	79,169,391
State Subsidies	2,169,887	2,184,600
	<u>\$ 87,988,507</u>	<u>\$ 81,353,991</u>
Investment Income:		
Interest	81,341,959	70,731,234
Dividends	10,326,647	9,254,490
Rent	2,714,995	506,377
Accrued Interest Purchased	(4,355,352)	(2,389,575)
Accumulation of Discount	19,123,572	20,902,078
Gain on Sale of Securities	10,253,949	9,250,798
Loss on Sale of Securities	(35,282,252)	(38,589,957)
Other	(330,064)	(92,717)
Depreciation on Productive Real Estate	(574,089)	
Investment Loss Recovery	499,637	
	<u>\$ 83,719,002</u>	<u>\$ 69,572,728</u>
Other:		
Transfers From Other Ohio Systems	1,269,095	927,414
Loss on Sale of Furnishings		(5,597)
Health Care Premium Refunds	4,847,884	39,048
Miscellaneous	34,994	69,889
	<u>\$ 6,151,973</u>	<u>\$ 1,030,754</u>
Total Revenue	<u>\$ 232,402,535</u>	<u>\$ 204,427,041</u>
EXPENSE:		
Benefit Payments:		
Service Retirement	\$ 64,708,104	\$ 55,597,625
Disability Retirement	7,294,601	6,328,456
Survivor Benefits	6,240,292	5,567,213
Health Care	23,460,414	17,084,324
	<u>\$ 101,703,411</u>	<u>\$ 84,577,618</u>
Refunds:		
Separations	9,821,823	7,914,438
Death	519,000	508,917
Employer	106	4,746
	<u>\$ 10,340,929</u>	<u>\$ 8,428,101</u>
Other:		
Transfers to Other Ohio Systems	1,006,803	844,547
Miscellaneous		22,950
	<u>\$ 1,006,803</u>	<u>\$ 867,497</u>
Administrative Expense	<u>\$ 3,425,836</u>	<u>\$ 3,092,593</u>
Total Expense	<u>\$ 116,476,979</u>	<u>\$ 96,965,809</u>
Excess of Revenue Over Expense	<u>\$ 115,925,556</u>	<u>\$ 107,461,232</u>

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

STATEMENT OF
Year Ended

	Total	Employees' Savings Fund
Balance, July 1, 1981	\$1,073,467,063	\$ 298,254,671
Operating Revenues		
Member Contributions	\$ 54,543,053	\$ 54,540,887
Employer Contributions	87,988,507	
Investment Income	83,719,002	
Other	6,151,973	(89)
Total Operating Revenues	<u>\$ 232,402,535</u>	<u>\$ 54,540,798</u>
Operating Expenses		
Benefit Payments	\$ 101,703,411	
Refunds	10,340,929	\$ 9,821,823
Administrative Expense	3,425,836	
Other Expenses	1,006,803	
Total Operating Expenses	<u>\$ 116,476,979</u>	<u>\$ 9,821,823</u>
Other Changes in Funds		
Retirement Annuities		\$ (16,823,758)
Disability Retirement		(1,270,566)
Survivor Annuities		(698,931)
Other Transfers and Accruals		(3)
Total Changes in Funds		<u>\$ (18,793,258)</u>
Balance, June 30, 1982	<u>\$1,189,392,619</u>	<u>\$ 324,180,388</u>

CHANGES IN FUNDS

June 30, 1982

Employers' Trust Fund	Annuity Pension Reserve Fund	Guarantee Fund	Survivors' Benefit Fund	Expense Fund
\$ 11,918,986	\$ 690,852,661		\$ 72,440,745	
\$ 87,962,541		\$ 25,966		\$ 2,166
4,273,344	\$ 1,857,561	83,719,002	\$ 27,203	
\$ 92,235,885	\$ 1,857,561	\$ 83,738,922	\$ 27,203	\$ 2,166
\$ 1,774,054	\$ 93,580,751		\$ 6,348,606	
	519,000	\$ 106		\$ 3,636,170
	971,920	(210,334)	34,883	
\$ 1,774,054	\$ 95,071,671	\$ (210,228)	\$ 6,383,489	\$ 3,636,170
\$ (72,749,709)	\$ 89,573,467			
(5,544,512)	6,815,078			
(5,427,258)			\$ 6,126,189	
(94,839,876)	168,051,137	\$ (83,949,150)	7,103,888	\$ (3,634,004)
\$ (178,561,355)	\$ 264,439,682	\$ (83,949,150)	\$ 13,230,077	\$ (3,634,004)
\$ (76,180,538)	\$ 862,078,233		\$ 79,314,536	

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended June 30, 1982

Resources provided by:

Excess of Revenues over Expenses	\$115,925,556	
Items Not Requiring Resources Currently:		
Depreciation	<u>292,070</u>	\$116,217,626
Sale of Fixed Assets		2,641
Increase in Long-term Debt		
Advance on Equity Participation Mortgage		130,000
Addition to Deferred Purchase Contract		<u>478,389</u>
Total Resources Provided		<u>\$116,828,656</u>

Resources used by:

Current Year Acquisitions of Fixed Assets:		
Equipment	\$ 634,886	
Building	<u>9,215</u>	\$ 644,101
Reduction of Long-term Debt		<u>210,334</u>
Total Resources Used		<u>\$ 854,435</u>

Increase in Working Capital

\$115,974,221

Increase (Decrease) in Working Capital by Element:

Years Ended June 30

	1982	1981	Increase (Decrease)
Current Assets:			
Cash	\$ 228,995	\$ 436,204	\$ (207,209)
Contributions Receivable	4,400,650	4,492,479	(91,829)
Receivable From Employer	40,572,668	37,347,667	3,225,001
Interest and Dividends Receivable	15,450,972	14,183,187	1,267,785
Investment Sale Proceeds	31,408	1,137,343	(1,105,935)
Other Investment Activity	319,457		319,457
Other Receivables	2,688,244	1,312,635	1,375,609
Prepaid Expenses	82,413	12,213	70,200
Investments at cost:			
Commercial Paper	103,252,110	80,471,727	22,780,383
Bonds and Mortgages	737,679,649	713,867,928	23,811,721
Common Stocks	246,055,095	199,093,353	46,961,742
Real Estate	55,659,225	23,683,003	31,976,222
Total Current Assets	<u>\$1,206,420,886</u>	<u>\$1,076,037,739</u>	\$ 130,383,147
Current Liabilities:			
Accrued Expenses	\$ 151,310	\$ 364,113	\$ (212,803)
Investment Commitments Payable	21,822,242	7,378,530	14,443,712
Benefits Payable	411,916	233,999	177,917
Deferred Investment Revenue	404	304	100
Total Current Liabilities	<u>\$ 22,385,872</u>	<u>\$ 7,976,946</u>	\$ 14,408,926
Working Capital	<u>\$1,184,035,014</u>	<u>\$1,068,060,793</u>	\$ 115,974,221

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.

FINANCIAL STATEMENTS

NOTE 2 - The following is a summary of investments as of June 30, 1982:

Investment Category	Par Value	Book Value	Estimated Market Value
Short-term Investments:			
Commercial Paper	\$ 104,350,000	\$ 103,252,110	\$ 103,816,207
Total Short-term Inv.	<u>\$ 104,350,000</u>	<u>\$ 103,252,110</u>	<u>\$ 103,816,207</u>
Long-term Investments:			
Bonds:			
U.S. Treasury and Agency Bonds	\$ 102,336,500	\$ 100,446,710	\$ 94,951,858
Corporate Bonds	312,750,000	307,502,523	207,768,463
Canadian Bonds	54,300,000	54,026,841	33,102,413
Total Bonds	<u>\$ 469,386,500</u>	<u>\$ 461,976,074</u>	<u>\$ 335,822,734</u>
Mortgages:			
Federally Guaranteed or Insured Mortgages	\$ 272,611,804	\$ 257,150,585	\$ 200,696,178
Commercial and Indust. Mortgages	18,552,990	18,552,990	18,552,990
Total Mortgages	<u>\$ 291,164,794</u>	<u>\$ 275,703,575</u>	<u>\$ 219,249,168</u>
Total Bonds & Mortgages	<u>\$ 760,551,294</u>	<u>\$ 737,679,649</u>	<u>\$ 555,071,902</u>
Common & Preferred Stock	246,055,095	246,055,095	213,148,910
Productive Real Estate	57,957,435	55,659,225	75,627,300
Total Long-term Investments	<u>\$1,064,563,824</u>	<u>\$1,039,393,969</u>	<u>\$ 843,848,112</u>
Total Portfolio	<u><u>\$1,168,913,824</u></u>	<u><u>\$1,142,646,079</u></u>	<u><u>\$ 947,664,319</u></u>

NOTE 3 - Shown here are funds on deposit with our agent, The Ohio Public Employees Deferred Compensation Board. The balance shown is as of December 31, 1981, which is the most recent valuation available as of the statement preparation date.

NOTE 4 - Fixed Assets. Building, Furniture and Equipment 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 for the building.

NOTE 5 - In addition to the liabilities shown, SERS employees had accrued, as of June 30, unused vacation leave amounting to \$143,436 and unused sick leave time (a contingent liability) amounting to \$420,826. Although unused sick leave is lost at the time an employee terminates employment, employees who have at least five years of service and leave employment as a result of retirement, death, or disability are granted 50% of their unused leave time (with a maximum payment of 480 hours). At June 30 eight employees were eligible to receive an estimated \$54,544, representing 50% of their unused sick leave time.

NOTE 6 - Investments Commitments Payable. Included in the \$21,822,242 is \$21,476,984 for investments we had purchased prior to June 30, 1982, but for which we had not yet made payment; \$165,498 for investment expenses; and \$179,760 in interest and dividends, received in error by SERS on securities which we no longer held.

NOTE 7 - As of June 30, SERS had received \$403.99 in interest from mortgagors whose mortgage installments were due on July 1, 1982. Recognition of this interest income will be deferred until fiscal 1983.

NOTE 8 - As of June 30, 1982, The School Employees Retirement System had a long-term liability of \$1,305,430. This reflects the amount due vendors for the purchase of data processing equipment which had an original purchase price of \$1,878,531. This debt of \$1,305,430 is being discharged by an annual payment of \$362,724, including an average of 6.3% interest, and will be fully discharged by June, 1987.

NOTE 9 - 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 10 - On April 5, 1982, SERS entered into an agreement to provide long-term financing of an office building under construction in Beechwood, Ohio. Under the terms of the agreement, SERS will loan \$13,600,000 at 12.5% interest for 20 years, beginning no later than September 1, 1983. In addition, the agreement provides that SERS will share in the gross income of the completed office building. The loan will be secured by a first mortgage and a "good faith" deposit of \$260,000. This deposit is in the form of an Irrevocable Letter of Credit from Central National Bank for \$130,000 and \$130,000 in cash. The \$130,000 in cash and the Letter of Credit will be returned to the borrower following the execution of the loan.

NOTE 11 - Unreserved Fund Balance. Following the recommendation of our actuaries, the Retirement Board of SERS voted on March 16, 1981 to transfer funds to the Annuity and Pension Reserve Fund and the Survivors' Benefit Fund so that these funds plus anticipated state appropriations for House Bills 284 and 204 will be equal to the related liabilities. The statutory fund deficiency resulting from this transfer was \$170,437,196. This reserve was to be funded over 20 years from July 1, 1980. Thereafter, amounts have been transferred to or from the Annuity and Pension Reserve Fund so that its balance at year end equals the corresponding liability. The amounts required are transferred to (from) the Employers' Trust Fund. Of the original transfer, \$155,029,879 was to be amortized over 20 years, and \$15,407,317 was to be funded by future state appropriations to finance House Bills 284 (1971) and 204 (1979).

