

**The
SCHOOL
EMPLOYEES
RETIREMENT
SYSTEM
of Ohio**

**Annual Financial Report
June 30, 1983**





**SCHOOL EMPLOYEES RETIREMENT SYSTEM
OF OHIO**

45 NORTH FOURTH STREET
COLUMBUS, OHIO 43215

**ANNUAL
FINANCIAL REPORT**

For The
Year Ended June 30, 1983

THE SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO



GEORGE J. MAZZARO

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



ANTHONY J. CELEBREEZE, JR.

Attorney General
Ex Officio Member



MARY E. KASUNIC

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



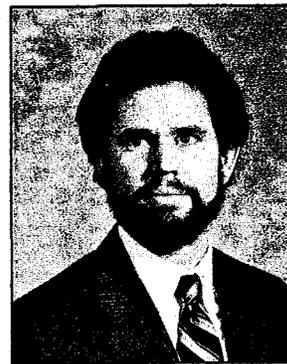
THOMAS E. FERGUSON

Auditor of State
Ex Officio Member



ORRIS E. FIELDS

Vice President Elect
Wilmington City School District
Wilmington, Ohio
Term expires June 30, 1987



THOMAS R. ANDERSON

Executive Director



LOWELL B. DAVIS

Member
Euclid City School District
Euclid, Ohio
Term expires June 30, 1989

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

RITA M. VOLPI

Planning / Human Resources

C. DOUGLAS WILSON

Data Processing

ORGANIZATIONAL CHART

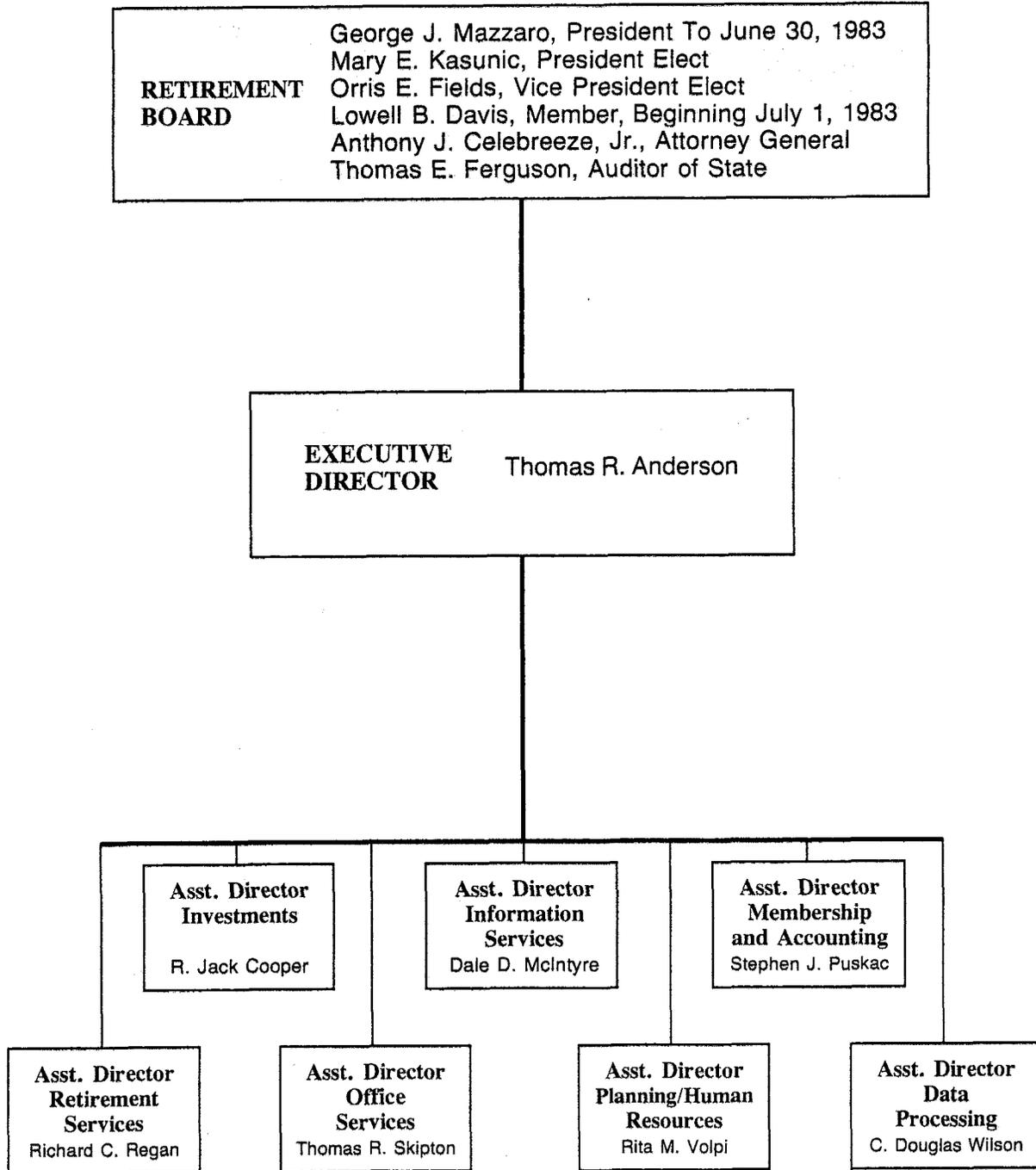


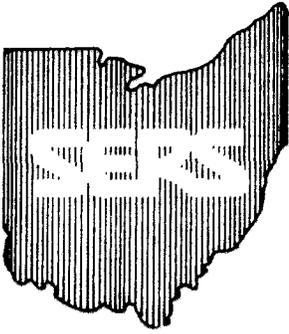
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**Annual Financial Report
June 30, 1983**

**46 YEARS
1937 - 1983**



SCHOOL EMPLOYEES RETIREMENT SYSTEM

45 NORTH FOURTH STREET, COLUMBUS, OHIO 43215-3634 * 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, 1983 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, 1982.

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, as of June 30, 1982, over a period of 49 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, employer contributions, and from income earned on invested contributions. For the fiscal year ended June 30, 1983, member and employer contributions totaled \$148,246,346 and \$105,975,117 was provided by income from investments. Miscellaneous sources, including transfers from other retirement systems, accounted

for an additional \$1,659,544. Revenue for 1983 totaled \$255.9 million, an increase of 10.1% over 1982.

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 1983 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 1983 totaled \$131.2 million, an increase of 12.6% over 1982 expenses. Increases in both the number of benefit recipients and the average benefit paid combined to increase benefit expense by \$15.1 million; this \$15.1 million accounted for nearly all of the increase in total System expenses for the fiscal year.

Reserves (Funds)

The \$993,700,976 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, 1983. The accumulated contributions by members who have not yet retired amounted to \$351,781,439 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, 1983 discloses an Unreserved Fund Balance (Debit) of (\$141,117,819). This balance is a restriction of the Employers' Trust Fund and represents the amortized statutory fund deficiency which existed at June 30, 1983. 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, 1982 was \$1,054,667,519.

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, 1983, investments provided 41.4% of the System's total revenues; employee and employer contributions provided 22.4% and 35.6%, respectively; and other sources accounted for the remaining 0.6%.

Investments are reported at cost, net of amortized premium and discount; these premiums and discounts are amortized over the life of the investment. Gains and losses on the exchange of fixed-income securities are recognized using the completed transaction method of accounting. At June 30, 1983, our investment portfolio was structured as follows; 61.6% in debt securities; 21.6% in equity securities; 8.1% in short-term commercial paper; and 8.7% in real estate. The portfolio yield for fiscal 1983 was 9.79% on a cash basis.

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 7, 1983. These statements report the amount of contributions and service credited to each individual account as of June 30, 1983.

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 1983

Earnings Hit All-Time High

It was a banner year for SERS investments. For the first time, net investment income exceeded the year's contributions from SERS employers, reaching \$105,975,117 at the June 30 fiscal close.

This compared with \$90.9 million in employer contributions for the same period. In the previous year net investment income was \$83.7 million and employer contributions \$87.9 million.

Health Care Costs Still Mount

Health care costs continued an upward spiral, but with the first possible signs of slackening in pace after "cost containment" moves by the Retirement Board. Outlays for health care coverage of System retirants and beneficiaries rose to \$26.4 million. However, the \$3 million increase was half that of fiscal 1981.

In an attempt to gain some control over these costs, the System surveyed retirants and instituted a new, yearly \$100 deductible for everyone using the program. Some changes also were made in internal financing. It was hoped that these, plus the ten-year service credit requirement for health care starting for new retirants in 1986, would be sufficient to head off further "containment" measures.

Contribution Rates And Interest Raised

In another move to meet benefit demands, the Retirement Board adopted at mid-year new contribution rates for members and their employers effective July 1, 1983. The employer rate was raised to 14 percent, the maximum allowed. Member contributions were hiked from 8 percent of pay to 8.75 percent.

At the same time, the Board decided that the interest charged on various forms of service credit purchases should be raised July 1, 1983 to 7.5 percent. This had the effect of almost doubling the interest charged on buying credit for military service, which enjoyed a specially low four percent rate. The announcement touched off a rush to buy service credit, particularly military, before the July deadline. Generally, interest before then was at 5.5 percent.

It also was on July 1, 1983 that the System put into force newly revised and updated option tables setting the amount of benefit payable when a retirant makes a provision for a surviving beneficiary to share in pension payments.

Board Reorganized And Expanded

Long pending legislation finally was enacted to expand the Retirement Board in 1984 to seven members. One new seat is to be exclusively for a retired member, providing the retirants with an official voice in System affairs. The other new seat is to be for a fourth employee-member of the Board.

Euclid schools Treasurer Lowell B. Davis was elected to the Board, replacing George J. Mazzaro who retired after 12 years as a Board member. Taking over as president in Mr. Mazzaro's stead was another member, Mary E. Kasunic. Orris E. Fields was elected vice president.

Employer "Pickup" Of Employee Contributions

After clarifying opinions from the Ohio Attorney General's office, the Retirement System, with a careful eye to I.R.S. rules and regulations, offered all employers participation in the "pickup" plan of their choice. Noting the variety of partial pickups already in operation, the System went on record as recommending that the pickup be for the full amount of employee contributions since cost seldom was a factor. Three categories of employment were established for application of a pickup: business managers, treasurers, and non-teaching personnel.

Pension Withholding Of Income Taxes

A provision of the Tax Equity and Fiscal Responsibility Act required the System to individually offer retirants and beneficiaries withholding of federal income taxes from pensions. Retirants were not forced to comply or could name any amount of withholding they desired. But the System was required to start deducting taxes in the absence of any other instructions. No withholding was indicated in cases where contributions had not yet been recovered in benefits or where pensions were below \$5400 yearly.