Schedules

**Cash Receipts and
Disbursements**

**Furniture and
Equipment**

Land and Building

Administrative Expenses

CASH RECEIPTS AND DISBURSEMENTS

Year ended June 30,	1982	1981
Cash Balance at Beginning of Year	\$ 436,204	\$ 44,471
Receipts		
Member Contributions	54,634,883	51,601,011
Employer Contributions	82,672,320	74,462,381
State Subsidies	1,294,981	2,288,095
Investments Matured and Sold	1,293,725,416	1,051,030,787
Investment Income	93,788,432	80,061,039
Reimbursement of Health Care Premium	4,847,884	39,048
Transfers from Ohio Retirement Systems	1,269,095	927,414
Miscellaneous	90,981	98,798
Total Receipts	\$ 1,532,323,992	\$1,260,508,573
Disbursements		
Refunds		
Member	\$ 9,423,966	\$ 7,552,882
Beneficiary	399,312	361,634
Employer	79,295	57,080
Total Refunds	9,902,573	7,971,596
Benefits		
Age and Service	64,689,523	55,594,656
Disability	7,295,908	6,333,632
Survivor	6,243,541	5,564,763
Health Care	23,386,379	17,085,422
Death Benefit	476,000	470,500
Total Benefits	102,091,351	85,048,973
Administrative Expense	3,741,724	3,231,757
Investments Purchased	1,415,788,750	1,160,733,010
Transfers to Ohio Retirement Systems	1,006,803	844,548
Construction Cost-Home Office Building		2,286,956
Total Disbursements	\$1,532,531,201	\$1,260,116,840
Cash Balance at End of Year (Exhibit A)	\$ 228,995	\$ 436,204

ADMINISTRATIVE EXPENSES

Year ended June 30,	1982	1981
Personal Services		
Office Salaries	\$1,585,144	\$1,371,092
Retirement Contributions	215,873	189,919
Insurance	97,260	79,900
Parking		5,820
Bureau of Employment Services	1,920	225
Total Personal Services	<u>1,900,197</u>	<u>1,646,956</u>
Professional Services		
Actuarial and Technical	67,417	61,713
Investment Counsel	132,716	160,235
Medical	108,126	92,746
Special Legal Counsel	687	444
Auditing	3,713	3,334
Employee Training	8,847	10,813
Total Professional Services	<u>321,506</u>	<u>329,285</u>
Communications		
Printing and Publications	25,414	78,394
Telephone	24,428	25,200
Postage	145,969	161,271
Retirement Counselling Services	20,278	6,557
Total Communications	<u>216,089</u>	<u>271,422</u>
Rentals		
Office-Site Space	1,466	103,430
Equipment	127,059	83,408
Total Rentals	<u>128,525</u>	<u>186,838</u>
Other Services and Charges		
Transportation and Travel	43,339	51,303
Memberships and Subscriptions	12,549	11,199
Surety Bonds and Insurance	14,617	24,085
Equipment Repairs and Maintenance	148,400	117,384
Supplies	81,336	74,390
Retirement Study Commission	11,639	11,873
Interest on Long-term Debt	68,257	58,480
Miscellaneous	12,030	11,814
Building Occupancy and Maintenance	175,282	87,631
Total Other Services and Charges	<u>567,449</u>	<u>448,159</u>
	<u>\$3,133,766</u>	<u>\$2,882,660</u>
Depreciation		
Building	\$ 92,304	\$ 38,198
Equipment and Fixtures	199,766	171,735
Total Depreciation	<u>\$ 292,070</u>	<u>\$ 209,933</u>
Total Administrative Expenses (Exhibit B)	<u>\$3,425,836</u>	<u>\$3,092,593</u>

FURNITURE AND EQUIPMENT

Year ended June 30, 1982

	Balance June 30 1981	Additions	Deletions	Balance June 30 1982
Furniture and Equipment	\$2,294,151	\$ 634,886	\$ 16,892	\$2,912,145
Accumulated Depreciation	674,253	199,782	16,001	858,034
	\$1,619,898	\$ 435,104	\$ 891	\$2,054,111

LAND AND BUILDING

	Balance June 30 1981	Additions	Deletions	Balance June 30 1982
Land	\$1,177,542			\$ 1,177,542
Building	\$3,684,403	\$ 9,215	\$ 1,750	\$ 3,691,868
Accumulated Depreciation	38,198	92,304	16	130,486
	\$3,646,205	\$ (83,089)	\$ 1,734	\$ 3,561,382
Total Land and Building	\$4,823,747	\$ (83,089)	\$ 1,734	\$ 4,738,924

GABRIEL, ROEDER, SMITH & COMPANY
ACTUARIES & CONSULTANTS

2090 First National Building
Detroit, Michigan 48226
Area 313: 961-3346

December 16, 1982

The Retirement Board
School Employees Retirement System of Ohio
Columbus, Ohio

The basic financial objective of SERS is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Ohio citizens.

In order to determine SERS present financial position and level contribution rates for the future, annual actuarial valuations are made.

The latest completed actuarial valuation (our first for SERS) is based upon data and assumptions as of June 30, 1981. Conditions and results are shown in our reports.

For continuance of the previous contribution rates of 8.0% members and 12.50% employers, the amortization period for unfunded actuarial accrued liabilities was computed to be 43 years.

The financial assumptions needed for an actuarial valuation are adopted by the Retirement Board after consulting with the actuary. They are summarized in the appendix of our reports. The assumptions were last changed for the June 30, 1981 valuation. The economic assumptions, which cover future rates of investment return and future rates of member pay increases and future increases in health care costs, are judgments. The validity of these economic assumptions is directly linked with future rates of inflation. The real rate of investment return, which is the portion of total investment return rate more than the inflation rate, is assumed to be 3% annually. Actual investment return in the last decade has fallen far short of this critical assumption, because of severe damage to the investment environment caused by inflation.

We believe the new financial assumptions adopted for actuarial valuations produce results which are reasonable.

Respectfully submitted,


Gerald B. Sonnenschein


Richard G. Roeder

Statement of Actuarial Assumptions

(VALUATION AS OF JUNE 30, 1981)

Many actuarial assumptions were used in making the valuation. The non-economic assumptions are from the June 30, 1980 revised actuarial valuation and the economic assumptions were established for the June 30, 1981 actuarial valuation.

1) The investment return rate used in making the valuation was 7.5 percent per year, compounded annually (net after administrative expenses). The real rate of return is the portion of total investment return which is more than the inflation rate. Considering other financial assumptions, the 7.5 percent investment return rate translates to an assumed real rate of return of 3 percent.

2) Pay increase assumptions for individual active members are shown for sample ages in the table below. Part of the assumptions for each age is for merit and/or seniority increase, and the other 4.5 percent recognizes inflation.

INCREASE NEXT YEAR

Sample Age	Merit & Seniority	Base (Economy)	Total
20	3.0%	4.5%	7.5%
30	2.3	4.5	6.8
40	1.8	4.5	6.3
50	1.0	4.5	5.5
60	0.0	4.5	4.5

3) Total active member payroll is assumed to increase 4.5 percent annually, which is the portion of the individual pay increase assumptions attributable to inflation. The number of active members is assumed to continue at the present number.

Schedules of assumed probabilities, adopted by the Retirement Board, for the indicated risk areas are used by the actuary and are on file at the School Employees Retirement System.

- 4) Retirement ages for age and service retirement
- 5) Disability retirement
- 6) Death after retirement
- 7) Death before retirement
- 8) Health care coverage
- 9) Withdrawal from service

10) Funding method - entry age normal actuarial cost method used in determining liabilities and normal cost.

ACTUARIAL ACCRUED LIABILITIES

Accrued liabilities are the present value of plan promises to pay benefits in the future based upon service already rendered. A liability has been established ("accrued") because the service has been rendered, but the resulting monthly cash benefit may not be payable until years in the future. Accrued liabilities are the result of complex mathematical calculations, which are made annually by the plan's actuary - the specialist who make such calculations. The results of the computed actuarial accrued liabilities are listed in the following schedule.

SCHEDULE OF ACTUARIAL ACCRUED LIABILITIES JUNE 30, 1981

Future System Payments	Actuarial Accrued Liabilities
Service annuities likely to be paid present active members	\$ 799,361,542
Disability annuities likely to be paid present active members who become permanently disabled	17,753,618
Survivor annuities likely to be paid to widows and children of present active members who die before retiring	23,548,078
Probable refunds of member contributions	11,077,225
\$500 death benefits likely to be paid for death after retirement	1,573,570
Pending refunds and deferred annuities likely to be paid to members currently inactive	30,285,765
Annuities to retirants and survivors in payment status	713,075,201
Health care premiums likely to be paid for active, inactive, and retired members	428,071,094
Total	\$ 2,024,746,093

UNFUNDED ACCRUED LIABILITIES

Each time a plan adds a new benefit which applies to service already rendered, an "accrued liability" is created, which is also an "unfunded accrued liability" because the plan can't print instant cash to cover the accrued liability. Payment for such unfunded accrued liabilities is spread over a period of years, commonly in the 25-60 year range.

Unfunded accrued liabilities can occur in another way: If actual financial experience is less favorable than assumed financial experience, the difference is added to unfunded accrued liabilities. In some plans the benefits are directly related to an employee's pay near time of retirement (a common plan provision) rather than the average pay throughout the working career. For such plans unfunded accrued liabilities have been increasing in recent years because unexpected rates of pay increase have created additional accrued liabilities which could not be matched by reasonable investment results. Some of these unexpected pay increases are the direct result of inflation, which is a very destructive force on financial stability.

If "accrued liabilities" at any time exceed the plan's accrued assets (cash and investments), the difference is "unfunded accrued liabilities." This is the common condition. If the plan's assets equalled the plan's "accrued liabilities," the plan would be termed "fully funded." This is a rare condition. The computed and unfunded actuarial accrued liabilities are listed in the following schedule.

**SCHEDULE OF
ACTUARIAL ACCRUED LIABILITIES:
COMPUTED & UNFUNDED**

	<u>Basic Benefits</u>	<u>Health Care</u>	<u>Total</u>
Computed Accrued Liabilities	\$ 1,596,674,999	\$ 428,071,094	\$ 2,024,746,093
Reported Assets	<u>1,016,700,882</u>	<u>70,793,105</u>	<u>1,087,493,987</u>
Unfunded Accrued Liabilities	<u>\$ 579,974,117</u>	<u>\$ 357,277,989</u>	<u>\$ 937,252,106</u>

Unfunded actuarial liabilities, \$937,252,106, were amortized over a period of years sufficient to produce the total employer contribution rate of 12.5 percent of payroll. The amortization period was computed to be 43 years (next whole year).

**RATIO OF UNFUNDED LIABILITIES
TO ACTIVE MEMBER PAYROLL**

Unfunded liabilities are created each time the plan adopts a higher level of benefits. Level - contribution financing requires that these additional liabilities be financed systematically over a period of future years.

In an inflationary economy the value of dollars is decreasing. This environment results in employee pays increasing in dollar amounts, retirement benefits increasing in dollar amounts, and then, unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. Unfunded accrued liability dollars divided by active employee payroll provides an index which helps understanding. The smaller the ratio of unfunded liabilities to active member payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

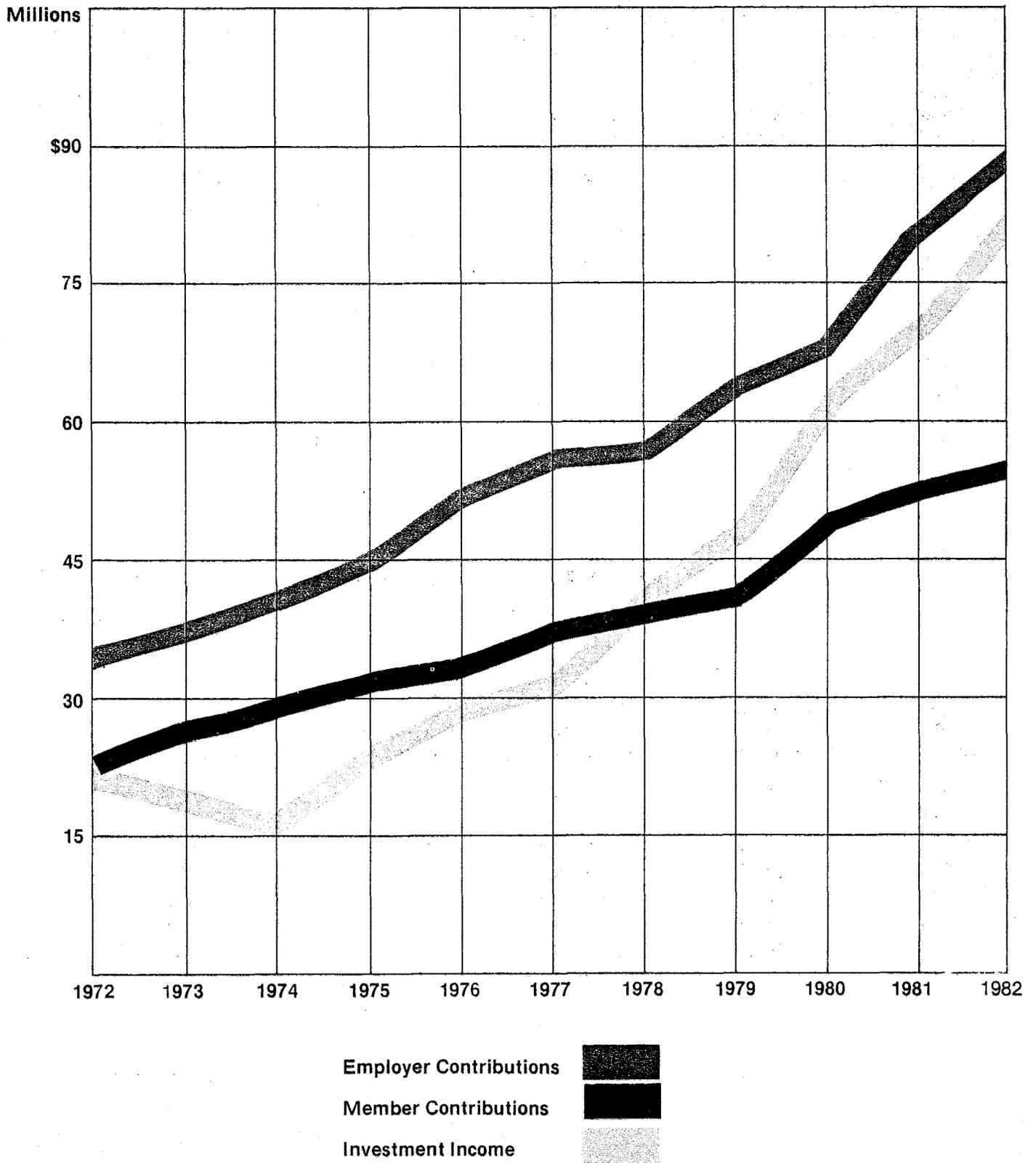
**RATIO OF UNFUNDED LIABILITIES
TO ACTIVE MEMBER PAYROLL**

<u>Valuation Date June 30</u>	<u>Unfunded Actuarial Accrued Liabilities</u>	<u>Active Member Payroll</u>	<u>Index</u>
1981*	\$937,252,106	\$655,483,198	1.43

* Revised financial assumptions

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
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
1982	54,543,053	87,988,507	83,719,002	6,151,973	232,402,535

Table II

EXPENSES BY TYPE

Last Ten Years

Year Ending June 30	Aggregate Benefit Payments	Administrative Expenses	Transfer to Ohio Retirement Systems	Other	Total
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
1982	112,044,340	3,428,836	1,006,803		116,476,979

NUMBER OF PARTICIPATING MEMBERS

Table III

Active and Inactive
Last Ten Years

Year Ending June 30	ACTIVE		INACTIVE		Total
	Male	Female	Male	Female	
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
1982	28,312	69,009	34,559	64,968	196,848

NUMBER OF PARTICIPATING EMPLOYERS

Table IV

Year Ending June 30

Year	Total	Counties	Local	City	Village	Colleges	Technical	Vocational	Other
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
1982	769	87	376	191	49	2	13	50	1

CONTRIBUTION RATES

Table V

Member and Employer
Last Ten Years

Year Ending June 30	RATES		
	Member	Employer	Total
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
1982	8.00	12.50	20.50

**WITHDRAWAL
OF SERVICE CREDIT**

Table VI

BY REFUND
Last Ten Years

Year Ending June 30	Number
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
1982	10,065

*Effective 1-1-74

BENEFIT EXPENSES BY TYPE

Table VII

Last Ten Years

BENEFITS

Year Ending June 30	Service	Disability	Survivor	Health Care
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
1982	64,708,104	7,294,601	6,240,292	23,460,214

NUMBER OF BENEFIT PAYMENTS

Table VIII

By Type

Last Ten Years

At Year Ending June 30	Service	Disability	Survivor	Total
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
1982	27,955	2,343	2,565	32,863

STATISTICAL TABLES

**Table VII
(continued)**

REFUNDS

Death	Separation	Beneficiaries	Employer	Total
	\$ 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
519,000	9,422,511	399,312	106	112,044,340

RETIREMENT AVERAGES

Table IX

Last Ten Years

SERVICE RETIREMENT

Year Ending June 30	Service Credit	Monthly Amount	Age	Salary
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
1982	16.578	229.24	63.25	8,069.35

Table X

DISABILITY RETIREMENT

Year Ending June 30	Service Credit	Monthly Amount	Age	Salary
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
1982	13.854	324.63	53.00	8,473.21

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
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
1982	Male	186	217	144
	Female	309	484	419
	Total	495	701	563
	Average Monthly Payment	\$ 74.89	\$ 139.35	\$ 211.85

STATISTICAL TABLES

**Table XI
(continued)**

SERVICE RETIREMENT

20-24	25-29	30-34	35-39	40-44	45 & Over	Total
77	61	22	24	8	4	766
96	45	11	14	1	—	901
173	106	33	38	9	4	1,667
<u>\$ 188.72</u>	<u>\$ 231.51</u>	<u>\$ 345.83</u>	<u>\$ 529.71</u>	<u>\$ 491.31</u>	<u>\$ 773.85</u>	<u>\$ 130.60</u>
101	58	27	21	4	4	825
114	46	13	10	3	2	1,014
215	104	40	31	7	6	1,839
<u>\$ 191.93</u>	<u>\$ 264.99</u>	<u>\$ 402.72</u>	<u>\$ 445.79</u>	<u>\$ 707.64</u>	<u>\$ 602.68</u>	<u>\$ 127.92</u>
88	66	41	20	4	3	819
126	53	23	10	—	3	1,014
214	119	64	30	4	6	1,833
<u>\$ 207.22</u>	<u>\$ 283.66</u>	<u>\$ 431.38</u>	<u>\$ 519.11</u>	<u>\$ 843.97</u>	<u>\$ 800.04</u>	<u>\$ 146.16</u>
104	68	54	15	9	5	860
128	60	23	7	5	3	1,056
232	128	77	22	14	8	1,916
<u>\$ 225.86</u>	<u>\$ 293.09</u>	<u>\$ 462.44</u>	<u>\$ 647.16</u>	<u>\$ 544.07</u>	<u>\$ 790.65</u>	<u>\$ 158.40</u>
100	61	71	21	10	2	850
168	64	31	11	3	—	1,193
268	125	102	32	13	2	2,043
<u>\$ 239.00</u>	<u>\$ 327.89</u>	<u>\$ 496.88</u>	<u>\$ 631.06</u>	<u>\$ 771.07</u>	<u>\$ 406.47</u>	<u>\$ 174.21</u>
127	81	88	26	5	—	874
166	78	27	7	1	3	1,230
293	159	115	33	6	3	2,104
<u>\$ 244.79</u>	<u>\$ 323.15</u>	<u>\$ 554.54</u>	<u>\$ 723.37</u>	<u>\$ 632.88</u>	<u>\$ 756.41</u>	<u>\$ 184.01</u>
124	99	102	23	6	1	962
214	126	49	7	4	1	1,441
338	225	151	30	10	2	2,403
<u>\$ 258.00</u>	<u>\$ 340.79</u>	<u>\$ 603.66</u>	<u>\$ 670.05</u>	<u>\$ 981.88</u>	<u>\$1,058.60</u>	<u>\$ 200.63</u>
121	74	80	28	5	2	887
211	110	44	10	2	2	1,440
332	184	124	38	7	4	2,327
<u>\$ 283.69</u>	<u>\$ 360.26</u>	<u>\$ 616.92</u>	<u>\$ 808.67</u>	<u>\$1,151.25</u>	<u>\$1,133.82</u>	<u>\$ 209.82</u>
98	83	83	15	7	1	794
241	130	32	18	3	2	1,455
339	213	115	33	10	3	2,249
<u>\$ 282.32</u>	<u>\$ 386.68</u>	<u>\$ 625.14</u>	<u>\$ 810.92</u>	<u>\$ 885.81</u>	<u>\$ 828.51</u>	<u>\$ 218.08</u>
110	95	73	22	8	1	856
267	142	42	10	2	0	1,675
377	237	115	32	10	1	2,531
<u>\$ 293.51</u>	<u>\$ 396.19</u>	<u>\$ 706.08</u>	<u>\$ 905.12</u>	<u>\$1,051.35</u>	<u>\$ 959.52</u>	<u>\$ 229.24</u>

NEW BENEFIT PAYMENTS BY YEAR

Last Ten Years

SURVIVOR BENEFITS

Year Ending June 30	1973		1974		
	Benefit	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
	Joint Survivor Annuity	368	\$126.54	378	\$131.94
	Spouse — Age 65	82	104.52	81	99.65
	Spouse — Age 62	523	102.73	488	102.36
	Spouse — Age 50	309	120.86	275	123.95
	Spouse with Children	354	186.09	495	173.46
	Unmarried Children	80	129.96	56	133.56
	Dependent Parents	9	115.42	8	107.83
	Other	7	92.93	4	99.60
	Total	1,732		1,785	

Year Ending June 30	1978		1979		
	Benefit	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
	Joint Survivor Annuity	448	\$199.30	455	\$204.70
	Spouse — Age 65	91	117.89	110	119.28
	Spouse — Age 62	624	137.51	660	139.21
	Spouse — Age 50	493	161.95	558	165.52
	Spouse with Children	379	246.91	374	252.08
	Unmarried Children	75	171.48	68	169.37
	Dependent Parents	7	144.46	6	145.68
	Other	28	136.17	28	136.61
	Total	2,145		2,259	

Table XII
(continued)

SURVIVOR BENEFITS

1975		1976		1977	
Number	Avg. Monthly Payment	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
403	\$138.85	408	\$179.60	428	\$188.51
102	101.84	75	114.35	88	117.81
485	103.46	588	131.15	608	137.65
294	129.36	420	152.15	459	159.28
527	180.87	354	239.71	363	240.41
40	136.75	83	161.00	85	158.50
10	111.57	10	138.81	8	143.28
4	110.42	24	126.23	28	136.33
1,865		1,962		2,067	

1980		1981		1982	
Number	Avg. Monthly Payment	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
469	\$217.18	485	\$235.40	502	\$253.11
106	121.81	113	126.69	124	135.87
678	144.00	699	151.76	735	164.24
621	172.03	665	179.83	690	193.64
386	255.12	370	267.46	378	295.74
65	175.46	112	172.40	97	175.28
4	148.85	3	165.76	3	179.48
27	139.92	26	148.05	27	159.73
2,356		2,473		2,556	

NEW BENEFIT PAYMENTS BY YEAR

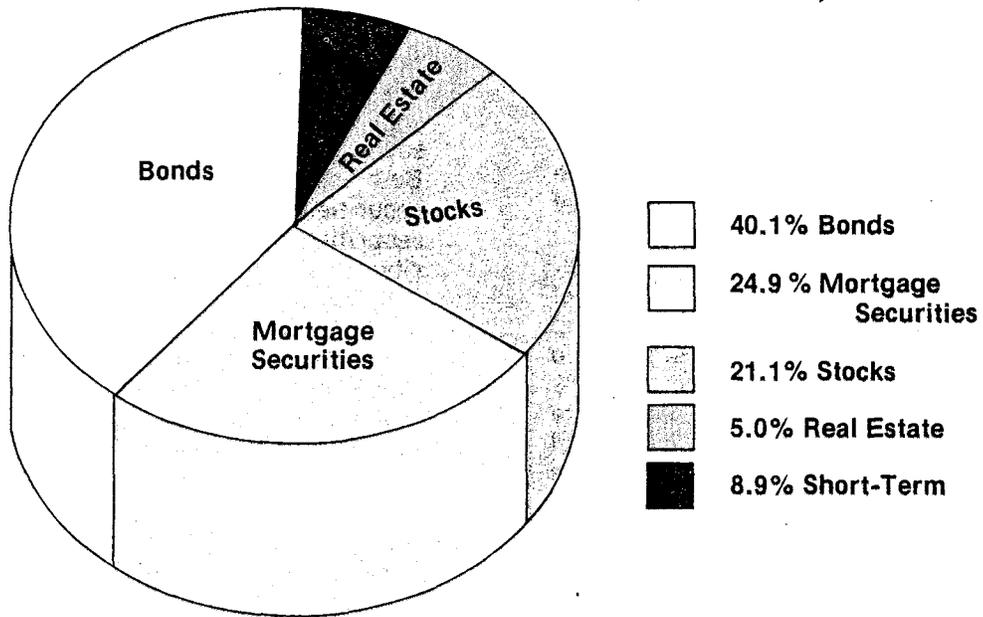
Last Ten Years

DISABILITY RETIREMENT

Year Ending June 30	Years of Service Credit	5-9	10-14	15-19	20-24	Total
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
1982	Male	19	22	13	23	77
	Female	48	50	34	13	145
	Total	67	72	47	36	222
	Average Monthly Payment	\$230.60	\$265.90	\$311.38	\$634.37	\$324.63

Investments

PORTFOLIO DISTRIBUTION June 30, 1982



Investment Report

The past year was best characterized by the concern over the refusal of interest rates to come down significantly thus setting the stage for a healthy economic recovery. On June 30, 1981 the prime rate stood at 20.5% and declined moderately to approximately 16% by year end 1981, where it remained for the next six months. The effect of the high interest rates can be seen in the quarterly GNP statistics: 3rd quarter 1981 was +2.2%, 4th quarter 1981 was -5.3%, 1st quarter 1982 was -5.1% and 2nd quarter 1982 was +1.3. Inflation continued to moderate during the year with CPI on a twelve months basis being up 6.7% on June 30, 1982; but concern over large deficits, increased government borrowing and a restrictive money supply by the Federal Reserve Board acted to offset the benefits of lower inflation and kept interest rates relatively high. These high interest rates were particularly severe on the savings and loan industry, the housing industry and other credit sensitive industries.