Effects Of Social Security Compromise

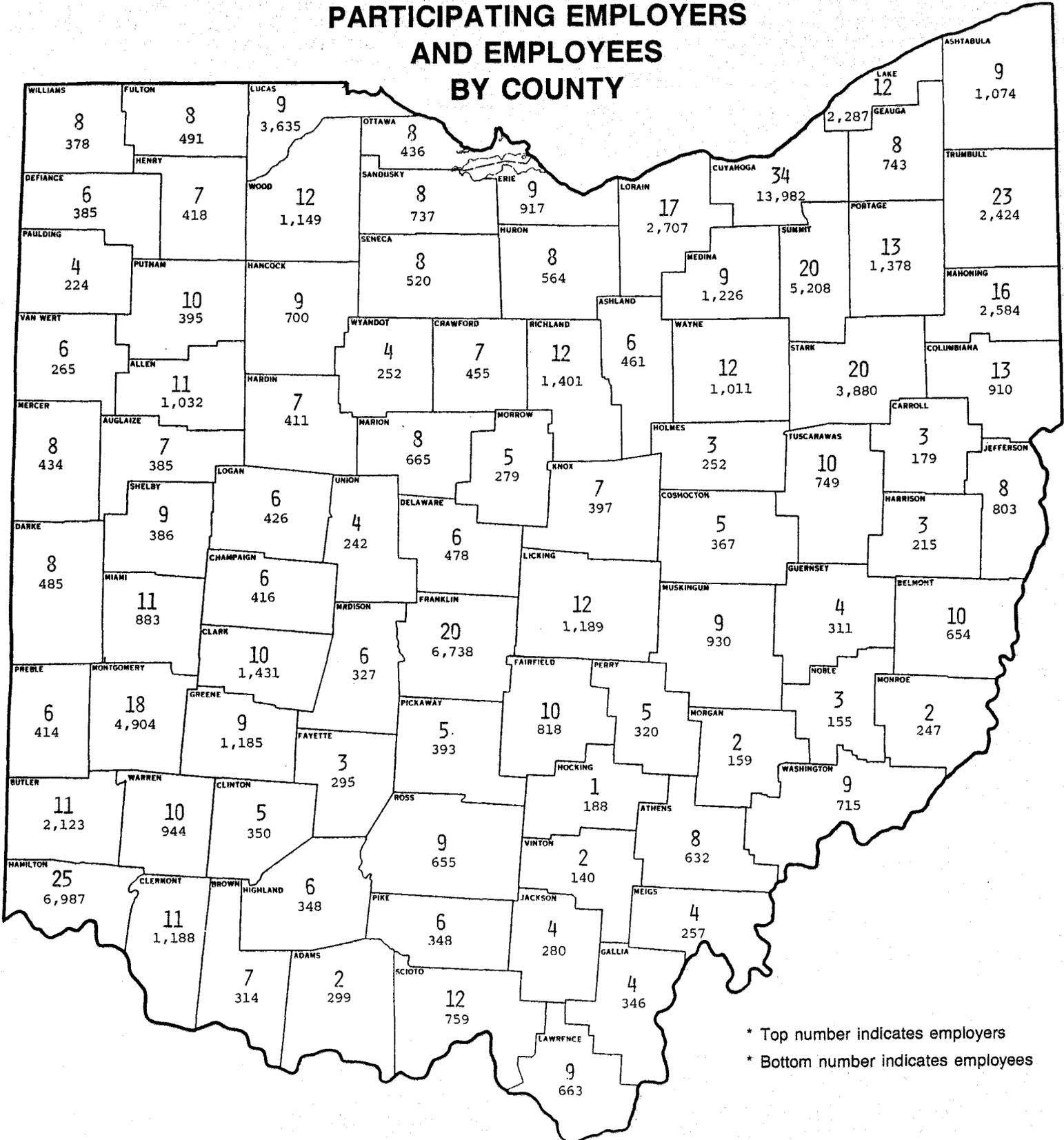
The great Social Security compromise in Congress left the SERS membership unscathed despite reports that school employees might be absorbed into Social Security as a fund-raising tactic. Such was the case for non-profit groups and new federal employees, despite the resistance of the latter group.

A similar struggle appeared in the offing for 1984 over funding of Medicare, which ties in with SERS health coverage.

But for many school employees planning two pensions, one from Social Security and one from SERS, the compromise represented a setback. Congress granted no further delay in the July 1 deadline extension for women to reach SERS pension eligibility to avoid a later reduction in S.S. spouse benefits based on benefits from SERS.

Also, Congress enacted a new "windfall" penalty starting in 1986 for anyone who has paid into both SERS and Social Security in the expectation of getting two pensions. Again, however, eligibility for retirement could provide an escape. Anyone who could start either pension before then would not be affected.

PARTICIPATING EMPLOYERS AND EMPLOYEES BY COUNTY



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

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

Dear Members:

The last annual inspection of the accounts and records of the School Employees' Retirement System that the Auditor of State completed was for the fiscal year ended June 30, 1982.

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.

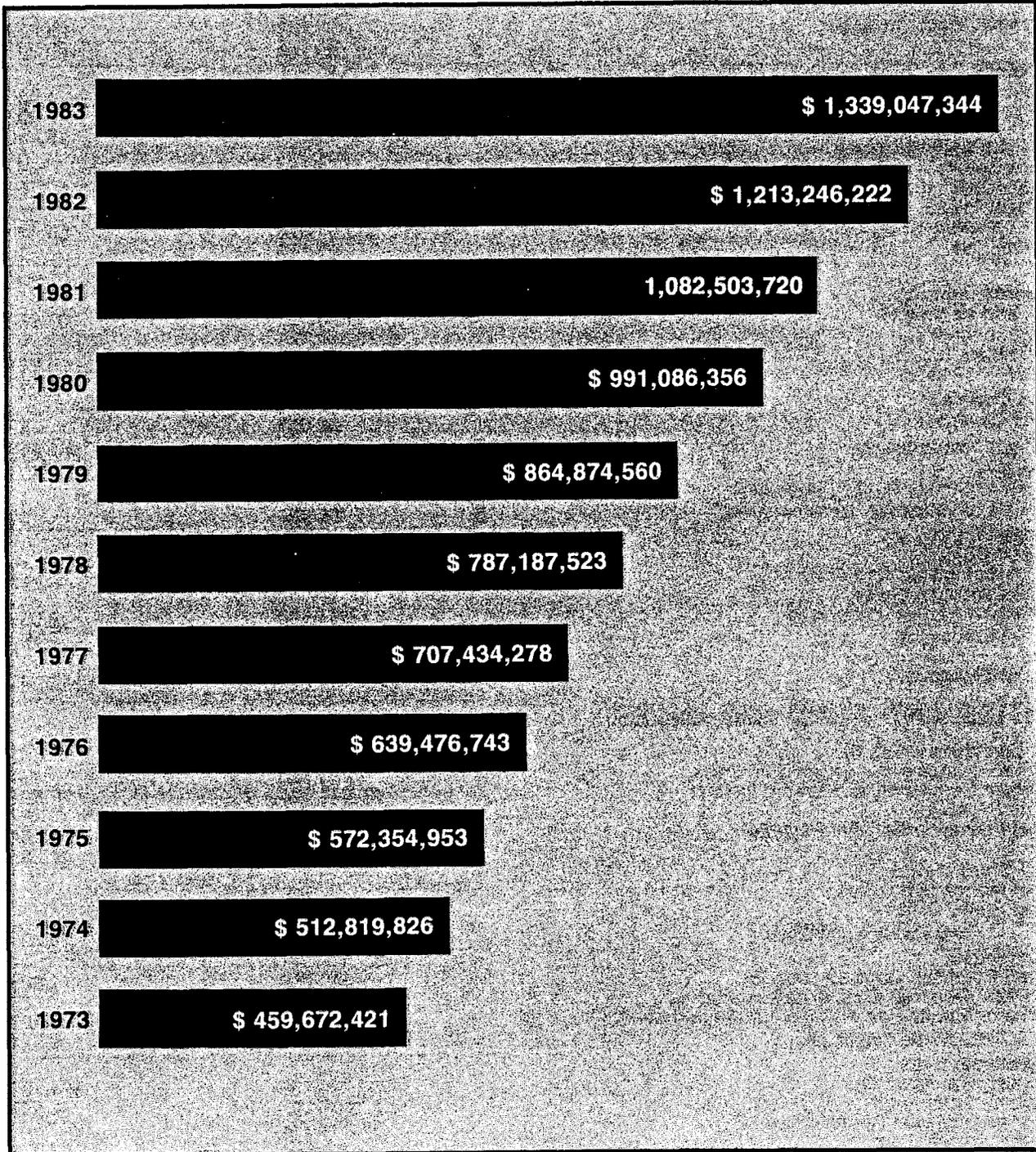
We did not examine the accounts and records of the SERS for fiscal year ending June 30, 1983 and express no opinion concerning any of the financial data contained in the SERS annual report. However, the Office of Revenue Sharing requires a financial and compliance audit of SERS in order to comply with the Revenue Sharing Act. Consequently an independent Certified Public Accounting firm has been engaged to perform this audit of the SERS for fiscal year ending June 30, 1983.

The results of such audit will be issued in a special report.

Sincerely,

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

ASSETS



FINANCIAL STATEMENTS

Exhibit A

BALANCE SHEET

June 30,
ASSETS

1983

1982

Current Assets:

Cash and Short-Term Securities:

Cash	\$ 249,249	\$ 228,995
Commercial Paper (note 2)	101,894,517	103,252,110
	\$ 102,143,766	\$ 103,481,105

Receivables:

Employee	5,179,305	4,400,650
Employer	969,164	902,186
Interest and Dividends	16,448,946	15,450,972
Investment Sale Proceeds		31,408
Rental Income	137,528	286,965
Miscellaneous Investment	768	32,492
State Subsidies	1,870,176	2,669,524
State Foundation Program	41,051,078	39,670,482
Miscellaneous	27,175	18,720
	\$ 65,684,140	\$ 63,463,399

Investments: (note 2)

Bonds and Mortgages	779,840,025	737,679,649
Equities, at cost	273,978,121	246,055,095
Real Estate	110,569,689	55,659,225
	\$ 1,164,387,835	\$ 1,039,393,969

Deferred Charges:

Prepaid Expenses	32,353	82,413
Total Current Assets	\$ 1,332,248,094	\$ 1,206,420,886

Other Assets:

Deposits with Ohio Public Employees Deferred Compensation Board (note 3)	\$ 55,031	\$ 32,301
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Fixed Assets: (note 4)

Land and Building, Net of Accumulated Depreciation	\$ 4,652,689	\$ 4,738,924
Furniture and Equipment, Net of Accumulated Depreciation	2,091,530	2,054,111
Total Fixed Assets	\$ 6,744,219	\$ 6,793,035

Total Assets

	\$ 1,339,047,344	\$ 1,213,246,222
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LIABILITIES AND FUND BALANCES

Current Liabilities: (note 5)

Accounts Payable and Accrued Expenses	\$ 232,150	\$ 151,310
Investment Commitments Payable (note 6)	22,974,541	21,822,242
Benefits Payable	242,256	227,325
Medical Insurance Benefits Payable	101,709	184,591
	23,550,656	22,385,468

Deferred Credits: (note 7)

Prepaid Mortgage Interest	388	404
Prepaid Rental Income	155,694	
Total Current Liabilities	\$ 23,706,738	\$ 22,385,872

Fixed Liabilities:

Deferred Purchase Contract (note 8)	1,102,759	1,305,430
Employees' Deferred Compensation (note 9)	55,031	32,301
Advance on Equity Participation Mortgage (note 10)	130,000	130,000
Total Fixed Liabilities	\$ 1,287,790	\$ 1,467,731

Fund Balances: (note 11)

Employees' Savings Fund	351,781,439	324,180,388
Employers' Trust Fund	22,135,217	74,558,951
Annuity and Pension Reserve Fund	993,700,976	862,078,233
Survivors' Benefit Fund	87,553,003	79,314,536
Unreserved Fund Balance (Debit)	(141,117,819)	(150,739,489)
Total Fund Balances	\$ 1,314,052,816	\$ 1,189,392,619

Total Liabilities and Fund Balances

	\$ 1,339,047,344	\$ 1,213,246,222
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The accompanying NOTES are an integral part of the financial statements.