The majority of the new money coming into the Fund over the last year was invested in the real estate portfolio and in the common stock portfolio. The real estate portfolio is divided into two parts. The investment real estate portfolio is composed of land and buildings which are owned by the Fund and leased to high-quality tenants. This portfolio grew from 2.3% of the Fund last year to 5.0% this June 30th. The second part of the real estate portfolio is composed of commercial or industrial mortgages. These mortgages are included in the real estate portfolio since they allow the Fund to earn additional income by receiving a percentage of sales or income, and usually a portion of the appreciation in the value of the equity, in addition to receiving the normal interest rate stated in the mortgage. These mortgages represented 1.6% of the Fund on June 30, 1982 as compared to 0.0% last June 30th.

The emphasis in the stock portfolio on companies with low debt to equity ratios and good unit volume growth continues to serve the Fund well, given the high interest rates and the recession in the economy. During the past year, the Fund increased the weightings in stocks that would benefit from a decline in the inflation rate, such as utilities, retail stores, foods, and other consumer goods areas.

Should interest rates decline significantly from these high levels and the economy begin to recover, the stock portfolio is well positioned to provide the Fund with increased market prices. The stock portfolio represented 21% of the Fund on June 30, 1982 as compared to 19% last June 30th.

As a result of this rapid growth in the real estate and common stock portfolios, the size of the bond portfolio has decreased as a percentage of the Fund over the year. The bond portfolio currently represents 40% of the Fund as compared to 45% at this time last year. Because of the uncertain economic environment which existed last year, the Fund continued to emphasize high-quality bonds in the portfolio. This can be seen by the growth of the telephone sector of the portfolio as compared to the growth in the other sectors of the bond portfolio.

The mortgage portfolio maintained its relative size in the total portfolio by remaining at 25% of the Fund as it was last year. Again during the past year the Fund has continued to purchase mortgage securities guaranteed by government agencies. Both GNMA and FHLMC mortgage-backed securities are high-quality, very marketable securities having a very attractive average maturity. The majority of the GNMA's and FHLMC's purchased during the year were backed by mortgages on homes located in Ohio; so the Fund has been able to continue its long history of supplying mortgage money to the citizens of Ohio through many Ohio financial institutions while obtaining a very high yield to the Fund.

The yield on the bond and mortgage portfolio increased again last year. The yield on the bond portfolio on June 30, 1982 was 10.93% as compared to 10.23% last June 30th. The yield on the mortgage portfolio on June 30, 1982 was 12.03% as compared to 10.47% last June 30th.

Over the coming year the Fund will continue to emphasize common stocks and real estate. By June 30, 1983 the Fund should have approximately 25% of its assets in common or preferred stocks, 40% in bonds, 25% in mortgages and 15% in real estate and participating mortgages. All of these assets will be of very high-quality and diversified as to location, type of business and/or maturity.

INVESTMENTS

Schedule I

PORTFOLIO SUMMARY

Investment Category	June 30, 1982		June 30, 1981	June 30, 1980	Dec. 31, 1979*	Dec. 31, 1978*
	Par Value	Percent	Par Value	Par Value	Par Value	Par Value
U.S. Government & Agency Bonds	\$ 102,336,500	8.7%	\$ 100,748,000	\$ 37,800,000	--	--
Corporate Bonds	312,750,000	26.8	306,920,000	365,770,000	\$356,670,000	\$329,920,000
Canadian Bonds	54,300,000	4.6	55,300,000	63,300,000	62,800,000	60,300,000
G.N.M.A. Mortgage-Backed Pass-Thru	138,187,746	11.8	132,285,163	126,660,913	98,406,209	66,358,165
F.H.L.M.C. Mortgage-Backed Pass-Thru	125,860,669	10.8	117,462,257	110,783,826	92,904,140	63,687,339
F.H.A., V.A. & H.U.D. Mortgages	8,563,389	.7	9,774,938	10,348,539	10,749,012	26,337,784
Commercial and Industrial Mortgages	18,552,990	1.6	--	--	--	--
Common and Preferred Stocks	246,055,095	21.1	199,093,353	180,783,324	178,801,201	169,035,620
Investment Real Estate	57,957,435	5.0	23,683,003	12,592,174	12,859,721	13,089,571
Short-Term Investments	104,350,000	8.9	81,449,359	33,650,000	61,075,000	59,300,000
	<u>\$1,168,913,824</u>	<u>100.0%</u>	<u>\$1,026,716,073</u>	<u>\$941,688,776</u>	<u>\$874,265,283</u>	<u>\$788,028,479</u>

*NOTE: For the periods ended December 31, 1979 and 1978 the figures given are reported on a cash basis; other figures are reported on an accrual basis.

INVESTMENTS

PORTFOLIO RATES OF RETURN

Schedule II

ASSET CATEGORY	For Years Ended				
	June 30 1982	June 30 1981	June 30 1980	Dec 31 1979	Dec 31 1978
Bond Portfolio	10.93%	10.23%	9.55%	9.14%	8.74%
Real Estate Mortgage Portfolio	12.03	10.47	10.13	9.26	8.52
Total Fixed-Income Investment	11.33%	10.32%	9.74%	9.18%	8.68%
Equity Portfolio	(7.00%)	22.06%	17.06%	17.96%	9.13%
Investment Real Estate Portfolio	11.31%	---	---	---	---
New Invest. Return Rate (New Long-Term, Fixed- Income Investments)	15.43	13.46	12.17	9.88	9.12
Short-Term Investments	14.00	13.83	10.80	10.76	7.55

*NOTE: Due to the relatively small size of the real estate holdings in the fund from 1978 to 1981 real estate performance was included in the equity portfolio return.

Schedule III

INVESTMENT ACTIVITY

For the year ended June 30, 1982

PRINCIPAL BALANCE AS OF JUNE 30, 1981	\$1,026,716,073
Increases in Par Value:	
U.S. Government & Agency Bonds	\$ 66,000,000
Corporate Bonds	66,500,000
F.H.L.M.C. Mortgage-Backed Pass-Thru	37,730,847
G.N.M.A. Mortgage-Backed Pass-Thru	35,943,892
Commercial & Industrial Mortgages	18,600,000
Common and Preferred Stocks	68,192,200
Investment Real Estate	34,278,165
Short-term Investments (net)	22,900,641
Total Increases	<u>\$ 350,145,745</u>
Decreases in Par Value:	
U.S. Government & Agency Bonds	\$ 80,861,500
Corporate Bonds	44,220,000
Canadian Bonds	1,000,000
F.H.L.M.C. Mortgage-Backed Pass-Thru	29,332,436
G.N.M.A. Mortgage-Backed Pass-Thru	30,041,310
F.H.A. Mortgages	103,112
V.A. Mortgages	21,179
H.U.D. Guaranteed Mortgages	1,087,258
Commercial & Industrial Mortgages	47,010
Common and Preferred Stocks	21,230,458
Investment Real Estate	3,731
Total Decreases	<u>\$ 207,947,994</u>
Net Increases to Portfolio	\$ 142,197,751
PRINCIPAL BALANCE AS OF JUNE 30, 1982	\$1,168,913,824

Quality Rating	Percent of Stock
A +	41.8%
A	20.3
A-	20.2
B +	13.9
B	2.5
B-	--
C	--
D	--
Not Rated	1.3

QUALITY OF STOCKS

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 1.3 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 + Highest	B Below Average
A High	B- Low
A- Above Average	C Lowest
B + Average	D In Reorganization

Category	Percent
Credit Sensitive	20.4%
Growth Consumer	15.9
Consumer Staple	9.2
Consumer Cyclical	9.1
Intermediate Goods and Services	23.4
Capital Goods	22.0

DIVERSIFICATION OF STOCKS

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.

DIVIDEND GROWTH FROM STOCKS

Fiscal Year Ended	Dividends Received*	% Increase	Yield on Cost
June 1982	\$11,019,698	+ 20.5%	5.26%
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

*Cash Basis

DIVERSIFICATION OF THE REAL ESTATE INVESTMENTS

Type of property	Percent
Office Building	30.2%
Warehouse - Industrial	9.9
Department Stores	4.6
Discount Stores	20.9
Grocery Stores	8.2
Comingled Fund	26.2
	<u>100.0%</u>

The System's real estate portfolio is diversified by type and by form of ownership, in that the System has participating mortgages on several properties in addition to owning many other properties outright. The interest earned on the mortgages and the rental income earned from owned properties provide a stable income base for the System. In addition to this steady cash flow, the System participates in the appreciation in value of the property or the System earns additional income based on the sales generated by the tenant of the property; and in many cases the System participates in the appreciation of value of the property, as well as receiving a percentage of the sales of the tenant.

INVESTMENTS

Exhibit 1

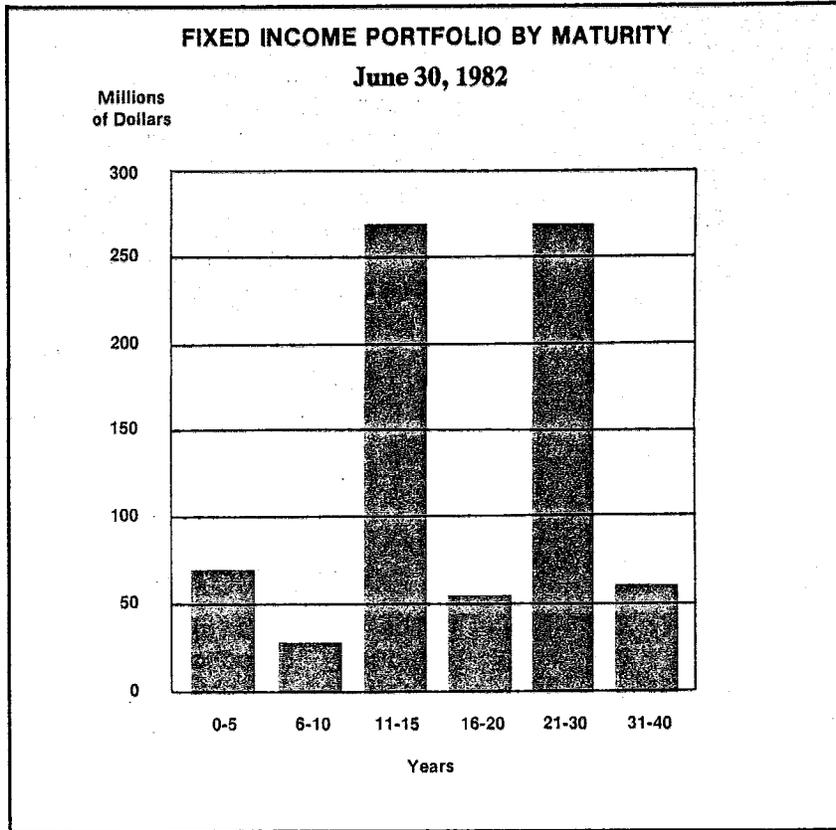
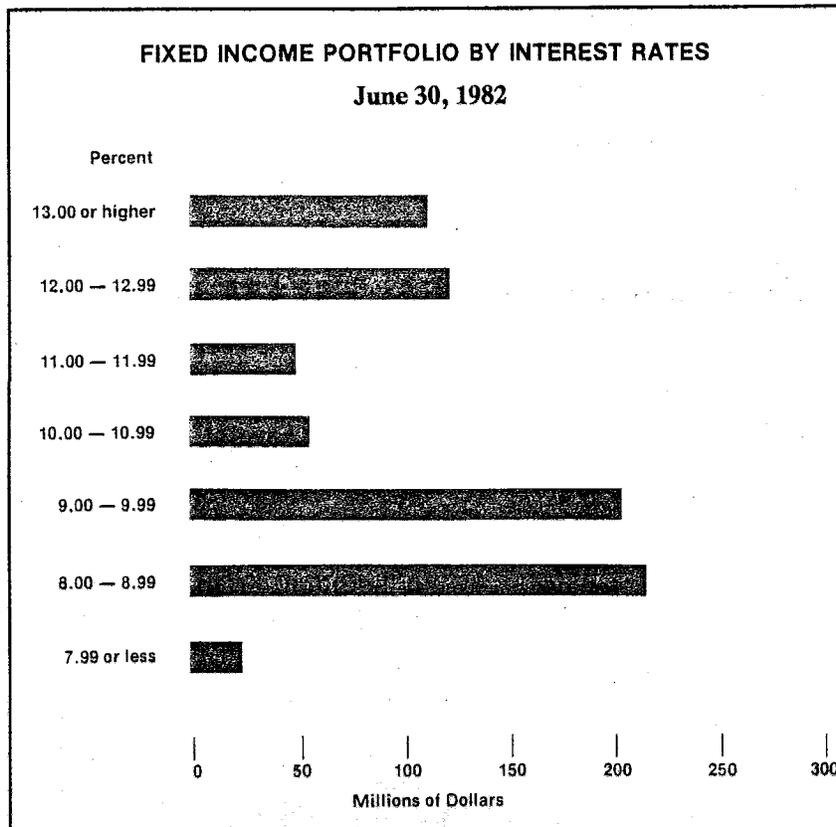
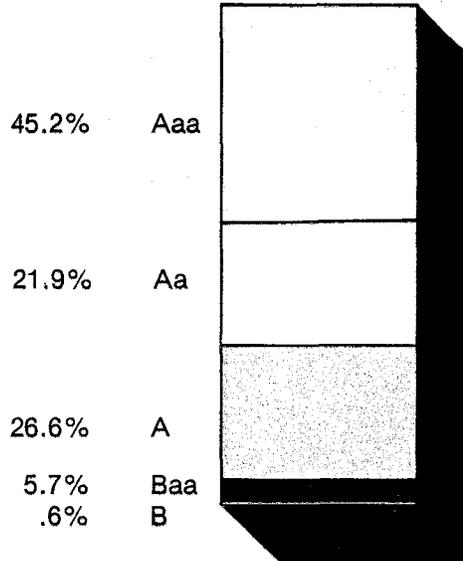


Exhibit 2

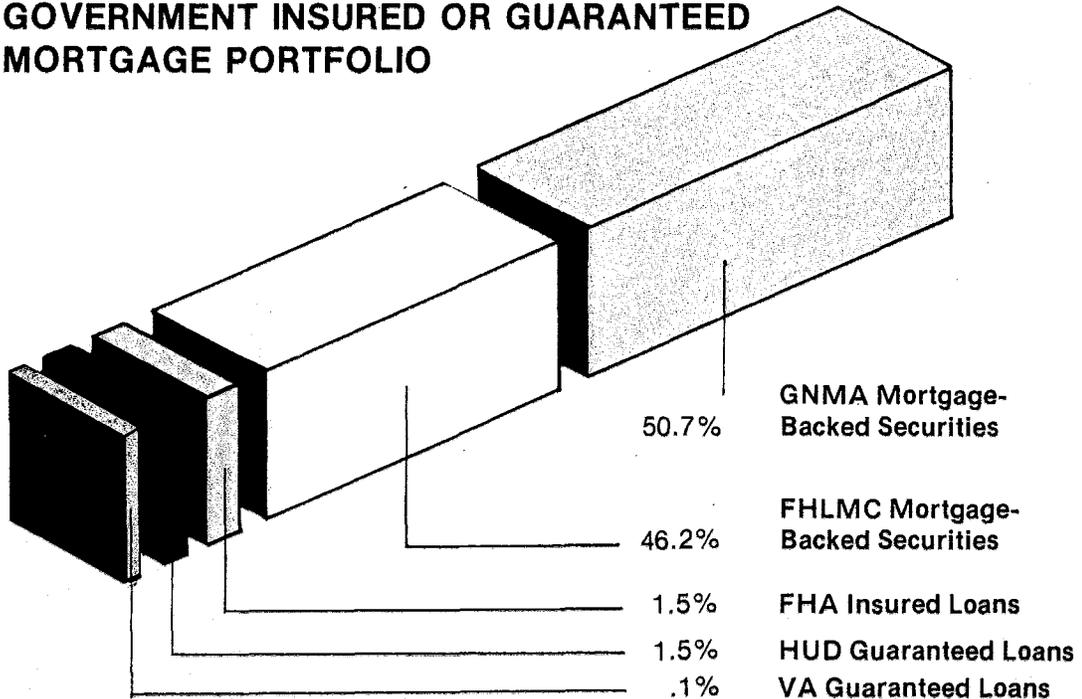


BOND PORTFOLIO QUALITY RATINGS BY MOODY'S
June 30, 1982

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



DISTRIBUTION OF 1982 GOVERNMENT INSURED OR GUARANTEED MORTGAGE PORTFOLIO



INVESTMENTS

LIST OF INVESTMENTS

JUNE 30, 1982

FIXED-INCOME

	Interest Rate	Maturity	Par Value	Book Value	Market Value
SHORT-TERM INVESTMENTS					
Bankers Acceptances					
Morgan Guaranty Trust Co.		7-08-82	\$ 1,900,000	\$ 1,878,704	\$ 1,894,321
Morgan Guaranty Trust Co.		7-23-82	600,000	593,088	594,518
			<u>\$ 2,500,000</u>	<u>\$ 2,471,792</u>	<u>\$ 2,488,839</u>
Certificate of Deposit					
BancOhio National Bank	14.75%	7-21-82	\$ 1,800,000	\$ 1,800,000	\$ 1,806,638
BancOhio National Bank	14.65	7-27-82	3,500,000	3,500,000	3,509,970
BancOhio National Bank	14.65	7-30-82	5,000,000	5,000,000	5,012,208
			<u>\$ 10,300,000</u>	<u>\$ 10,300,000</u>	<u>\$ 10,328,816</u>
Commercial Paper					
Aluminum Company of America		7-13-82	\$ 1,900,000	\$ 1,875,775	\$ 1,890,737
Aluminum Company of America		7-19-82	3,100,000	3,069,054	3,076,480
Caterpillar Tractor Co.		7-19-82	1,500,000	1,481,200	1,488,838
Cincinnati Gas & Electric Co.		7-14-82	2,000,000	1,984,826	1,988,819
General Electric Credit Corp.		7-06-82	4,800,000	4,738,750	4,789,500
General Electric Credit Corp.		7-12-82	1,000,000	987,368	995,542
General Electric Credit Corp.		7-16-82	2,800,000	2,766,245	2,782,578
General Mills, Inc.		7-08-82	5,000,000	4,935,590	4,985,278
General Motors Accept. Corp.		7-02-82	5,000,000	4,942,951	4,996,319
General Motors Accept. Corp.		7-08-82	2,100,000	2,072,693	2,093,758
General Motors Accept. Corp.		7-15-82	3,000,000	2,980,500	2,981,719
General Motors Accept. Corp.		7-23-82	3,100,000	3,061,961	3,071,777
General Motors Accept. Corp.		7-23-82	600,000	594,490	594,490
General Tel. Co. of Northwest		8-02-82	2,500,000	2,464,149	2,466,198
General Tel. Co. of Pennsylvania		7-07-82	1,400,000	1,383,958	1,396,257
Northern Indiana Public Service Co.		7-28-82	1,700,000	1,679,104	1,680,497
J.C. Penney Financial Corp.		7-21-82	3,000,000	2,961,500	2,975,500
J.C. Penney Financial Corp.		7-22-82	5,000,000	4,956,077	4,956,077
J.C. Penney Financial Corp.		7-28-82	1,800,000	1,776,200	1,780,400
Sears Roebuck Acceptance Corp.		7-07-82	3,200,000	3,157,920	3,191,818
Sears Roebuck Acceptance Corp.		7-13-82	4,600,000	4,549,512	4,577,367
Schering Plough Corp.		7-12-82	3,000,000	2,964,333	2,986,625
Shell Oil Corp.		7-15-82	1,600,000	1,579,789	1,591,083
Shell Oil Corp.		8-03-82	4,000,000	3,942,833	3,944,467
SmithKline Beckman Corp.		7-20-82	4,000,000	3,948,208	3,968,611
Textron Inc.		7-09-82	3,500,000	3,454,488	3,488,297
U.S. Tobacco Co.		7-15-82	3,000,000	2,981,875	2,981,875
United Telephone Co. of Ohio		7-01-82	2,200,000	2,176,341	2,199,184
United Telephone Co. of Ohio		7-22-82	1,500,000	1,481,594	1,486,938
Utah Power & Light Co.		7-13-82	2,700,000	2,665,830	2,686,935
Utah Power & Light Co.		7-28-82	1,300,000	1,282,116	1,285,693
Western Electric Co.		7-26-82	1,950,000	1,926,072	1,929,931
Wisconsin Public Service Co.		7-01-82	1,700,000	1,681,583	1,699,386
Wisconsin Public Service Co.		7-14-82	2,000,000	1,975,433	1,989,578
			<u>\$ 91,550,000</u>	<u>\$ 90,480,318</u>	<u>\$ 90,998,552</u>
Total Short-Term			<u>\$104,350,000</u>	<u>\$103,252,110</u>	<u>\$103,816,207</u>

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1982 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
U.S. GOVERNMENT & AGENCY BONDS					
U. S. Treasury					
U.S. Treasury Bills		7-29-82	\$ 10,000,000	\$ 9,376,011	\$ 9,915,400
U.S. Treasury Notes	11.875%	9-30-82	10,000,000	9,929,687	9,950,000
U.S. Treasury Notes	9.000	8-15-82	10,000,000	9,756,250	9,937,500
U.S. Treasury Bonds	10.000	5-15-00	3,000,000	2,917,750	2,216,250
			<u>\$ 33,000,000</u>	<u>\$ 31,979,698</u>	<u>\$32,019,150</u>
Agency Bonds					
Federal Home Loan Bank	15.900%	7-26-82	\$ 10,000,000	\$ 10,100,000	\$10,025,000
Federal Home Loan Bank	16.400	9-25-84	5,000,000	5,000,000	5,143,750
Federal Home Loan Bank	14.550	9-25-89	11,000,000	10,933,125	10,711,250
Federal Home Loan Mtg. Corp.	12.450	9-15-09	43,336,500	42,433,887	37,052,708
			<u>\$ 69,336,500</u>	<u>\$ 68,467,012</u>	<u>\$62,932,708</u>
Total U.S. Government and Agency Bonds			<u>\$102,336,500</u>	<u>\$100,446,710</u>	<u>\$94,951,858</u>
CORPORATE BONDS					
Industrial Bonds					
Cities Service Co.	9.750%	10-01-00	\$ 6,500,000	\$ 6,517,747	\$ 4,316,065
Continental Oil Co.	9.125	11-01-99	9,500,000	9,645,663	6,082,280
Continental Oil Co.	8.875	6-01-01	1,000,000	964,702	618,120
Continental Oil Co.	9.375	4-01-09	3,000,000	2,949,375	1,917,900
Dana Corp.	8.875	11-15-08	1,250,000	1,233,417	714,375
Diamond Shamrock Corp.	9.000	4-01-99	1,000,000	1,008,095	611,080
Diamond Shamrock Corp.	9.125	11-15-00	5,000,000	5,080,372	3,075,900
Diamond Shamrock Corp.	8.500	4-01-08	2,600,000	2,582,054	1,450,000
Dow Chemical Co.	11.250	7-15-10	11,750,000	11,515,766	8,360,713
Ford Motor Co.	9.250	7-15-94	3,000,000	3,011,483	1,783,290
General Mills Inc.	9.375	3-01-09	8,500,000	8,492,125	5,416,370
Halliburton Co.	16.000	10-01-88	5,000,000	5,000,000	5,062,350
McDonald's Corp.	9.000	5-01-85	5,000,000	4,824,423	4,296,450
Philip Morris, Inc.	8.650	3-01-84	2,000,000	1,908,845	1,791,800
Philip Morris, Inc.	9.550	6-01-86	6,000,000	5,779,663	4,956,960
Philip Morris, Inc.	9.125	7-15-03	3,500,000	3,438,104	2,179,800
Philip Morris, Inc.	8.875	6-01-04	3,750,000	3,638,021	2,260,012
Standard Brands, Inc.	9.500	12-15-04	2,500,000	2,547,335	1,624,400
Standard Oil Co. of Indiana	9.200	7-15-04	5,750,000	5,665,779	3,744,342
Union Oil Co. of California	8.375	6-01-85	3,000,000	2,900,760	2,528,160
			<u>\$ 89,600,000</u>	<u>\$ 88,703,729</u>	<u>\$62,790,367</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1982 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
Telephone Bonds					
American Tel. & Tel. Co.	10.375%	6-01-90	\$ 3,000,000	\$ 3,012,000	\$ 2,392,560
Chesapeake & Potomac Tel. Co. of Maryland	8.875	6-01-09	2,000,000	2,043,753	1,176,000
Chesapeake & Potomac Tel. Co. of Virginia	8.625	4-01-09	4,000,000	4,119,048	2,304,080
Chesapeake & Potomac Tel. Co. of West Virginia	9.000	5-15-15	1,000,000	1,019,194	597,400
General Tel. Co. of Florida	10.750	7-01-04	3,000,000	2,814,968	2,042,520
General Tel. Co. of Florida	9.375	3-01-05	1,500,000	1,128,827	892,170
General Tel. Co. of Florida	13.375	9-01-10	6,500,000	6,130,535	5,364,125
General Tel. Co. of Indiana	14.000	12-01-10	1,000,000	908,633	848,110
General Tel. Co. of Michigan	11.875	6-01-10	5,000,000	4,965,000	3,621,850
General Tel. Co. of Northwest	9.375	7-01-08	1,850,000	1,564,164	1,091,722
General Tel. Co. of Northwest	12.125	7-01-10	5,000,000	4,971,508	3,760,650
General Tel. Co. of Ohio	10.250	12-01-04	1,000,000	883,239	648,340
General Tel. Co. of Ohio	9.000	6-01-06	2,000,000	1,979,000	1,154,420
General Tel. Co. of Ohio	16.625	5-01-11	3,000,000	2,942,000	2,958,570
General Tel. Co. of Pennsylvania	12.000	6-01-10	5,000,000	5,000,000	3,663,800
General Tel. of Southwest	9.875	12-01-05	1,000,000	1,001,802	628,000
General Tel. Co. of Upstate New York	9.125	4-01-04	1,000,000	998,130	572,940
General Tel. Co. of Wisconsin	14.375	4-01-10	4,000,000	3,734,852	3,512,320
Michigan Bell Tel. Co.	8.625	2-01-10	500,000	510,688	286,555
Michigan Bell Tel. Co.	7.750	6-01-11	1,000,000	1,008,585	511,760
Mountain State Tel. & Tel. Co.	8.625	4-01-18	3,000,000	2,940,654	1,703,520
New York Tel. Co.	8.625	6-15-16	1,000,000	1,038,734	576,180
New York Tel. Co.	15.625	7-15-21	18,000,000	17,343,378	17,416,260
Northwestern Bell Tel. Co.	8.625	6-15-12	12,000,000	12,169,188	6,850,680
Ohio Bell Tel. Co.	7.875	10-01-13	2,000,000	1,817,564	1,060,340
Pacific Northwest Bell Tel. Co.	8.750	6-01-08	1,000,000	1,003,999	573,600
Pacific Tel. & Tel. Co.	8.650	4-01-05	500,000	509,529	280,845
Pacific Tel. & Tel. Co.	9.000	1-15-18	4,000,000	4,018,000	2,271,720
South Central Bell Tel. Co.	12.875	10-01-20	5,000,000	4,000,481	4,169,450
Southern Bell Tel. & Tel. Co.	8.250	4-15-16	6,000,000	5,883,603	3,309,180
Southern Bell Tel. & Tel. Co.	12.875	10-05-20	5,000,000	4,006,651	4,169,450
Southwestern Bell Tel. Co.	8.500	3-15-16	12,000,000	12,291,582	6,726,000
Southwestern Bell Tel. Co.	14.250	12-10-20	6,000,000	5,459,884	5,352,180
			<u>\$127,850,000</u>	<u>\$123,399,173</u>	<u>\$92,487,297</u>
Power & Light Bonds					
Baltimore Gas & Electric Co.	8.375%	9-15-06	\$ 1,250,000	\$ 1,261,679	\$ 697,838
Central Illinois Public Serv. Co.	8.500	3-01-04	2,000,000	1,921,240	1,128,580
Central Power & Light Co.	9.375	6-01-04	1,500,000	1,498,086	932,790
Cincinnati Gas & Electric Co.	8.625	12-01-00	2,000,000	1,968,026	1,158,180
Cincinnati Gas & Electric Co.	9.125	4-15-08	1,000,000	1,006,604	593,560
Connecticut Light & Power Co.	8.750	3-01-04	1,000,000	1,016,850	538,350