STATEMENT OF REVENUE AND EXPENSE

Year Ended June 30,	1983	1982
REVENUE:		
Member Contributions:		
Payroll Deductions	\$ 55,620,346	\$ 53,610,719
Service Credit Purchases	1,226,758	642,978
Reinstatements	411,990	287,190
Expense Fees - Prior Years	2,803	2,166
	<u>\$ 57,261,897</u>	<u>\$ 54,543,053</u>
Employer Contributions:		
Employer Charges	89,114,273	85,818,620
State Subsidies	1,870,176	2,169,887
	<u>\$ 90,984,449</u>	<u>\$ 87,988,507</u>
Investment Income:		
Interest	84,518,125	81,341,959
Dividends	13,445,186	10,326,647
Rent	7,357,984	2,714,995
Accrued Interest Purchased	(1,589,331)	(4,355,352)
Accumulation of Discount	6,186,441	19,123,572
Gain on Sale of Securities	21,238,550	10,253,949
Loss on Sale of Securities	(24,052,575)	(35,282,252)
Other	(540,956)	(330,064)
Depreciation on Productive Real Estate	(942,553)	(574,089)
Investment Loss Recovery (Note 12)	354,246	499,637
	<u>\$ 105,975,117</u>	<u>\$ 83,719,002</u>
Other:		
Transfers From Other Ohio Systems	1,618,964	1,269,095
Health Care Premium Refunds		4,847,884
Miscellaneous	40,580	34,994
	<u>\$ 1,659,544</u>	<u>\$ 6,151,973</u>
Total Revenue	<u>\$ 255,881,007</u>	<u>\$ 232,402,535</u>
EXPENSE:		
Benefit Payments:		
Service Retirement	\$ 75,497,557	\$ 64,708,104
Disability Retirement	8,076,576	7,294,601
Survivor Benefits	6,756,619	6,240,292
Health Care	26,461,760	23,460,414
	<u>\$ 116,792,512</u>	<u>\$ 101,703,411</u>
Refunds:		
Separations	8,619,474	9,821,823
Death	541,500	519,000
Employer		106
	<u>\$ 9,160,974</u>	<u>\$ 10,340,929</u>
Other:		
Transfers to Other Ohio Systems	1,215,546	1,006,803
	<u>\$ 1,215,546</u>	<u>\$ 1,006,803</u>
Administrative Expenses	<u>\$ 4,051,778</u>	<u>\$ 3,425,836</u>
Total Expense	<u>\$ 131,220,810</u>	<u>\$ 116,476,979</u>
Excess of Revenue Over Expense	<u>\$ 124,660,197</u>	<u>\$ 115,925,556</u>

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

STATEMENT OF
Year Ended

	Total	Employees' Savings Fund
Balance, July, 1982	\$1,189,392,619	\$ 324,180,388
Operating Revenues		
Member Contributions	\$ 57,261,897	\$ 57,259,094
Employer Contributions	90,984,449	
Investment Income	105,975,117	
Other	1,659,544	(1,140)
Total Operating Revenues	<u>\$ 255,881,007</u>	<u>\$ 57,257,954</u>
Operating Expenses		
Benefit Payments	\$ 116,792,512	
Refunds	9,160,974	\$ 8,619,023
Administrative Expense	4,051,778	
Other Expenses	1,215,546	
Total Operating Expenses	<u>\$ 131,220,810</u>	<u>\$ 8,619,023</u>
Other Changes in Funds		
Retirement Annuities		\$ (18,936,170)
Disability Retirement		(1,200,403)
Survivor Annuities		(901,241)
Other Transfers and Accruals		(66)
Total Changes in Funds		<u>\$ (21,037,880)</u>
Balance, June 30, 1983	<u>\$1,314,052,816</u>	<u>\$ 351,781,439</u>

FINANCIAL STATEMENTS

CHANGES IN FUNDS

June 30, 1983

Exhibit C

Employers' Trust Fund	Annuity Pension Reserve Fund	Guarantee Fund	Survivors' Benefit Fund	Expense Fund
\$ (76,180,538)	\$ 862,078,233		\$ 79,314,536	
				\$ 2,803
\$ 90,957,520		\$ 26,929		
		105,975,117		
3,489	\$ 1,625,060	376	\$ 31,759	
<u>\$ 90,961,009</u>	<u>\$ 1,625,060</u>	<u>\$ 106,002,422</u>	<u>\$ 31,759</u>	<u>\$ 2,803</u>
	\$ 110,071,224		\$ 6,721,288	
	541,500	\$ 451		\$ 4,368,046
	1,201,499	(316,268)	14,047	
	<u>\$ 111,814,223</u>	<u>\$ (315,817)</u>	<u>\$ 6,735,335</u>	<u>\$ 4,368,046</u>
\$ (92,156,651)	\$ 111,092,821			
(6,379,386)	7,579,789			
(5,399,286)			\$ 6,300,527	
(29,827,750)	123,139,296	\$ (106,318,239)	8,641,516	\$ (4,365,243)
<u>\$ (133,763,073)</u>	<u>\$ 241,811,906</u>	<u>\$ (106,318,239)</u>	<u>\$ 14,942,043</u>	<u>\$ (4,365,243)</u>
<u><u>\$ (118,982,602)</u></u>	<u><u>\$ 993,700,976</u></u>		<u><u>\$ 87,553,003</u></u>	

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended June 30, 1983

Resources provided by:		
Excess of Revenues Over Expenses	\$ 124,660,197	
Items Not Requiring Resources Currently:		
Depreciation	447,437	\$ 125,107,634
Increase in Long-Term Debt		
Addition to Deferred Purchase Contract		113,597
Total Resources Provided		\$ 125,221,231
Resources Used By:		
Current Acquisitions of Fixed Assets:		
Equipment	\$ 392,405	
Building	6,216	\$ 398,621
Reduction of Long-Term Debt		316,268
Total Resources Used		\$ 714,889
Increase in Working Capital		\$ 124,506,342

Increase (Decrease) in Working Capital by Element:

	Years Ended June 30		Increase (Decrease)
	1983	1982	
Current Assets:			
Cash	\$ 249,249	\$ 228,995	\$ 20,254
Contributions Receivable	5,179,305	4,400,650	778,655
Receivable From Employer	42,020,242	40,572,668	1,447,574
Interest and Dividends Receivable	16,448,946	15,450,972	997,974
Investment Sale Proceeds		31,408	(31,408)
Other Investment Activity	138,296	319,457	(181,161)
Other Receivables	1,897,351	2,688,244	(790,893)
Prepaid Expenses	32,353	82,413	(50,060)
Investments at cost:			
Commercial Paper	101,894,517	103,252,110	(1,357,593)
Bonds and Mortgages	779,840,025	737,679,649	42,160,376
Common Stocks	273,978,121	246,055,095	27,923,026
Real Estate	110,569,689	55,659,225	54,910,464
Total Current Assets	\$ 1,332,248,094	\$ 1,206,420,886	\$ 125,827,208
Current Liabilities:			
Accrued Expenses	\$ 232,150	\$ 151,310	\$ (1,990)
Investment Commitments Payable	22,974,541	21,822,242	1,234,860
Benefits Payable	343,965	411,916	(67,682)
Deferred Investment Revenue	156,082	404	155,678
Total Current Liabilities	\$ 23,706,738	\$ 22,385,872	\$ 1,320,866
Working Capital	\$ 1,308,541,356	\$ 1,184,035,014	\$ 124,506,342

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

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 benefits: 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.

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, 1983:

Investment Category	Par Value	Book Value	Estimated Market Value
Short-term Investments:			
Commercial Paper	\$ 102,500,000	\$ 101,894,517	\$ 102,230,388
Total Short-term Investments	<u>\$ 102,500,000</u>	<u>\$ 101,894,517</u>	<u>\$ 102,230,388</u>
Long-term Investments:			
Bonds:			
U.S. Treasury and Agency Bonds	\$ 109,692,500	\$ 110,414,934	\$ 113,609,495
Corporate Bonds	339,900,000	333,893,289	294,540,289
Canadian Bonds	10,000,000	9,840,379	9,237,613
Total Bonds	<u>\$ 459,592,500</u>	<u>\$ 454,148,602</u>	<u>\$ 417,387,397</u>
Mortgages:			
Federally Guaranteed or Insured Mortgages	\$ 309,699,223	\$ 294,314,534	\$ 280,956,741
Commercial and Indust. Mortgages	31,376,889	31,376,889	35,016,672
Total Mortgages	<u>\$ 341,076,112</u>	<u>\$ 325,691,423</u>	<u>\$ 315,973,413</u>
Total Bonds & Mortgages	<u>\$ 800,668,612</u>	<u>\$ 779,840,025</u>	<u>\$ 733,360,810</u>
Equities:			
Common & Preferred Stock	\$ 264,562,149	\$ 264,562,149	\$ 335,210,523
Growth & Development Capital	9,415,972	9,415,972	10,158,700
Total Equities	<u>\$ 273,978,121</u>	<u>\$ 273,978,121</u>	<u>\$ 345,369,223</u>
Productive Real Estate	113,810,453	110,569,689	137,803,319
Total Long-term Investments	<u>\$ 1,188,457,186</u>	<u>\$ 1,164,387,835</u>	<u>\$ 1,216,533,352</u>
Total Portfolio	<u>\$ 1,290,957,186</u>	<u>\$ 1,266,282,352</u>	<u>\$ 1,318,763,740</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, 1982, 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 equipment, 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 \$170,350 and unused sick leave time (a contingent liability) amounting to \$507,173. 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 \$62,092, representing 50% of their unused sick leave time.

NOTE 6 - Investment Commitments Payable. Included in the \$22,974,541 is \$22,875,319 for investments we had purchased prior to June 30, 1983, but for which we had not yet made payment; \$70,662 for investment expenses; \$16,285 in interest and dividends received in error by SERS on securities which we no longer held; and \$12,275 in lease security deposits on some of our commercial real estate.

NOTE 7 - As of June 30, SERS had received \$387.61 in interest from mortgagors whose mortgage installments were due on July 1, 1983 and \$155,694 from lessees whose payments were due July 1, 1983. Recognition of these income items will be deferred until fiscal 1984.

NOTE 8 - As of June 30, 1983, The School Employees' Retirement System had a long-term liability of \$1,102,759. This reflects the amount due vendors for the purchase of data processing equipment which had an original purchase price of \$1,992,128. This debt of \$1,102,759 is being discharged by an annual payment of \$406,236, including an average of 6.5% 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 Beachwood, 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 and equity 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).

NOTE 12 - Investment Loss Recovery. Payments from the State Department of School Finance were deferred by the State of Ohio during the fiscal year, resulting in a loss of income from invested assets. As provided in Substitute Ohio House Bill 291, investment losses are calculated on the average yield during the first two quarters of the fiscal year on all invested assets except stocks, bonds, mortgages, and real estate.

Schedules

**Cash Receipts and
Disbursements**

Administrative Expenses

**Furniture and
Equipment**

Land and Building

CASH RECEIPTS AND DISBURSEMENTS

Year ended June 30,	1983	1982
Cash Balance at Beginning of Year	\$ 228,995	\$ 436,204
Receipts		
Member Contributions	56,483,242	54,634,883
Employer Contributions	87,666,700	82,672,320
State Subsidies	3,023,770	1,294,981
Investments Matured and Sold	1,650,398,790	1,293,725,416
Investment Income	105,465,921	93,788,432
Reimbursement of Health Care Premium		4,847,884
Transfers from Ohio Retirement Systems	1,618,964	1,269,095
Miscellaneous	90,181	90,981
Total Receipts	<u>\$1,904,747,568</u>	<u>\$1,532,323,992</u>
Disbursements		
Refunds		
Member	\$ 8,199,121	\$ 9,423,966
Beneficiary	421,177	399,312
Employer		79,295
Total Refunds	<u>8,620,298</u>	<u>9,902,573</u>
Benefits		
Age and Service	75,522,309	64,689,523
Disability	8,081,458	7,295,908
Survivor	6,773,748	6,243,541
Health Care	26,544,641	23,386,379
Death Benefit	532,875	476,000
Total Benefits	<u>117,455,031</u>	<u>102,091,351</u>
Administrative Expense	4,081,166	3,741,724
Investments Purchased	1,773,354,760	1,415,788,750
Transfers to Ohio Retirement Systems	1,215,546	1,006,803
Construction Cost-Home Office Building	513	
Total Disbursements	<u>\$1,904,727,314</u>	<u>\$1,532,531,201</u>
Cash Balance at End of Year (Exhibit A)	<u>\$ 249,249</u>	<u>\$ 228,995</u>

ADMINISTRATIVE EXPENSES

Year ended June 30,	1983	1982
Personal Services		
Office Salaries	\$ 1,775,222	\$ 1,585,144
Retirement Contributions	241,744	215,873
Insurance	133,068	97,260
Bureau of Employment Services	1,172	1,920
Total Personal Services	2,151,206	1,900,197
Professional Services		
Actuarial and Technical	66,595	67,417
Investment Counsel	198,746	132,716
Medical	117,571	108,126
Special Legal Counsel	1,948	687
Auditing	4,099	3,713
Employee Training	9,777	8,847
Total Professional Services	398,736	321,506
Communications		
Printing and Publications	53,736	25,414
Telephone	29,005	24,428
Postage	198,999	145,969
Retirement Counselling Services	11,354	20,278
Total Communications	293,094	216,089
Rentals		
Records Storage	1,385	1,466
Equipment	76,867	127,059
Total Rentals	78,252	128,525
Other Services and Charges		
Transportation and Travel	62,809	43,339
Memberships and Subscriptions	14,414	12,549
Surety Bonds and Insurance	18,876	14,617
Equipment Repairs and Maintenance	208,051	148,400
Supplies	96,042	81,336
Retirement Study Commission	14,077	11,639
Interest on Long-Term Debt	86,342	68,257
Miscellaneous	7,013	12,030
Building Occupancy and Maintenance	175,429	175,282
Total Other Services and Charges	683,053	567,449
	\$ 3,604,341	\$ 3,133,766
Depreciation		
Building	\$ 92,451	\$ 92,304
Furniture and Equipment	354,986	199,766
Total Depreciation	\$ 447,437	\$ 292,070
Total Administrative Expenses (Exhibit B)	\$ 4,051,778	\$ 3,425,836

Schedule 3

FURNITURE AND EQUIPMENT

Year Ended June 30, 1983

	Balance June 30 1982	Additions	Deletions	Balance June 30 1983
Furniture and Equipment	\$ 2,912,145	\$ 392,405	\$ 1,005	\$ 3,303,545
Accumulated Depreciation	858,034	354,986	1,005	1,212,015
Total Furniture and Equipment	<u>\$ 2,054,111</u>	<u>\$ 37,419</u>		<u>\$ 2,091,530</u>

Schedule 4

LAND AND BUILDING

Year Ended June 30, 1983

	Balance June 30 1982	Additions	Deletions	Balance June 30 1983
Land	\$ 1,177,542	\$ 513		\$ 1,178,055
Building	\$ 3,691,868	\$ 5,703		\$ 3,697,571
Accumulated Depreciation	130,486	92,451		222,937
	<u>\$ 3,561,382</u>	<u>\$ (86,748)</u>		<u>\$ 3,474,634</u>
Total Land and Building	<u>\$ 4,738,924</u>	<u>\$ (86,235)</u>		<u>\$ 4,652,689</u>

GABRIEL, ROEDER, SMITH & COMPANY

ACTUARIES & CONSULTANTS

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Detroit, Michigan 48226
Area 313: 961-3346

December 5, 1983

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 is based upon data and assumptions as of June 30, 1982. Conditions and results are shown in our reports.

During the past year the Board took two actions which significantly increased financial strength: reduction of health care benefits; and increases in contribution rates.

The health care program has been a financial problem since inception in 1974.

The new contribution rates of 8.75% member (from 8.00%) and 14.00% employers (from 12.50%) resulted in the amortization period for unfunded actuarial accrued liabilities being reduced to 30 years. *from 47 years*

Assumptions concerning future experiences are needed for an actuarial valuation. We believe the assumptions produce results which are reasonable.

On the basis of the 1982 valuation and the new benefits and new contribution rates, it is our opinion that SERS is in sound condition in accordance with actuarial principles of level cost financing.

For the mathematics of level cost financing to be practical, there must be a real return from investments, meaning that the investment return rate must be more than the inflation rate. SERS assumes a real rate of return of 3% annually. This was achieved in the last year, but was not possible in the last decade because of the severe damage to the investment environment caused by inflation.

Respectfully submitted,


Gerald B. Sonnenschein


Richard G. Roeder

RGR:ct

Statement of Actuary

(VALUATION AS OF JUNE 30, 1982)

The assumptions used for the actuarial valuation were adopted by the Retirement Board after consulting with the actuary and are summarized herewith.

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%.

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.

Additional schedules of assumed probabilities, adopted by the Retirement Board, for the risk areas set forth below 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 makes such calculations. The results of the computed actuarial accrued liabilities are listed in the following schedule.

SCHEDULE OF ACTUARIAL ACCRUED LIABILITIES JUNE 30, 1982

Present Value Of	Actuarial Accrued Liabilities	
	Health Care	Total
Future monthly benefits and death benefits to present retirants and survivors	\$242,547,183	\$1,071,728,280
Monthly benefits and refunds to present inactive members	30,397,532	84,666,139
Service allowances and health care benefits to present active members	162,264,504	1,043,675,224
Disability allowances to present active members		17,960,683
Death-after-retirement benefit (\$500) on behalf of present active members		1,625,488
Survivor benefits on behalf of present active members who die before retiring ...		25,400,520
Refunds of member contributions of present active members		11,456,812
Benefits for present active members	162,264,504	1,100,118,727
Benefits For Present Covered Persons	\$435,209,219	\$2,256,513,146

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 direct-

ly 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

ACTUARY'S REPORT

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	\$1,821,303,927	\$435,209,219	\$2,256,513,146
Reported Assets	<u>1,115,541,186</u>	<u>86,304,441</u>	<u>1,201,845,627</u>
Unfunded Accrued Liabilities	<u>\$ 705,762,741</u>	<u>\$348,904,778</u>	<u>\$1,054,667,519</u>

Unfunded actuarial liabilities, \$1,054,667,519, were amortized over a period of years sufficient to produce the newly established Employer Contribution Rate of

14.00 percent of payroll. The amortization period was computed to be 30 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>June 30</u>	<u>Computed Actuarial Accrued Liabilities</u>	<u>Valuation Assets</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Active Member Payroll</u>	<u>UAAL As % Of Active Member Payroll</u>
1981*	\$2,024,746,093	\$1,087,493,987	\$ 937,252,106	\$655,483,198	143
1982**	2,256,513,146	1,201,845,627	1,054,667,519	652,224,795	162

* Revised financial assumptions.

** Revised method of determining active members and related payroll. Previous method would have produced a percent of 158.

SHORT CONDITION TEST

If the contributions to SERS are level in concept and soundly executed, the System will pay all promised benefits when due—the ultimate test of financial soundness. Testing for level contribution rates is the long term test.

A short condition test is one means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; and 3) The liabilities for service

already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the System. Liability 3 being fully funded is rare. The short condition test is presented in the following schedule.

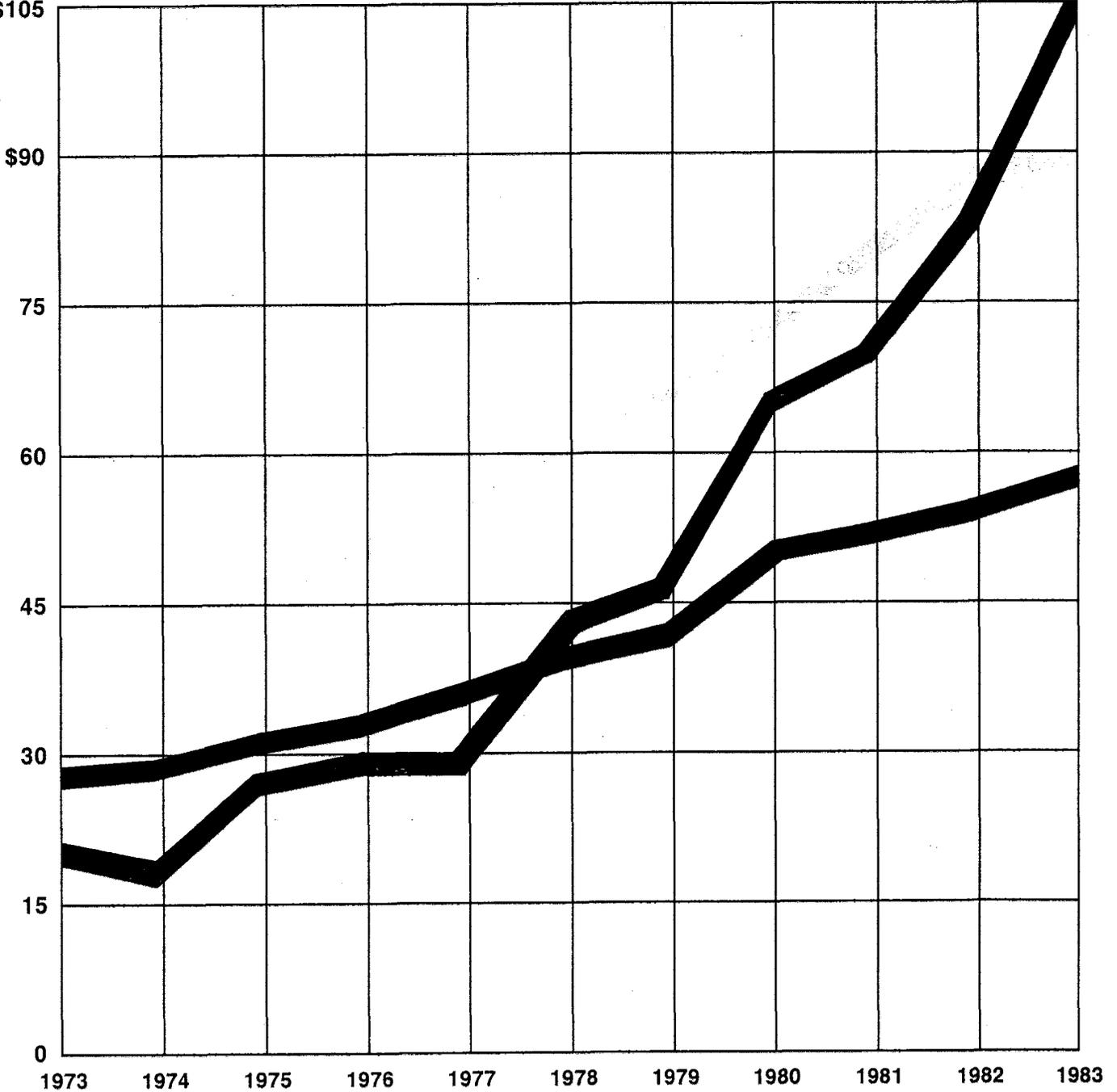
**SCHEDULE OF SHORT CONDITION TEST
Computed Actuarial Accrued Liabilities**

<u>June 30</u>	<u>(1) Member Contributions</u>	<u>(2) Retired Lives</u>	<u>(3) Present Members (Employer Financed Portion)</u>	<u>Valuation Assets</u>	<u>Portion Of Accrued Liabilities Covered By Assets</u>		
					<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
1981*	\$298,254,671	\$ 958,966,066	\$767,525,356	\$1,087,493,987	100%	82%	0%
1982	324,180,388	1,071,728,280	860,604,478	1,201,845,627	100	82	0

* Revised financial assumptions.