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1982 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
Power & Light Bonds (continued)					
Connecticut Light & Power Co.	8.875%	5-01-07	\$ 700,000	\$ 718,229	\$ 377,881
Duke Power Co.	8.125	9-01-07	4,000,000	3,947,588	2,127,040
Duquesne Light Co.	7.875	3-01-01	1,500,000	1,376,890	786,435
Duquesne Light Co.	9.000	6-01-06	2,000,000	1,989,331	1,146,300
El Paso Electric Co.	8.500	4-01-07	2,500,000	2,479,167	1,376,200
Idaho Power Co.	8.375	1-15-04	2,000,000	2,003,667	1,057,500
Illinois Power Co.	9.000	11-01-00	1,500,000	1,500,000	920,685
Indianapolis Power & Light Co.	9.300	6-01-06	2,650,000	2,660,789	1,616,632
Iowa Power & Light Co.	8.750	3-01-06	1,000,000	1,041,141	571,560
Iowa Public Service Co.	9.000	5-01-06	2,500,000	2,625,743	1,476,600
Kansas Gas & Electric Co.	8.125	5-01-01	1,000,000	920,731	516,410
Kansas Gas & Electric Co.	8.375	9-01-06	500,000	508,371	257,510
Kansas Gas & Electric Co.	8.875	3-15-08	1,000,000	1,002,262	540,020
Kansas Power & Light Co.	8.750	9-01-00	1,000,000	1,031,489	583,840
Kansas Power & Light Co.	8.625	5-01-06	2,000,000	2,071,669	1,119,620
Kentucky Utilities Co.	9.125	4-01-04	1,500,000	1,514,179	901,125
Metropolitan Edison Co.	9.000	9-01-08	3,000,000	2,907,409	1,333,920
New England Power Co.	8.625	8-01-03	2,000,000	2,025,083	1,124,880
New England Power Co.	8.625	1-01-07	1,000,000	938,078	560,100
Northern Indiana Public Serv Co.	8.900	4-01-04	500,000	524,998	292,480
Oklahoma Gas & Electric Co.	8.375	1-01-04	1,000,000	1,010,377	555,180
Oklahoma Gas & Electric Co.	8.625	1-01-06	3,100,000	3,202,881	1,754,538
Pacific Gas & Electric Co.	7.500	12-01-03	6,000,000	5,846,352	2,959,620
Pennsylvania Power & Light Co.	9.750	11-01-05	500,000	527,323	309,085
Pennsylvania Power & Light Co.	8.250	12-01-06	2,000,000	2,006,229	1,037,080
Philadelphia Electric Co.	8.250	8-01-96	2,500,000	2,544,682	1,340,050
Philadelphia Electric Co.	8.625	7-15-03	3,000,000	3,003,099	1,550,820
Philadelphia Electric Co.	8.500	1-15-04	4,500,000	4,471,237	2,288,925
Philadelphia Electric Co.	8.625	3-15-07	4,000,000	3,989,375	2,039,640
Public Service Electric & Gas Co.	8.500	3-01-04	1,500,000	1,535,212	860,655
Public Service Electric & Gas Co.	8.750	4-01-06	4,500,000	4,496,577	2,622,825
Public Service Electric & Gas Co.	8.250	6-01-07	2,000,000	1,994,792	1,045,540
Public Service Co. of Colorado	7.250	2-01-01	500,000	428,184	248,445
Public Service Co. of Oklahoma	8.750	6-01-05	1,000,000	1,044,306	578,740
Southern California Edison Co.	8.875	3-01-00	3,500,000	3,563,846	2,124,850
Southern California Edison Co.	8.875	3-15-01	2,000,000	2,071,250	1,205,400
Southwestern Public Service Co.	8.800	2-01-05	1,000,000	1,049,546	576,860
Southwestern Public Service Co.	8.750	3-01-08	500,000	501,083	285,280
Union Electric Co.	8.875	9-01-06	3,500,000	3,564,456	1,890,525
Utah Power & Light Co.	8.375	9-01-06	600,000	606,229	330,570
West Penn Power Co.	7.625	6-01-02	1,000,000	903,286	524,970
Wisconsin Power & Light Co.	8.875	4-01-04	2,500,000	2,590,000	1,463,325
Wisconsin Power & Light Co.	8.875	5-01-06	2,000,000	1,990,000	1,161,840
			<u>\$ 95,300,000</u>	<u>\$ 95,399,621</u>	<u>\$ 52,490,799</u>
Total Corporate Bonds			<u>\$312,750,000</u>	<u>\$307,502,523</u>	<u>\$207,768,463</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1982 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
CANADIAN BONDS					
Province					
Province of Ontario	9.250%	8-01-00	\$ 500,000	\$ 483,509	\$ 312,950
Province of Ontario	8.600	3-15-04	1,000,000	1,004,153	576,070
Province of Ontario	8.875	3-01-05	4,800,000	4,834,849	2,827,248
Province of Ontario	9.125	6-15-05	4,000,000	4,118,026	2,416,200
Province of Ontario	8.750	1-05-08	500,000	473,880	288,035
Province of Saskatchewan	8.700	11-15-06	1,500,000	1,450,511	850,785
Province of Saskatchewan	8.625	5-15-07	7,500,000	7,252,882	4,212,675
Province of Saskatchewan	9.250	4-15-08	1,000,000	944,757	597,500
			<u>\$ 20,800,000</u>	<u>\$ 20,562,567</u>	<u>\$ 12,081,463</u>
Authority, Board, Commission					
Alberta Government Tel. Comm.	6.250%	10-01-92	\$ 1,000,000	\$ 935,425	\$ 550,770
Alberta Government Tel. Comm.	7.875	9-01-96	1,300,000	1,309,113	730,522
British Columbia Hydro & Power Authority	8.625	12-01-06	5,500,000	5,490,302	3,144,955
British Columbia Hydro & Power Authority	8.375	6-15-07	3,000,000	3,000,000	1,665,240
Manitoba Hydro-Electric Board	9.500	10-01-85	7,700,000	7,546,447	6,527,598
Manitoba Hydro-Electric Board	9.250	6-30-01	9,000,000	9,027,634	4,842,720
Manitoba Hydro-Electric Board	9.250	6-15-04	1,500,000	1,573,564	914,955
Manitoba Hydro-Electric Board	9.375	12-01-04	2,000,000	2,094,676	1,233,440
Manitoba Hydro-Electric Board	8.625	12-01-06	2,500,000	2,487,113	1,410,750
			<u>\$ 33,500,000</u>	<u>\$ 33,464,274</u>	<u>\$ 21,020,950</u>
Total Canadian Bonds			<u>\$ 54,300,000</u>	<u>\$ 54,026,841</u>	<u>\$ 33,102,413</u>
Total Bonds			<u>\$469,386,500</u>	<u>\$461,976,074</u>	<u>\$355,822,734</u>
MORTGAGE SECURITIES					
GNMA Modified Pass-Through Mortgage-Backed Securities					
Level Payment	7.50%	2006	\$ 2,460,043	\$ 2,392,593	\$ 1,515,233
Level Payment	8.00	2005-08	15,826,223	15,710,499	10,064,488
Level Payment	8.25	2006-08	6,523,789	6,408,655	4,213,960
Level and Graduated Payment	9.00	2008-09	20,500,651	20,137,593	13,826,280
Level and Graduated Payment	9.50	2009	24,023,146	23,481,711	16,599,727
Level and Graduated Payment	10.00	2009	3,214,269	3,164,113	2,279,504
Level Payment	10.50	2016	6,619,862	4,829,634	4,658,728
Level and Graduated Payment	11.00	2010	19,879,645	19,128,242	15,113,755
Level Payment	11.50	2011	3,475,842	3,407,715	2,762,208
Graduated Payment	12.00	2012	750,918	607,508	590,174
Level and Graduated Payment	12.50	2010	9,886,064	9,432,832	8,202,087
Level Payment	13.00	2012	4,680,701	4,097,749	4,053,195
Level Payment	13.50	2010	1,934,071	1,920,473	1,718,302
Level and Graduated Payment	14.00	2011-12	7,077,891	6,359,038	6,352,687
Level and Graduated Payment	15.00	2011-12	6,286,403	5,893,530	5,954,214
Graduated Payment	15.50	2011	2,035,311	1,912,646	1,950,718
Level Payment	16.00	2011-12	3,012,917	2,890,957	2,997,852
			<u>\$138,187,746</u>	<u>\$131,775,488</u>	<u>\$102,853,112</u>