REVENUES BY SOURCE

Millions
\$105



Employer Contributions

Member Contributions

Investment Income

Table I

REVENUES BY SOURCE
Last Ten Years

Year Ending June 30	Member Contributions	Employer Contributions	Investment Income	Other	Total
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
1983	57,261,897	90,984,449	105,975,117	1,659,544	255,881,007

Table II

EXPENSES BY TYPE
Last Ten Years

Year Ending June 30	Aggregate Benefit Payments	Administrative Expenses	Transfers to Ohio Retirement Systems	Other	Total
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	3,425,836	1,006,803		116,476,979
1983	125,953,486	4,051,778	1,215,546		131,220,810

Table III

NUMBER OF PARTICIPATING MEMBERS

Active and Inactive
Last Ten Years

Year Ending June 30	ACTIVE		INACTIVE		Total
	Male	Female	Male	Female	
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
1983	31,648	72,313	34,622	66,278	204,861

Table IV

NUMBER OF PARTICIPATING EMPLOYERS

Year Ending June 30

Year	Total	Counties	Local	City	Village	Colleges	Technical	Vocational	Other
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
1983	769	87	375	192	49	2	13	50	1

Table V

CONTRIBUTION RATES

Member and Employer
Last Ten Years

Year Ending June 30	RATES		
	Member	Employer	Total
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
1983	8.00	12.50	20.50

*Effective 1-1-74

Table VI

**WITHDRAWAL
OF SERVICE CREDIT
BY REFUND**

Last Ten Years

Year Ending June 30	Number
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
1983	7,917

BENEFIT EXPENSES BY TYPE

Table VII

Last Ten Years

Year Ending June 30	BENEFITS			
	Service	Disability	Survivor	Health Care
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	23,460,414
1983	75,497,557	8,076,576	6,756,619	26,461,760

Table VIII

NUMBER OF BENEFIT PAYMENTS

By Type
Last Ten Years

Year Ending June 30	Service	Disability	Survivor	Total
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
1983	29,839	2,473	2,658	34,970

STATISTICAL TABLES

Table VII
(continued)

REFUNDS

Death	Separation	Beneficiaries	Employer	Total
\$ 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
541,500	8,199,121	420,353		125,953,486

Table IX

RETIREMENT AVERAGES

Last Ten Years

SERVICE RETIREMENT

Year Ending June 30	Service Credit	Monthly Amount	Age	Salary
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
1983	16.617	250.60	63.14	8,603.00

Table X

DISABILITY RETIREMENT

Year Ending June 30	Service Credit	Monthly Amount	Age	Salary
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
1983	13,035	323.05	52.29	8,166.18

Table XI

NEW BENEFIT PAYMENTS BY YEAR
Last Ten Years

Year Ending June 30	SERVICE RETIREMENT			
	Years of Service Credit	5-9	10-14	15-19
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
1983	Male	204	207	158
	Female	342	525	485
	Total	546	732	643
	Average Monthly Payment	\$ 77.58	\$ 138.51	\$ 219.45

STATISTICAL TABLES

Table XI
(continued)

SERVICE RETIREMENT

20-24	25-29	30-34	35-39	40-44	45 & Over	Total
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>
123	88	94	29	8	1	912
303	148	51	11	1	4	1,870
426	236	145	40	9	5	2,782
<u>\$ 327.77</u>	<u>\$ 458.71</u>	<u>\$ 749.48</u>	<u>\$ 993.77</u>	<u>\$1,224.89</u>	<u>\$ 994.64</u>	<u>\$ 250.60</u>

Table XII

NEW BENEFIT PAYMENTS BY YEAR
Last Ten Years

SURVIVOR BENEFITS

Benefit	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
Joint Survivor Annuity	378	\$ 131.94	403	\$ 138.85
Spouse — Age 65	81	99.65	102	101.84
Spouse — Age 62	488	102.36	485	103.46
Spouse — Age 50	275	123.95	294	129.36
Spouse with Children	495	173.46	527	180.87
Unmarried Children	56	133.56	40	136.75
Dependent Parents	8	107.83	10	111.57
Other	4	99.60	4	110.42
Total	1,785		1,865	

Benefit	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
Joint Survivor Annuity	455	\$ 204.70	469	\$ 217.18
Spouse — Age 65	110	119.28	106	121.81
Spouse — Age 62	660	139.21	678	144.00
Spouse — Age 50	558	165.52	621	172.03
Spouse with Children	374	252.08	386	255.12
Unmarried Children	68	169.37	65	175.46
Dependent Parents	6	145.68	4	148.85
Other	28	136.61	27	139.92
Total	2,259		2,356	

Table XII
(Continued)

SURVIVOR BENEFITS

Number	Avg. Monthly Payment	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
408	\$ 179.60	428	\$ 188.51	448	\$ 199.30
75	114.35	88	117.81	91	117.89
588	131.15	608	137.65	624	137.51
420	152.15	459	159.28	493	161.95
354	239.71	363	240.41	379	246.91
83	161.00	85	158.50	75	171.48
10	138.81	8	143.28	7	144.46
24	126.23	28	136.33	28	136.17
1,962		2,067		2,145	

Number	Avg. Monthly Payment	Number	Avg. Monthly Payment	Number	Avg. Monthly Payment
485	\$ 235.40	502	\$ 253.11	533	\$ 267.70
113	126.69	124	135.87	127	138.74
699	151.76	735	164.24	752	170.71
665	179.83	690	193.64	729	198.83
370	267.46	378	295.74	403	294.54
112	172.40	97	175.28	91	183.67
3	165.76	3	179.48	3	188.35
26	148.05	27	159.73	23	164.79
2,473		2,556		2,661	

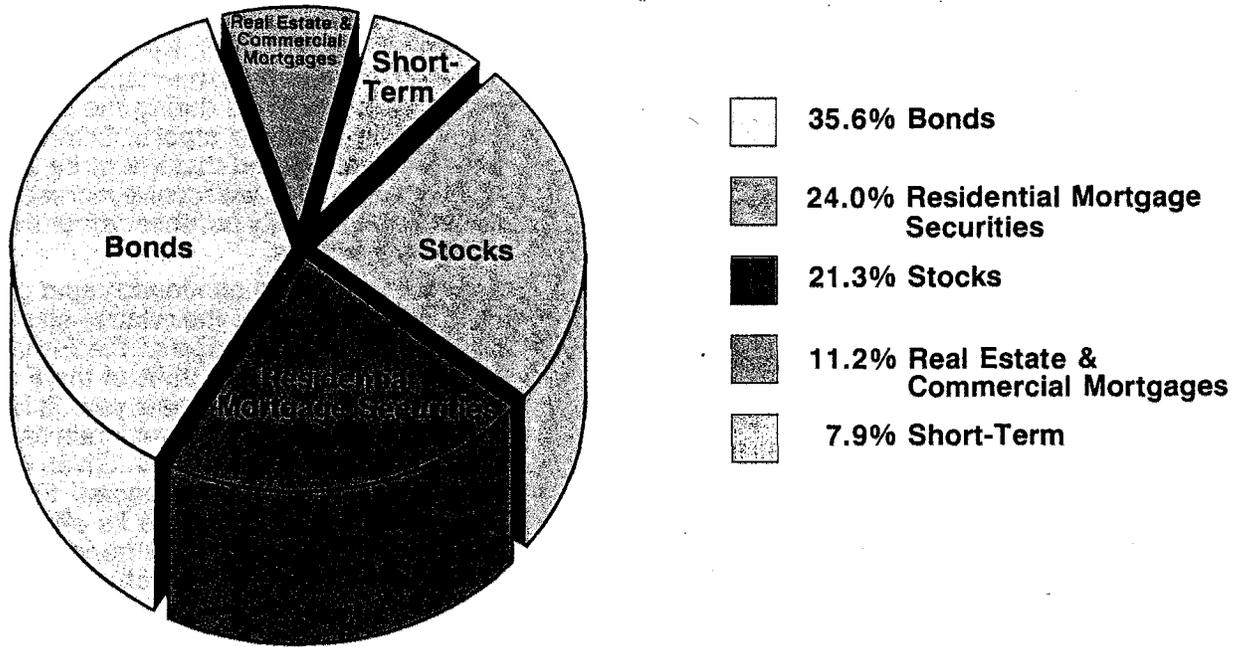
NEW BENEFIT PAYMENTS BY YEAR
Last Ten Years

DISABILITY RETIREMENT

Year Ending June 30	Years of Service Credit	5-9	10-14	15-19	20-24	Total
		Male	42	21	19	10
1974	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	
1983	Male	18	23	13	15	69
	Female	55	67	32	10	164
	Total	73	90	45	25	233
Average Monthly Payment	\$ 246.74	\$ 283.07	\$ 383.42	\$ 581.13	\$ 323.05	

Investments

PORTFOLIO DISTRIBUTION June 30, 1983



Investment Report

The United States was suffering from a severe and protracted recession at our last year-end on June 30, 1982. But evidence appeared shortly thereafter which seemed to indicate that the U.S. was finally emerging from this latest recession. As the stock and bond markets became more certain that the U.S. economy was in fact emerging from the recession, both markets reacted with very healthy rallies. From June 30, 1982 to June 30, 1983, the stock market appreciated by 61.2% as measured by the S & P 500; and the bond market appreciated approximately 22% as measured by the price change of long-term U.S. Treasury bonds.

During the second quarter of 1983, concerns began to mount that the U.S. economy was rebounding too sharply and if the economy continued recovering at that rapid pace, the inflation rate would return to the higher levels prevalent in 1980 and 1981. As this fear of a too-fast recovery spread, the rallies in the bond and stock markets slowed down and began to level-off. As the fiscal year drew to a close, the U.S. economy was in the midst of a rapid recovery led by the automobile and housing industries.

The concern of the stock and bond markets regarding the return of high inflation rates is a valid one. Additionally, the huge Federal deficits forecast by the current administration will also contribute to pressures forcing interest rates to remain high. Since 1984 is a Presidential election year, it is doubtful that Congress or the Administration will take the steps necessary to reduce these huge Federal deficits. Hopefully, as the economy recovers, tax receipts will increase and help reduce the deficits somewhat. Because of this expected lack of action by Congress and the Administration, the Federal Reserve will again be the entity that determines the length and the extent of the rebound of the U.S. economy over the near term. It is expected that the Federal Reserve will continue to follow policies which promote a low rate of inflation and a gradual rebound of the U.S. economy.

In this uncertain environment, it is anticipated that both the bond and the stock markets will have periods of widely fluctuating prices. The Fund will try to take advantage of these price fluctuations by purchasing stocks, bonds or mortgage securities when prices are most advantageous. With the projection that the economy will continue to improve, it is anticipated that common stocks will be emphasized this coming year by investing a greater proportion of the new money coming into the Fund in common stocks rather than in bonds, mortgages or real estate.

During the past year, a majority of the new money coming into the Fund was invested in real estate.

This can be seen in the Portfolio Summary which shows that approximately \$70 million was invested in real estate and commercial mortgages in the year ended June 30, 1983. This increased the percentage of the Fund invested in real estate and commercial mortgages from 6.6% on June 30, 1982 to 11.2% on June 30, 1983. The acquisitions in the Real Estate portfolio were completed during a very favorable period for the Fund. Since the current yields in the real estate market are not as attractive as they have been over the last two years, it is anticipated that the Fund's real estate holdings will remain around 12% of the total assets during the coming year.

The Common Stock portfolio still represents 21% of the assets of the total Fund and during the past year it has appreciated in value by over 60%. While it is not anticipated that the Common Stock portfolio will match this outstanding performance during the coming year, it is expected that common stocks will do very well. Because of this, it is anticipated that a large percentage of the new money coming into the Fund during the next year will be invested in common stocks. During the coming year, it is anticipated that the more cyclical areas of the stock market will receive increased emphasis in the Fund's equity portfolio rather than the more defensive sectors.

As a result of the continued rapid growth in the Real Estate portfolio, the relative size of the Bond portfolio as a percentage of the Fund decreased during the past year to 35% of the Fund as compared to 40% at this time last year. It is anticipated that the Bond portfolio will maintain its relative size of 35% over the coming year. Given the uncertain economic environment expected for the coming year, the Fund will continue its efforts to shorten the average maturity of the bonds in its portfolio and to emphasize the purchase of high quality bonds.

The Mortgage portfolio maintained its relative size in the total Fund by remaining around 24% of the Fund as it was last year. The Fund continued its emphasis on quality and marketability by purchasing GNMA's and FHLMC's which are both very high quality and very marketable mortgage securities. The majority of the GNMA's purchased during the past year were backed by mortgages on single family dwellings located in Ohio, continuing a trend established in the mid-1970's. The Fund expects to maintain 25% of its assets in mortgages over the coming year and to again emphasize GNMA and FHLMC securities because of their high quality, liquidity and attractive average life.

The yield on the Bond and Mortgage portfolios increased again last year. The yield on the Bond portfolio on June 30, 1983 was 11.10% as compared to 10.93% last June 30 and the yield on the Mortgage portfolio on June 30, 1983 was 12.11% as compared to 12.03% last June 30th.

INVESTMENTS

Schedule 1

PORTFOLIO SUMMARY

Investment Category	June 30, 1983		June 30, 1982	June 30, 1981	June 30, 1980	Dec. 31, 1979*
	Par Value	Percent	Par Value	Par Value	Par Value	Par Value
U.S. Government & Agency Bonds	\$ 109,692,500	8.5%	\$ 102,336,500	\$ 100,748,000	\$ 37,800,000	—
Corporate Bonds	339,900,000	26.3	312,750,000	306,920,000	365,770,000	356,670,000
Canadian Bonds	10,000,000	0.8	54,300,000	55,300,000	63,300,000	62,800,000
G.N.M.A. Mortgage-Backed Pass - Thru	163,897,360	12.7	138,187,746	132,285,163	126,660,913	98,406,209
F.H.L.M.C. Mortgage-Backed Pass - Thru	137,942,239	10.7	125,860,669	117,462,257	110,783,826	92,904,140
F.H.A., V.A. & H.U.D. Mortgages	7,859,624	0.6	8,563,389	9,774,938	10,348,539	10,749,012
Common and Preferred Stocks	264,562,149	20.5	246,055,095	199,093,353	180,783,324	178,801,201
Growth & Development Capital	9,415,972	0.8	—	—	—	—
Investment Real Estate	113,810,453	8.8	57,957,435	23,683,003	12,592,174	12,859,721
Commercial & Industrial Mortgages	31,376,889	2.4	18,552,990	—	—	—
Short-Term Investments	102,500,000	7.9	104,350,000	81,449,359	33,650,000	61,075,000
	<u>\$ 1,290,957,186</u>	<u>100.0%</u>	<u>\$ 1,168,913,824</u>	<u>\$ 1,026,716,073</u>	<u>\$ 941,688,776</u>	<u>\$ 874,265,283</u>

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

INVESTMENTS

Schedule II

PORTFOLIO RATES OF RETURN
For Years Ended

ASSET CATEGORY	June 30 1983	June 30 1982	June 30 1981	June 30 1980	Dec. 31 1979
Bond Portfolio	11.10%	10.93%	10.23%	9.55%	9.14%
Residential Mortgage Portfolio	12.11	12.03	10.47	10.13	9.26
Total Fixed-Income Investment	11.50%	11.33%	10.32%	9.74%	9.18%
Equity Portfolio	60.50%	(7.00%)	22.06%	17.06%	17.96%
Investment Real Estate Portfolio	12.94%	11.31%	--*	--*	--*
New Investment Return Rate (New Long-Term, Fixed- Income Investments)	12.28	15.43	13.46	12.17	9.88
Short-Term Investments	9.17	14.00	13.83	10.80	10.76

*NOTE: Due to the relatively small size of the real estate holdings in the fund from 1979 to 1981, real estate performance was included in the equity portfolio return.

Schedule III

INVESTMENT ACTIVITY

For the year ended June 30, 1983

PRINCIPAL BALANCE AS OF JUNE 30, 1982 (Accrual Basis)	\$1,168,913,824
Increases in Par Value:	
U.S. Government & Agency Bonds	\$ 66,605,500
Corporate Bonds	48,000,000
F.H.L.M.C. Mortgage-Backed Pass-Thru	32,212,123
G.N.M.A. Mortgage-Backed Pass-Thru	31,959,873
Commercial & Industrial Mortgages	15,507,814
Common and Preferred Stocks	74,897,515
Investment Real Estate	57,129,049
Short-Term Investments (net)	(1,850,000)
Total Increases	\$ 324,461,874
Decreases in Par Value:	
U.S. Government & Agency Bonds	\$ 59,249,500
Corporate Bonds	20,850,000
Canadian Bonds	44,300,000
F.H.L.M.C. Mortgage-Backed Pass-Thru	20,128,573
G.N.M.A. Mortgage-Backed Pass-Thru	6,250,258
F.H.A. Mortgages	92,313
V.A. Mortgages	47,308
H.U.D. Guaranteed Mortgages	564,958
Commercial & Industrial Mortgages	2,685,081
Common and Preferred Stocks	48,224,490
Investment Real Estate	26,031
Total Decreases	\$ 202,418,512
Net Increases to Portfolio	<u>122,043,362</u>
PRINCIPAL BALANCE AS OF JUNE 30, 1983 (Accrual Basis)	<u>\$ 1,290,957,186</u>

Schedule IV

Quality Rating	Percent of Stock
A +	35.2%
A	21.2
A -	21.1
B +	16.9
B	2.8
B -	1.4
C	--
D	--
Not Rated	1.4

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 1.4 percent in the non-rated category are banks and insurance companies which are not rated by Standard and Poor's as a matter of policy.

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

Category	Percent
Credit Sensitive	16.3%
Growth Consumer	17.4
Consumer Staple	7.6
Consumer Cyclical	8.9
Intermediate Goods and Services	25.7
Capital Goods	24.1

Schedule V

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

Schedule VI

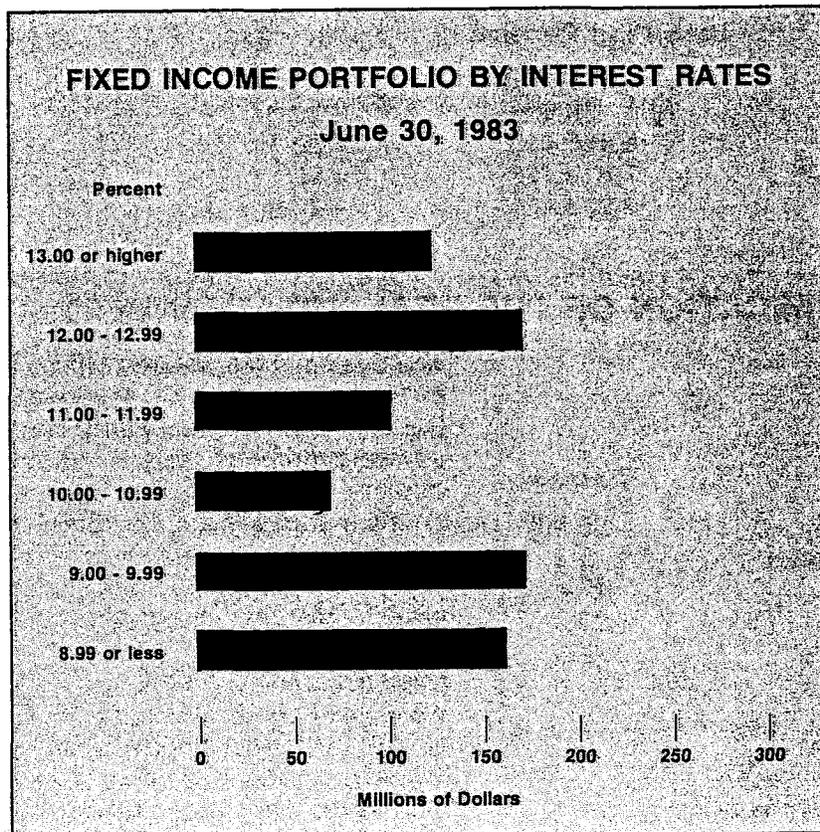
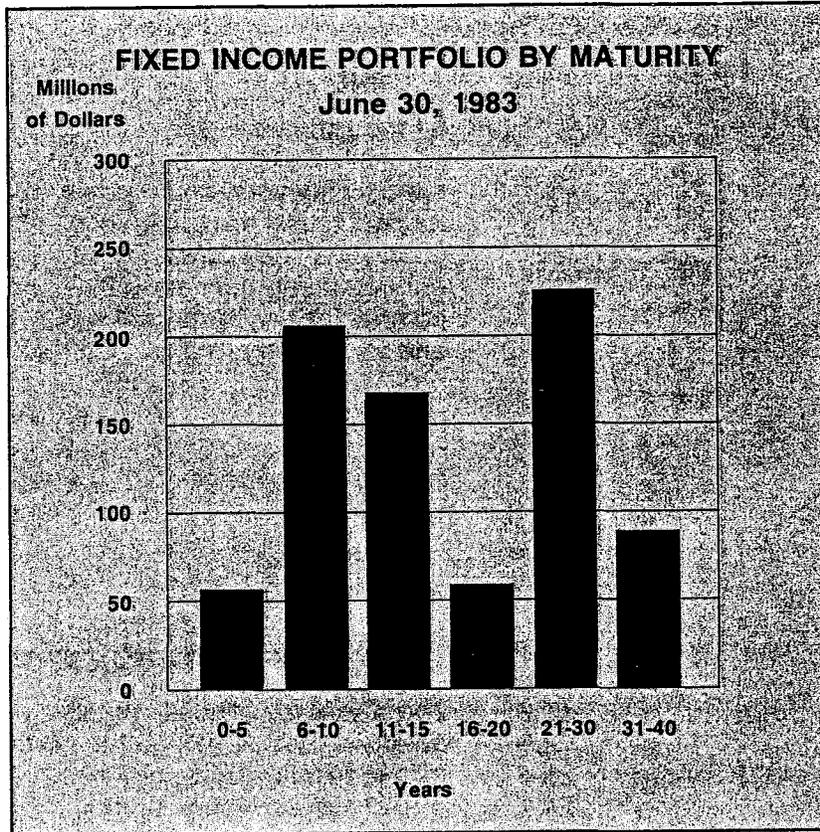
Fiscal Year Ended	Dividends Received*	% Increase	Yield on Cost
June 1983	\$ 13,187,649	+ 19.7%	4.85%
June 1982	11,019,698	+ 20.5	5.26
June 1981	9,146,619	+ 20.1	4.62
June 1980	7,612,723	+ 22.1	4.16
June 1979	6,233,421	+ 20.9	3.65

* Cash Basis

DIVERSIFICATION OF THE REAL ESTATE INVESTMENTS Schedule VII

Type of property	Percent
Office Building	25.8%
Warehouse - Industrial	5.2
Department Stores	12.4
Discount Stores	20.3
Grocery Stores	22.5
Commingled Fund	13.8

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.