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1982 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
FHLMC Mortgage-Backed Participation Certificates					
Issue date 1978	8.750%	2008	\$ 1,623,145	\$ 1,600,171	\$ 1,040,842
Issue date 1978	9.000	2008	11,053,318	10,802,576	7,170,840
Issue date 1978	9.250	2008	20,466,567	20,294,457	13,431,184
Issue date 1978	9.750	2008	6,217,688	4,536,664	4,204,712
Issue date 1979	10.000	2009	37,902,273	34,894,955	26,057,813
Issue date 1979	10.750	2009	5,603,897	4,273,022	4,027,801
Issue date 1980	11.250	2010	1,903,601	1,405,427	1,422,941
Issue date 1979-80	12.000	2009-10	23,836,457	21,979,074	18,652,028
Issue date 1980	14.750	2010	7,603,066	7,541,691	7,023,332
Issue date 1981	15.000	2011	4,816,482	4,804,031	4,521,472
Issue date 1981	16.250	2011	4,834,175	4,679,640	4,797,919
			<u>\$125,860,669</u>	<u>\$116,811,708</u>	<u>\$ 92,350,884</u>
FHA Insured Mortgages					
Single Family	5.000%	Various	\$ 17,378	\$ 17,378	\$ 10,601
Single Family	5.250	Various	219,484	219,484	134,434
Single Family	5.500	Various	38,373	38,373	24,031
Single Family	5.750	Various	34,319	34,319	21,663
Single Family	6.000	Various	29,901	29,901	17,641
Single Family	6.750	Various	46,302	46,302	27,608
FHA PROJECT - Section 231	5.500	5-01-10	3,691,454	3,691,454	1,698,069
			<u>\$ 4,077,211</u>	<u>\$ 4,077,211</u>	<u>\$ 1,934,047</u>
VA Guaranteed Mortgages					
Single Family	4.500%	Various	\$ 8,984	\$ 8,984	\$ 5,334
Single Family	5.250	Various	212,973	212,973	119,531
Single Family	5.500	Various	12,473	12,473	7,141
Single Family	5.750	Various	32,058	32,058	18,634
Single Family	6.000	Various	72,214	72,214	42,606
Single Family	6.750	Various	16,626	16,626	9,914
			<u>\$ 355,328</u>	<u>\$ 355,328</u>	<u>\$ 203,160</u>
HUD Guaranteed Mortgages					
Section 8	7.50-10.00%	1985-91	\$ 2,144,403	\$ 2,144,403	\$ 1,823,791
Section 23	7.50- 8.75	1990	1,986,447	1,986,447	1,531,184
			<u>\$ 4,130,850</u>	<u>\$ 4,130,850</u>	<u>\$ 3,354,975</u>
COMMERCIAL AND INDUSTRIAL FIRST MORTGAGES (PARTICIPATING)					
Marion Steel Co.	18.000%	12-01-91	\$ 2,452,990	\$ 2,452,990	\$ 2,452,990
Crow Childress Harrod Ltd.	12.500	2012	8,600,000	8,600,000	8,600,000
Hines/Farmers Branch Assoc. Ltd.	12.500	2002	7,500,000	7,500,000	7,500,000
			<u>\$ 18,552,990</u>	<u>\$ 18,552,990</u>	<u>\$ 18,552,990</u>
Total Mortgages			<u>\$291,164,794</u>	<u>\$275,703,575</u>	<u>\$219,249,168</u>
Total Bonds & Mortgages			<u>\$760,551,294</u>	<u>\$737,679,649</u>	<u>\$555,071,902</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1982 (Continued)

INVESTMENT REAL ESTATE

Land and Buildings	Par Value	Book Value	Market Value
Office Building, Columbus, OH	\$ 7,035,124	\$ 4,946,628	\$10,800,000
Warehouse, San Antonio, TX	3,800,000	3,800,000	4,250,000
Warehouse, Sharonville, OH	1,350,000	1,350,000	1,350,000
J.C. Penney Store, Cape Girardeau, MO	3,500,000	3,500,000	3,500,000
K-Mart Store, Edinburg, TX	2,182,000	2,142,044	2,182,000
K-Mart Store, Gallatin, TN	2,222,000	2,180,667	2,222,000
K-Mart Store, Midland, TX	2,829,500	2,778,734	2,860,500
K-Mart Store, Port St. Lucie, FL	3,667,000	3,667,000	3,675,000
K-Mart Store, Portland, TX	2,388,500	2,345,978	2,575,500
K-Mart Store, Smyrna, TN	2,669,649	2,699,649	2,685,000
Kroger Supermarket, Columbus, OH	2,187,129	2,187,129	2,175,000
Kroger/Super X Store, Gallatin, TN	1,750,000	1,714,863	1,750,000
Kroger Supermarket, Plano, TX	2,346,533	2,346,533	2,350,000
	<u>\$37,957,435</u>	<u>\$35,659,225</u>	<u>\$42,375,000</u>
Prudential Property Investment Separate Account (Prisa)	\$20,000,000	\$20,000,000	\$33,252,300
Total Real Estate	<u>\$57,957,435</u>	<u>\$55,659,225</u>	<u>\$75,627,300</u>

COMMON AND PREFERRED STOCKS

Shares		Book Value	Market Value
130,000	Amerada Hess Corp	\$ 3,936,212	\$ 2,388,750
130,000	American Express Co.	5,074,589	5,232,500
1,300	American Express Co.-Warrants	-0-	13,812
70,000	American Home Products Corp.	2,271,010	2,651,250
50,000	American Stores Co.	1,279,675	2,250,000
100,000	American Telephone & Telegraph Co.	5,536,354	5,100,000
40,425	Arizona Bank	519,923	469,941
101,000	Arkla, Inc.	1,583,328	1,855,875
120,000	Atlantic Richfield Co.	5,670,887	4,425,000
70,000	Avon Products Inc.	5,139,234	1,645,000
140,000	Black & Decker Manufacturing Co.	3,149,730	1,872,500
70,000	Boeing Co.	2,577,150	1,085,000
80,000	Bristol Myers Co.	3,297,525	4,450,000
40,000	CBS, Inc.	1,989,563	1,490,000
50,000	CSX Corp.	2,437,025	1,950,000
30,000	Caterpillar Tractor Co.	1,466,162	1,113,750
115,000	Chubb Corp.	4,924,738	4,197,500
60,068	Cigna Corp.	2,673,492	2,042,312
3,160	Cigna Corp. \$2.75 PFD.	78,930	69,520
75,000	Coca Cola Co.	3,725,857	2,531,250

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LIST OF INVESTMENTS

June 30, 1982 (Continued)

COMMON AND PREFERRED STOCKS (Continued)

Shares		Book Value	Market Value
150,000	Continental Illinois Corp.	\$ 5,391,512	\$ 3,487,500
140,000	Control Data Corp.	4,620,938	3,412,500
50,000	Corning Glass Works	3,176,412	2,168,750
110,000	Dart & Kraft Inc.	5,052,840	5,720,000
50,000	Dayton-Hudson Corp.	1,733,750	1,868,750
25,000	Dow Chemical Co.	772,663	518,750
54,000	DuPont (E.I.) de Nemours & Co.	2,551,921	1,782,000
75,000	Eastman Kodak Co.	7,205,708	5,531,250
90,000	Emerson Electric Co.	3,785,419	4,027,500
150,800	Exxon Corp.	3,470,726	4,184,700
110,000	Federated Department Stores Inc.	4,335,565	4,702,500
45,000	First Bank Systems, Inc.	2,214,625	1,316,250
45,000	Fischbach Corp.	2,386,250	1,462,500
30,000	GCA Corp.	685,225	483,750
75,000	General Electric Co.	3,697,627	4,771,875
110,000	General Foods Corp.	3,710,763	4,152,500
60,000	GTE Corp.	1,878,062	1,650,000
44,000	Getty Oil Co.	2,388,873	2,189,000
60,000	Halliburton Co.	2,815,225	1,687,500
100,000	Hercules, Inc.	2,157,775	1,812,500
45,000	Honeywell Inc.	3,035,275	3,015,000
155,000	International Business Machines Corp.	9,553,913	9,396,875
45,000	International Paper Co.	2,508,775	1,659,375
70,000	International Telephone & Telegraph Corp.	3,202,284	1,653,750
120,000	Johnson & Johnson	4,342,060	4,740,000
30,000	Kimberly Clark Corp.	1,391,871	1,803,750
80,000	K-Mart Corp.	3,134,208	1,470,000
30,000	Levi Strauss & Co.	690,525	727,500
70,000	McDonald's Corp.	4,115,087	5,013,750
60,000	Merck & Company, Inc.	5,462,926	4,050,000
85,000	Minnesota Mining & Mfg. Co.	5,583,343	4,526,250
50,000	Mobil Oil Corp.	827,800	1,118,750
37,000	Monsanto Co.	2,305,327	2,178,375
60,000	Morgan (J.P.) & Co.	3,385,562	3,105,000
20,000	Motorola, Inc.	1,138,487	1,225,000
70,000	NL Industries, Inc.	1,245,613	1,435,000
50,000	Norfolk Southern Corp.	2,473,750	2,275,000
95,000	Northwest Airlines Inc.	3,346,281	2,683,750
95,000	Penney (J.C.) Co.	4,267,460	3,562,500
20,000	Philip Morris, Inc.	712,550	1,025,000
20,000	Polaroid Corp.	1,604,845	360,000
100,000	Potomac Electric Power Co.	1,503,037	1,550,000
50,000	Procter & Gamble Co.	4,447,154	4,150,000
150,000	RCA Corp.	3,308,538	2,550,000
75,000	Reynolds (R.J.) Industries, Inc.	2,737,320	3,403,125
45,000	St. Regis Paper Co.	1,772,445	990,000
71,000	Sears, Roebuck & Co.	3,376,277	1,375,625

INVESTMENTS

June 30, 1982 (Continued)

LIST OF INVESTMENTS

COMMON AND PREFERRED STOCKS (Continued)

<u>Shares</u>		<u>Book Value</u>	<u>Market Value</u>
30,000	Sedco, Inc.	\$ 962,819	\$ 888,750
95,000	SmithKline Beckman Corp.	5,925,487	6,115,625
60,000	Southeast Banking Corp.	1,809,086	862,500
90,000	Standard Oil Co. of California	1,939,719	2,587,500
80,000	Standard Oil Co. of Ohio	2,151,857	2,520,000
70,000	Tektronix, Inc.	3,522,363	3,683,750
105,000	Texaco Inc.	4,076,500	3,071,250
80,000	Texas Eastern Corp.	4,689,000	3,860,000
180,000	Texas Utilities Co.	3,570,550	3,915,000
50,000	Union Carbide Corp.	2,421,313	2,118,750
40,000	United Technologies Corp.	1,433,775	1,570,000
82,200	Weyerhaeuser Co.	3,253,455	2,055,000
90,000	Whirlpool Corp.	2,527,815	2,812,500
71,000	Xerox Corp.	4,935,380	2,280,875
	Total Common and Preferred Stock	\$ 246,055,095	\$213,148,910
TOTAL PORTFOLIO	Par Value \$1,168,913,824	\$1,142,646,079	\$947,664,319

Investment Policy

OBJECTIVE

The objective of the Retirement Board's investment policy is to provide the maximum long-term benefits to members of the System by maximizing the total rate of return, within prudent parameters of risk for a retirement fund of this type. In line with this objective, due consideration is given by professional staff and portfolio advisers to the actuarial requirements of the System and changes thereto. Safety of principal is the primary consideration and is maintained by the purchase of quality investments, but investment income is also an important element commanding major consideration in the appraisal of various investment alternatives. The Board's policy for the utilization of all suitable and prudent avenues of investment authorized under the Ohio Revised Code to maintain a high-quality, diversified portfolio of investments in conservatively financed companies the prospects of which are continually reviewed and assessed in the varying economic climate. While the Board generally invests with the long-term in mind, the changing economic and investment conditions dictate that short-term factors also be considered in the timing of purchases or sales of any investment. Flexibility and market timing are important elements in the Board's policy, and consistency of performance with respect to the total portfolio is emphasized.

DIVERSIFICATION

Diversification of the portfolio is in respect to types of assets, types of industries, companies within industries, quality of the investments, maturities, geographical areas, etc., and is an important element in the limitation of risk. All such diversification parameters are considered within the context of the requirements of the Ohio Revised Code and of the economic climate at varying times to assure the maintenance of a diversified portfolio responsive to changing economic conditions. Diversification by asset types requires that the Board consider investments in the fixed-income area, mainly bonds and mortgages of various types, and equity investments, including high-quality stocks, convertible bonds and real estate. In respect to geographical diversification careful consideration is given to Ohio Investments where the quality, return and safety are comparable to that of other investments available to the Board.

FIXED-INCOME INVESTMENTS

The Board's fixed-income investments are made up of both bonds and mortgages of various types carefully selected on the basis of rate of return, maturity, quality, marketability and overall suitability to the Board's portfolio. The fixed-income portfolio is intended to provide the steady, high-level, current income for use in making benefit payments to members of the System. While such fixed-income assets do fluctuate in market value, they are legal contracts having definitely defined characteristics and maturity values which provide a degree of stability to the investment return of the portfolio.