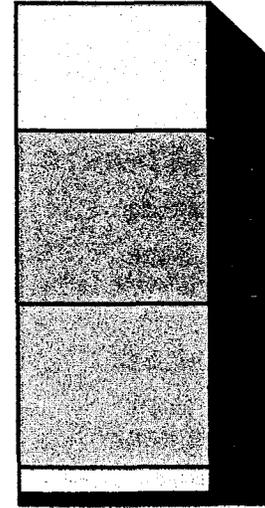


BOND PORTFOLIO QUALITY RATINGS BY MOODY'S

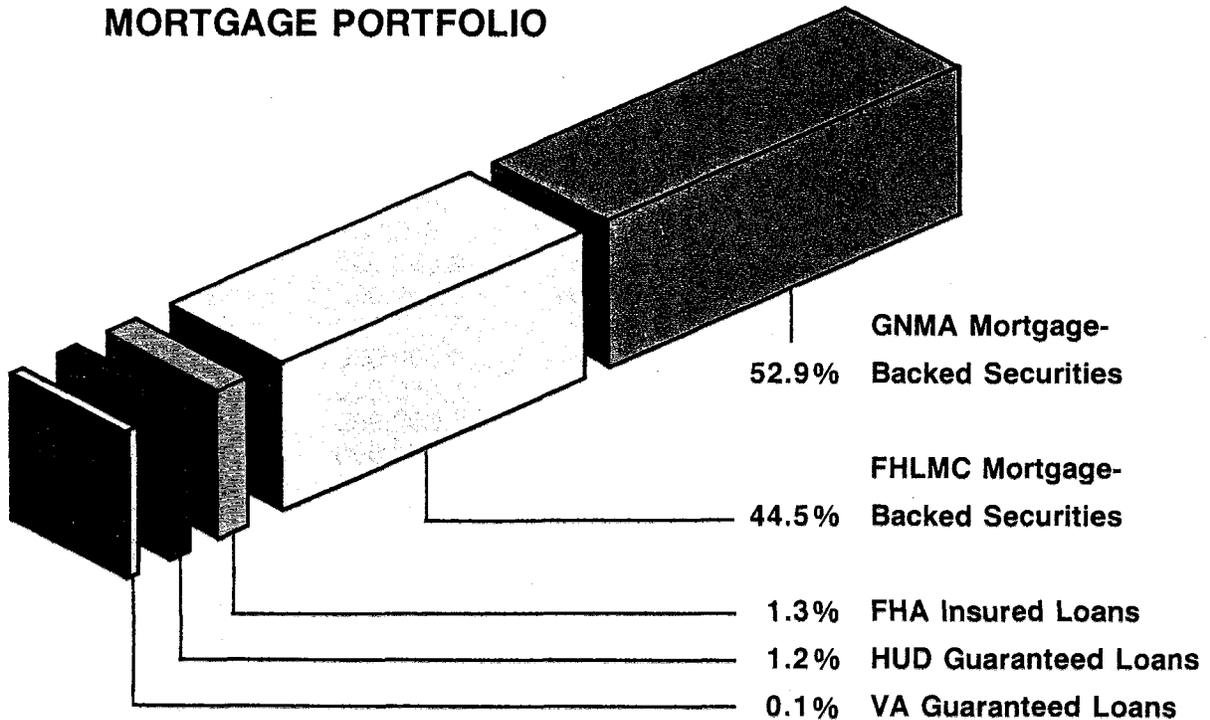
June 30, 1983

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

25.6%	Aaa
34.1%	Aa
32.4%	A
5.8%	Baa
2.1%	Ba to B



DISTRIBUTION OF 1983 GOVERNMENT INSURED OR GUARANTEED MORTGAGE PORTFOLIO



INVESTMENTS

LIST OF INVESTMENTS

June 30, 1983

FIXED-INCOME

	Interest Rate	Maturity	Par Value	Book Value	Market Value
SHORT-TERM INVESTMENTS					
Bankers Acceptances					
BancOhio National Bank		7-06-83	\$ 2,000,000	\$ 1,985,661	\$ 1,997,033
			\$ 2,000,000	\$ 1,985,661	\$ 1,997,033
Certificates of Deposit					
BancOhio National Bank	8.70%	7-06-83	\$ 2,750,000	\$ 2,750,000	\$ 2,768,608
Huntington National Bank	8.65	7-01-83	700,000	700,000	705,046
			\$ 3,450,000	\$ 3,450,000	\$ 3,473,654
Commercial Paper					
Central Illinois Light Co.		7-18-83	\$ 5,000,000	\$ 4,960,556	\$ 4,977,813
Deere & Co.		7-07-83	2,700,000	2,677,815	2,695,433
Dupont (E.I.) de Nemours & Co.		7-06-83	3,500,000	3,494,604	3,494,604
General Electric Credit Corp.		7-01-83	4,900,000	4,880,400	4,898,775
General Electric Credit Corp.		7-05-83	7,000,000	6,973,021	6,985,611
General Electric Credit Corp.		7-12-83	5,000,000	4,973,021	4,984,583
General Electric Credit Corp.		7-14-83	2,700,000	2,679,656	2,690,813
General Mills, Inc.		7-13-83	5,000,000	4,967,000	4,984,111
General Motors Accept. Corp.		7-05-83	1,000,000	992,951	998,785
General Motors Accept. Corp.		7-05-83	5,200,000	5,189,311	5,193,319
General Motors Accept. Corp.		7-08-83	2,700,000	2,679,000	2,694,750
General Motors Accept. Corp.		7-12-83	3,000,000	2,974,500	2,991,000
General Motors Accept. Corp.		7-13-83	5,900,000	5,851,325	5,880,825
General Motors Accept. Corp.		7-14-83	1,000,000	994,000	996,500
General Motors Accept. Corp.		7-15-83	800,000	792,484	797,033
General Tel. Co. of Wisconsin		7-05-83	2,650,000	2,645,234	2,646,595
J.C. Penney Financial Corp.		7-07-83	1,000,000	998,250	998,250
J.C. Penney Financial Corp.		7-20-83	5,100,000	5,057,252	5,074,854
J.C. Penney Financial Corp.		7-21-83	4,300,000	4,267,959	4,276,798
J.C. Penney Financial Corp.		7-25-83	1,350,000	1,340,761	1,341,445
Public Service Co. of New Mexico		7-05-83	1,300,000	1,297,662	1,298,330
Sears Roebuck Acceptance Corp.		7-01-83	1,200,000	1,191,542	1,199,708
Sears Roebuck Acceptance Corp.		7-05-83	1,250,000	1,239,670	1,248,481
Sears Roebuck Acceptance Corp.		7-11-83	3,100,000	3,086,459	3,091,238
Sears Roebuck Acceptance Corp.		7-15-83	5,200,000	5,164,106	5,180,771
Schering Plough Corp.		7-11-83	4,100,000	4,065,321	4,089,101
Schering Plough Corp.		7-22-83	4,300,000	4,268,392	4,276,022
Shell Oil Corp.		7-19-83	5,000,000	4,959,667	4,976,778
South Central Bell Tel. Co.		7-06-83	1,800,000	1,796,937	1,797,375
			\$ 97,050,000	\$ 96,458,856	\$ 96,759,701
Total Short-Term			<u>\$ 102,500,000</u>	<u>\$ 101,894,517</u>	<u>\$ 102,230,388</u>

LIST OF INVESTMENTS

June 30, 1983 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
U.S. GOVERNMENT & AGENCY BONDS					
U.S. Treasury					
U.S. Treasury Notes	11.875%	10-15-89	\$ 10,000,000	\$ 10,367,076	\$ 10,343,700
U.S. Treasury Notes	12.625	11-15-87	10,000,000	9,981,100	10,612,500
			<u>\$ 20,000,000</u>	<u>\$ 20,348,176</u>	<u>\$ 20,956,200</u>
Agency Bonds					
Federal Farm Credit Banks	11.700%	7-20-88	\$ 10,000,000	\$ 10,318,466	\$ 10,275,000
Federal Farm Credit Banks	13.050	1-23-89	10,000,000	10,725,000	10,762,500
Federal Farm Credit Banks	12.500	9-04-90	10,000,000	10,585,937	10,587,500
Federal Home Loan Bank	16.400	9-25-84	5,000,000	5,000,000	5,357,800
Federal Home Loan Bank	14.550	9-25-89	11,000,000	10,942,042	12,526,250
Federal Home Loan Mtg. Corp.	9.400	9-15-08	3,013,000	2,706,309	2,704,167
Federal Home Loan Mtg. Corp.	9.875	3-15-09	524,000	477,220	485,355
Federal Home Loan Mtg. Corp.	12.450	9-15-09	40,155,500	39,311,784	39,954,723
			<u>\$ 89,692,500</u>	<u>\$ 90,066,758</u>	<u>\$ 92,653,295</u>
Total U.S. Government and Agency Bonds			<u>\$ 109,692,500</u>	<u>\$ 110,414,934</u>	<u>\$ 113,609,495</u>
CORPORATE BONDS					
Industrial Bonds					
American Brands Inc.	11.125%	10-15-89	\$ 10,000,000	\$ 9,944,286	\$ 9,957,900
Cities Service Co.	9.750	10-01-00	6,500,000	6,516,788	5,170,620
Continental Oil Co.	9.125	11-01-99	9,500,000	9,637,340	7,794,275
Continental Oil Co.	8.875	06-01-01	1,000,000	966,560	799,360
Continental Oil Co.	9.375	04-01-09	3,000,000	2,951,250	2,456,100
Dana Corp.	8.875	11-15-08	1,250,000	1,234,043	965,038
Diamond Shamrock Corp.	9.000	04-01-99	1,000,000	1,007,619	801,700
Diamond Shamrock Corp.	9.125	11-15-00	5,000,000	5,076,028	3,990,500
Diamond Shamrock Corp.	8.500	04-01-08	2,600,000	2,582,744	1,922,674
Dow Chemical Co.	11.250	07-15-10	11,750,000	11,523,984	10,889,548
Ford Motor Co.	9.250	07-15-94	3,000,000	3,010,564	2,424,480
General Mills Inc.	9.375	03-01-09	8,500,000	8,492,417	7,138,130
Halliburton Co.	16.000	10-01-88	5,000,000	5,000,000	5,606,650
McDonald's Corp.	9.000	05-01-85	5,000,000	4,882,948	4,865,600
Mobil Corp.	10.875	11-01-92	5,000,000	4,970,312	4,848,750
Philip Morris, Inc.	8.650	03-01-84	2,000,000	1,954,422	1,978,540
Philip Morris, Inc.	9.550	06-01-86	6,000,000	5,834,748	5,802,000
Philip Morris, Inc.	9.125	07-15-03	3,500,000	3,440,983	2,808,575
Philip Morris, Inc.	8.875	06-01-04	3,750,000	3,643,111	2,940,375
Standard Brands, Inc.	9.500	12-15-04	2,500,000	2,545,231	2,046,150
Standard Oil Co. of Indiana	9.200	07-15-04	5,750,000	5,669,522	4,767,497
Union Oil Co. of California	8.375	06-01-85	3,000,000	2,933,840	2,886,750
			<u>\$ 104,600,000</u>	<u>\$ 103,818,740</u>	<u>\$ 92,861,212</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1983 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
Telephone Bonds					
American Tel. & Tel. Co.	10.375%	6-01-90	\$ 3,000,000	\$ 3,010,500	\$ 2,899,620
Bell Tel. Co. of Pennsylvania	11.875	4-15-20	9,000,000	8,988,851	8,763,300
Chesapeake & Potomac Tel. Co. of Maryland	8.875	6-01-09	3,000,000	2,671,777	2,275,500
Chesapeake & Potomac Tel. Co. of Virginia	8.625	4-01-09	4,000,000	4,114,639	2,967,520
Chesapeake & Potomac Tel. Co. of West Virginia	9.000	5-15-15	1,000,000	1,018,612	753,590
General Tel. Co. of Florida	10.750	7-01-04	3,000,000	2,823,191	2,693,670
General Tel. Co. of Florida	9.375	3-01-05	1,500,000	1,144,965	1,161,060
General Tel. Co. of Florida	13.375	9-01-10	7,500,000	7,322,094	7,819,425
General Tel. Co. of Indiana	14.000	12-01-10	1,000,000	911,839	1,086,550
General Tel. Co. of Northwest	9.375	7-01-08	1,850,000	1,574,950	1,426,627
General Tel. Co. of Northwest	12.125	7-01-10	5,000,000	4,972,508	4,866,950
General Tel. Co. of Ohio	10.250	12-01-04	1,000,000	888,428	852,810
General Tel. Co. of Ohio	9.000	6-01-06	2,000,000	1,979,875	1,486,420
General Tel. Co. of Ohio	16.625	5-01-11	3,000,000	2,944,000	3,660,510
General Tel. Co. of Pennsylvania	12.000	6-01-10	5,000,000	5,000,000	4,826,300
General Tel. Co. of Southwest	9.875	12-01-05	1,000,000	1,001,725	803,860
General Tel. Co. of Upstate New York	9.125	4-01-04	1,000,000	998,215	726,480
General Tel. Co. of Wisconsin	14.375	4-01-10	4,000,000	3,744,321	4,471,040
Illinois Bell Tel. Co.	12.250	8-05-17	6,000,000	5,997,536	5,938,020
Michigan Bell Tel. Co.	7.750	6-01-11	1,000,000	1,008,289	662,290
Mountain States Tel. & Tel. Co.	8.625	4-01-18	3,000,000	2,942,303	2,189,220
New York Tel. Co.	8.625	6-15-16	1,000,000	1,037,595	773,970
New York Tel. Co.	15.625	7-15-21	18,000,000	17,360,001	21,522,780
Northwestern Bell Tel. Co.	8.625	6-15-12	12,000,000	12,163,549	8,887,920
Ohio Bell Tel. Co.	7.875	10-01-13	2,000,000	1,823,355	1,355,480
South Central Bell Tel. Co.	12.875	10-01-20	8,000,000	7,014,877	8,263,520
Southern Bell Tel. & Tel. Co.	8.250	4-15-16	6,000,000	5,887,027	4,236,960
Southern Bell Tel. & Tel. Co.	12.875	10-05-20	7,000,000	6,020,965	7,236,320
Southwestern Bell Tel. Co.	8.500	3-15-16	12,000,000	12,283,006	8,613,360
Southwestern Bell Tel. Co.	11.375	1-15-20	9,000,000	8,585,280	8,365,500
Southwestern Bell Tel. Co.	14.250	12-10-20	6,000,000	5,473,913	6,751,200
			<u>\$ 147,850,000</u>	<u>\$ 142,708,186</u>	<u>\$ 138,337,772</u>