Bonds - The Board's policy provides for bonds to represent an important part of the total portfolio, varying somewhat depending upon economic conditions, interest rates and relative attractiveness of other avenues of investment. The Board requires that its bond portfolio be of high quality and chosen with respect to maturity ranges, coupon levels, refunding characteristics and marketability. Diversification is further provided by inclusion of industrial, utility, telephone, governmental and governmental agency bonds of various types. Active management of bonds is encouraged to improve the System's portfolio in terms of quality, marketability, income, refunding protection, etc.

Mortgages - The Board's high-quality, diversified mortgage portfolio varies in size dependent upon mortgage interest rates, yields available on other types of investments, and the quality of loans available. The Ohio Revised Code provides for inclusion of mortgage instruments on single-family and multi-family units on a government or government agency insured or guaranteed basis. It also provides for instruments collateralized by, or pass-through securities including, pools of mortgages on single or one-to-four family Ohio dwellings. Mortgage-backed bonds must be collateralized at all times in an amount satisfactory to this Board and acceptable to the market place, and they must mature no later than the maturity of the underlying collateral. Mortgage-backed bonds and pass-through securities must be supported by mortgages which when originated conformed to underwriting guidelines set by FHA, VA, FHLMC or FNMA, since these standards will give the securities an added degree of marketability. The Board will examine the loan-to-value ratio of the mortgage loans, the credit history of the borrowers, the condition of the property, the expertise and qualifications of the financial insti-

tution originating the loans, etc. to determine whether or not the mortgages meet its high quality standards. In addition the financial statement of the issuer of the security must be submitted to the Board for review.

Board policy provides for investing in first mortgage loans on commercial real property either in a whole loan form or in the form of a pass-through security. In the investment in commercial loans the Board will consider such things as the credit history and current financial condition of the borrower, the condition, use and location of the property and the loan-to-value ratio. Board policy provides for the structuring of commercial loans in the conventional manner or to include participation in the cash flow or the equity of the property.

In order to preserve the ability of the Fund to take advantage of all market conditions in response to a changing economy the Board requires that all mortgage investments be highly marketable, thereby enabling these investments to be easily bought or sold if market conditions dictate such action. Since a mortgage portfolio involves some additional administration over other fixed-income investments, the Board considers mortgage investments in those situations where the mortgage investment provides sufficient additional yield over a comparable investment in the bond market. The mortgage portfolio, like the bond portfolio, is intended to provide a high-quality income stream which will provide a degree of stability during changing economic conditions over other types of investments.

The investment policy of the Board provides for a significant contribution to the portfolio by the use of Ohio mortgage loans to the extent permitted by prudent requirements of diversification.

EQUITY INVESTMENTS

Since fixed-income investments, such as bonds and mortgages, provide only for a current income stream and make no provision for a hedge with respect to inflation, the Ohio Revised Code and the Board's policy provide that such a long-term inflation hedge be obtained by the use of equity investments in stocks, convertible bonds and real estate. The Board's policy provides for flexibility in changing economic conditions and allows maximization of total return from judicious use of a combination of both fixed-income and equity investments.

Real Estate - The Board's investment policy provides for the investment in any interests in real property located within the United States, prudently diversified by type and location as permitted by the Ohio Revised Code, with all interests structured so as to limit the Board's liability to the amount invested. The portfolio will consist of marketable, high-quality interests in real estate where projected income returns and capital appreciation are comparable to returns from other forms of investments commensurate with such risk. Incremental increases in lease rentals are provided where possible as a means of offsetting inflation in the economy and improving return. Control over the investment will not be relinquished by the Board through participation with other investors except through the use of commingled funds, and the use of leverage will be employed only in those cases where it facilitates the acquisition of the property and is already in place. Selection of well-qualified managers and prime tenants is inherent in the Board's policy.

The Board's policy does not permit real estate investments in situations where the following circumstances exist; the asset is too large to permit adequate diversification of the real estate portfolio or too small to invest in economically; the credit of the tenant or tenants is weak; control of the investment by the Board must be relinquished to other investors; little upside potential of the real estate exists; undeveloped land; properties requiring extensive remodeling; or special or single use buildings.

Common Stocks - The Board's investment in common stocks is an important and flexible element in providing for a long-term inflation hedge. The Board's policy emphasizes the total return concept, dividend yield and market appreciation, and provides for investment in selected stocks of conservatively financed companies, as evidenced by debt to equity ratios, internal cash flow, etc. Such companies are usually leaders in their particular industry, have proven management, and are capable of substantial flexibility in pricing and competition with respect to their products. Such quality stocks are selected on the basis of value, considering the magnitude, stability and growth of dividends, or on the basis of growth of profits and dividends in excess of the growth rate for the economy.

Over a long period of time, it is anticipated that the stock portfolio will achieve a total return, including income and market appreciation, greater than that available from the fixed-income portions of the portfolio and that such return will compare favorably with recognized, representative market indexes and the results obtained by other funds of comparable size and character. Consideration is given to the fact that portfolios perform differently in up and down cycles of the market and that complete re-structuring of the portfolio with respect to anticipated short-term movements in the market involves considerable risk and expense. Therefore, these performance goals of investment policy apply only to the long term.

Realized losses are minimized by careful selection of companies, attention to market timing and diversification of risk. The Board's policy provides that, generally, losses may be taken in circumstances where the fundamental outlook for the industry or the company, or the financial condition of the company, is deteriorating or in the case of a generally declining market.

The Board's investment policy provides for the writing of covered call options on eligible common stock holdings. The options program is designed to meet the objectives of providing additional income from the equity investments and some downside protection in the market price of those securities by collection of the option premium. Options are used in a manner that is consistent with the Board's obligation to exercise prudent judgment in the conservative management of its assets. This activity is of a limited nature relative to the size of the common stock holdings and is considered supplemental to the primary goal of supervision of the common stock portfolio.

Venture Capital - The Board's policy provides for the use of venture capital investments provided the principal parties involved have expertise and a good track record, quality of the investment is evident, financial resources are adequate to permit the venture to succeed, prospects for the venture

are good and the product or service can be demonstrated to have a market. In venture capital transactions the Board's liability shall be limited to the amount of its investment.

SHORT-TERM INVESTMENTS

The Board's investment policy provides for the use of short-term investments in accordance with the Ohio Revised Code in order to maximize earnings of the System and to allow for flexibility in respect to market timing of other long-term investments. Such short-term investments are selected within prescribed quality limitations and include the use of U.S. Government securities, banker's acceptances, certificates of deposit and prime commercial paper bearing a quality rating of P-1 or P-2 by Moody's Investors Service, Inc.

IMPLEMENTATION

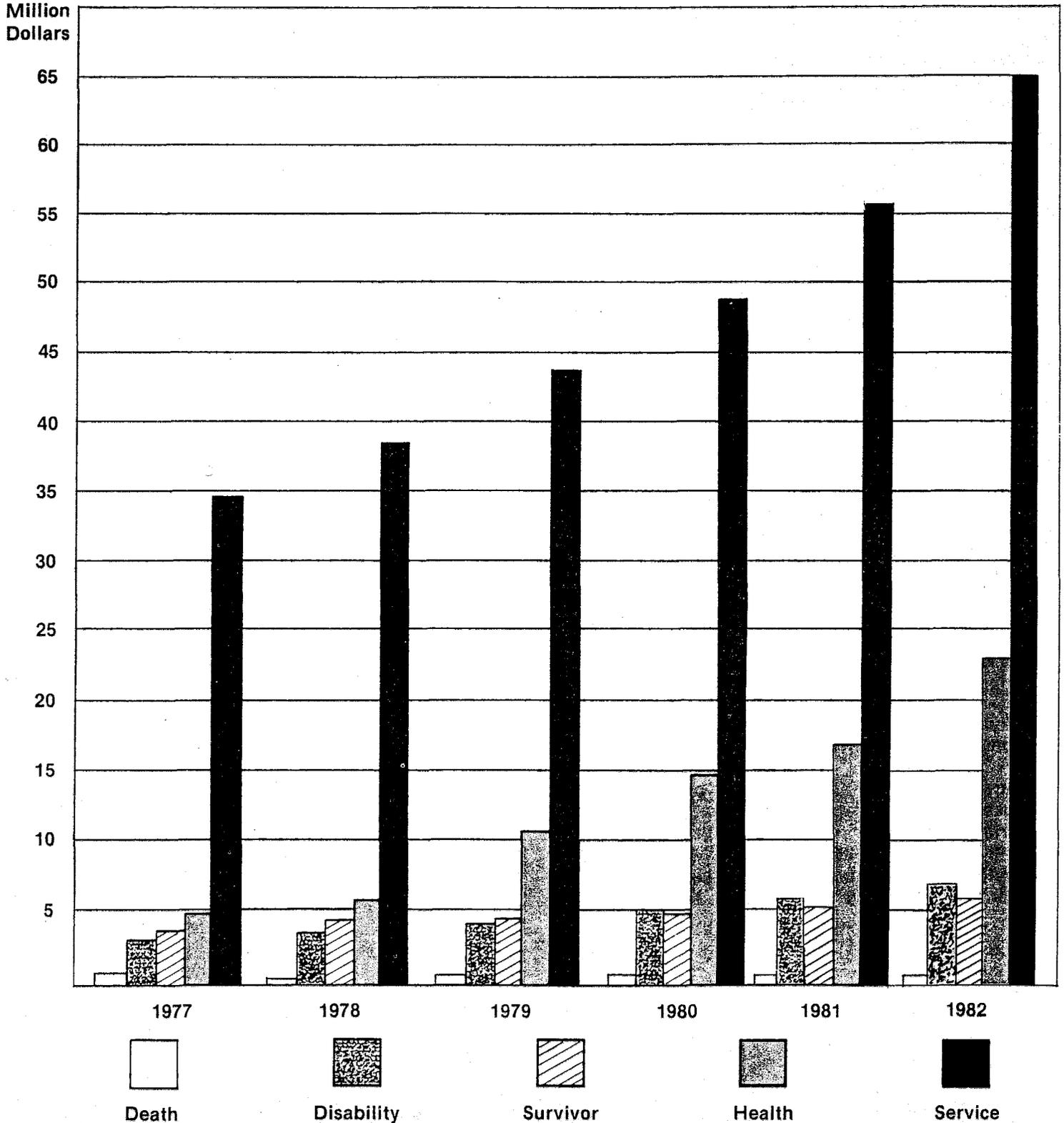
In order to implement its investment policy, the Board employs the services of one or more investment counselors or consultants in addition to its own staff. Investment asset diversification ranges are formulated annually and reviewed at least quarterly with the investment counselor and staff to provide portfolio diversification ranges appropriate to current economic conditions. Monthly reports are made to the Board by staff with respect to implementation of investment policy, and performance of equity investments is measured internally and by such performance measurement specialists as the Board may retain.

Consideration is also given to investments that enhance the welfare of the state and its citizens where such investments offer quality, return and safety comparable to other investments currently available.

Legal opinions are requested as needed from the Attorney General of Ohio regarding the legal eligibility of investments under the Ohio Revised Code.

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 from 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 to 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 make payments 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 requirements: (1) Persons with student status within a school district may or may not choose to become members of S.E.R.S. (2) Persons retired from one of the other Ohio state retirement systems may not become members of S.E.R.S. 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 school district in the state of Ohio.
- 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 regularly assigned duties.
- D. **Members' Survivors**—When a member dies before achieving retirement, the qualified beneficiaries become eligible for monthly benefits from SERS.

REFUND OF CONTRIBUTIONS

A member is entitled to a full refund of contributions with S.E.R.S. if employment is terminated with the school district. Only the money which the member has contributed is refundable. 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.

The refunded amount, plus interest, may be redeposited if, at some later date, the member returns to school service or to any other public service within the state of Ohio. This purchase may be made after the member has been credited with 1.5 years of service.

SERVICE RETIREMENT

Members may retire from employment with a school district if they have attained one of three combinations of age or 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 school 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. A member may purchase additional service credit if the military service includes prisoner of war time. 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 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 1.5 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 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 returning to work after a period of authorized leave may purchase service credit for the period involved. 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 the benefit. The final average salary is the average of the member's highest three years of earnings while in the 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 a 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 prevented from performing regular duties on the job after incurring an injury or illness and before reaching retirement age 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 as long as the member remains disabled (subject to re-examination) or until death.

DEATH BENEFITS

The designated beneficiary of any SERS retirant will receive a \$500 lump sum payment upon the event of the retirant's death. If there is no beneficiary, payment is made to the person responsible for the burial expenses or to the retirant's 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 2.5 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.

Members who retire on or after July 1, 1986 must have at least 10 or more years of service credit to qualify for the health care benefits.

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 and retirants. 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 benefited 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.

TOLL-FREE PHONE SERVICE—A new special service for our **monthly benefit recipients** was installed in December, 1981. It allows a 24-hour WATS line contact with SERS from anywhere in Ohio, toll-free. This service applies only to calls to SERS originating in Ohio from our retirants.