Power & Light Bonds

Central Illinois Public Service Co.	8.500%	3-01-04	\$ 2,000,000	\$ 1,924,820	\$ 1,475,020
Central Power & Light Co.	9.375	6-01-04	1,500,000	1,498,173	1,186,455
Cincinnati Gas & Electric Co.	8.625	12-01-00	2,000,000	1,969,755	1,449,560
Cincinnati Gas & Electric Co.	9.125	4-15-08	1,000,000	1,006,350	743,360
Connecticut Light & Power Co.	8.750	3-01-04	1,000,000	1,016,084	710,650

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1983 (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	\$ 717,500	\$ 498,435
Duke Power Co.	8.125	9-01-07	4,000,000	3,949,643	2,751,480
Duquesne Light Co.	7.875	3-01-01	1,500,000	1,383,369	1,033,845
Duquesne Light Co.	9.000	6-01-06	2,000,000	1,989,775	1,479,420
El Paso Electric Co.	8.500	4-01-07	2,500,000	2,480,000	1,751,850
Idaho Power Co.	8.375	1-15-04	2,000,000	2,003,500	1,422,360
Illinois Power Co.	9.000	11-01-00	1,500,000	1,500,000	1,148,370
Indianapolis Power & Light Co.	9.300	6-01-06	2,650,000	2,660,340	2,070,021
Iowa Power & Light Co.	8.750	3-01-06	1,000,000	1,039,427	736,510
Iowa Public Service Co.	9.000	5-01-06	2,500,000	2,620,504	1,903,300
Kansas Gas & Electric Co.	8.125	5-01-01	1,000,000	924,903	679,830
Kansas Gas & Electric Co.	8.375	9-01-06	500,000	508,029	338,220
Kansas Gas & Electric Co.	8.875	3-15-08	1,000,000	1,002,175	707,660
Kansas Power & Light Co.	8.750	9-01-00	1,000,000	1,029,787	759,970
Kansas Power & Light Co.	8.625	5-01-06	2,000,000	2,068,683	1,464,900
Metropolitan Edison Co.	9.000	9-01-08	3,000,000	2,910,903	1,992,810
New England Power Co.	8.625	8-01-03	2,000,000	2,023,917	1,445,460
Pacific Gas & Electric Co.	7.500	12-01-03	6,000,000	5,853,499	3,958,320
Pennsylvania Power & Light Co.	8.250	12-01-06	2,000,000	2,005,975	1,381,700
Philadelphia Electric Co.	8.250	8-01-96	2,500,000	2,541,601	1,762,275
Philadelphia Electric Co.	8.625	7-15-03	3,000,000	3,002,955	2,071,260
Philadelphia Electric Co.	8.500	1-15-04	4,500,000	4,472,544	3,059,505
Philadelphia Electric Co.	8.625	3-15-07	4,000,000	3,989,800	2,721,800
Public Service Electric & Gas Co.	8.500	3-01-04	1,500,000	1,533,612	1,115,220
Public Service Electric & Gas Co.	8.750	4-01-06	4,500,000	4,496,719	3,394,665
Public Service Electric & Gas Co.	8.250	6-01-07	2,000,000	1,995,000	1,407,700
Public Service Co. of Colorado	7.250	2-01-01	500,000	431,963	326,270
Southern California Edison Co.	8.875	3-01-00	3,500,000	3,560,299	2,729,475
Southern California Edison Co.	8.875	3-15-01	2,000,000	2,067,500	1,551,260
Southwestern Public Service Co.	10.900	6-01-90	2,000,000	1,986,578	1,966,960
Southwestern Public Service Co.	8.800	2-01-05	1,000,000	1,047,392	751,870
Southwestern Public Service Co.	8.750	3-01-08	500,000	501,042	370,705
Union Electric Co.	8.875	9-01-06	3,500,000	3,561,825	2,487,310
Utah Power & Light Co.	8.375	9-01-06	600,000	605,975	429,174
West Penn Power Co.	7.625	6-01-02	1,000,000	908,121	683,840
Wisconsin Power & Light Co.	8.875	4-01-04	2,500,000	2,585,909	1,906,950
Wisconsin Power & Light Co.	8.875	5-01-06	2,000,000	1,990,417	1,515,560
			<u>\$ 87,450,000</u>	<u>\$ 87,366,363</u>	<u>\$ 63,341,305</u>
Total Corporate Bonds			<u>\$ 339,900,000</u>	<u>\$ 333,893,289</u>	<u>\$ 294,540,289</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1983 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
CANADIAN BONDS					
Authority, Board, Commission					
Alberta Government Tel. Comm.	6.250%	10-01-92	\$ 1,000,000	\$ 941,575	\$ 719,280
Alberta Government Tel. Comm.	7.875	9-01-96	1,300,000	1,308,485	984,191
Manitoba Hydro Electric Board	9.500	10-01-85	7,700,000	7,590,319	7,534,142
			<u>\$ 10,000,000</u>	<u>\$ 9,840,379</u>	<u>\$ 9,237,613</u>
Total Canadian Bonds			<u>\$ 10,000,000</u>	<u>\$ 9,840,379</u>	<u>\$ 9,237,613</u>
Total Bonds			<u>\$ 459,592,500</u>	<u>\$ 454,148,602</u>	<u>\$ 417,387,397</u>

RESIDENTIAL MORTGAGE SECURITIES

GNMA Modified Pass-Through Mortgage-Backed Securities

Level Payment	7.50%	2006	\$ 2,421,204	\$ 2,370,616	\$ 1,815,903
Level Payment	8.00	2005-08	15,456,840	15,365,054	12,056,335
Level Payment	8.25	2006-08	6,373,058	6,279,667	5,026,750
Level and Graduated Payment	9.00	2008-09	19,988,835	19,685,279	16,590,733
Level and Graduated Payment	9.50	2009	23,385,854	22,921,767	20,076,862
Level and Graduated Payment	10.00	2009	3,729,965	3,626,261	3,274,022
Level Payment	10.50	2016	6,599,677	5,008,362	5,609,725
Level and Graduated Payment	11.00	2010	28,747,095	27,528,989	26,643,805
Level Payment	11.50	2010-13	12,949,568	12,548,760	12,341,586
Level and Graduated Payment	12.00	2012-13	11,874,924	11,757,911	11,605,929
Level and Graduated Payment	12.50	2010	10,591,948	10,195,928	10,601,022
Level Payment	13.00	2012	4,560,397	4,040,284	4,702,910
Level Payment	13.50	2010	1,884,305	1,872,407	1,966,743
Level and Graduated Payment	14.00	2011-12	6,694,019	6,052,696	7,028,264
Level and Graduated Payment	15.00	2011-12	4,913,973	4,564,752	5,237,345
Graduated Payment	15.50	2011	1,393,957	1,284,922	1,479,560
Level Payment	16.00	2011-12	2,331,741	2,223,332	2,506,621
			<u>\$ 163,897,360</u>	<u>\$ 157,326,987</u>	<u>\$ 148,564,115</u>

FHLMC Mortgage-Backed Participation Certificates

Issue date 1978	9.000%	2008	\$ 9,109,317	\$ 8,928,375	\$ 7,469,640
Issue date 1978	9.250	2008	19,950,406	19,806,981	16,558,837
Issue date 1978	9.750	2008	6,060,167	4,565,923	5,211,743
Issue date 1979	10.000	2009-11	38,902,834	35,730,053	33,845,466
Issue date 1979	10.750	2009	5,432,414	4,249,414	4,902,754
Issue date 1980	11.250	2010	1,847,597	1,404,776	1,713,646
Issue date 1979-80	12.000	2009-13	22,113,311	20,152,064	21,422,270
Issue date 1983	12.500	2013	2,004,131	1,969,141	1,981,584
Issue date 1982	14.000	2012	17,897,780	17,897,780	18,457,086
Issue date 1980	14.750	2010	7,435,624	7,383,017	7,686,576
Issue date 1981	15.000	2011	4,146,373	4,135,479	4,291,496
Issue date 1981	16.250	2011	3,042,285	2,904,920	3,160,174
			<u>\$ 137,942,239</u>	<u>\$ 129,127,923</u>	<u>\$ 126,701,272</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1983 (Continued)

	Interest Rate	Maturity	Par Value	Book Value	Market Value
FHA Insured Mortgages					
Single Family	5.000%	Various	\$ 16,562	\$ 16,562	\$ 10,798
Single Family	5.250	Various	195,500	195,500	144,553
Single Family	5.500	Various	34,932	34,932	27,203
Single Family	5.750	Various	31,075	31,075	24,899
Single Family	6.000	Various	28,581	28,581	19,864
Single Family	6.750	Various	44,342	44,342	30,800
FHA PROJECT - Section 231	5.500	5-01-10	3,634,044	3,634,044	1,994,182
			<u>\$ 3,985,036</u>	<u>\$ 3,985,036</u>	<u>\$ 2,252,299</u>
VA Guaranteed Mortgages					
Single Family	4.500%	Various	\$ 7,573	\$ 7,573	\$ 6,508
Single Family	5.250	Various	174,206	174,206	127,832
Single Family	5.500	Various	11,852	11,852	8,193
Single Family	5.750	Various	30,277	30,277	21,857
Single Family	6.000	Various	68,750	68,750	47,953
Single Family	6.750	Various	16,038	16,038	11,135
			<u>\$ 308,696</u>	<u>\$ 308,696</u>	<u>\$ 223,478</u>
HUD Guaranteed Mortgages					
Section 8	7.50-10.00%	1985-91	\$ 2,117,156	\$ 2,117,156	\$ 1,950,122
Section 23	7.75-8.75	1990-91	1,448,736	1,448,736	1,265,455
			<u>\$ 3,565,892</u>	<u>\$ 3,565,892</u>	<u>\$ 3,215,577</u>
Total Residential Mortgages			<u>\$ 309,699,223</u>	<u>\$ 294,314,534</u>	<u>\$ 280,956,741</u>
Total Bonds & Residential Mortgages			<u>\$ 769,291,723</u>	<u>\$ 748,463,136</u>	<u>\$ 698,344,138</u>

INVESTMENT REAL ESTATE

COMMERCIAL AND INDUSTRIAL FIRST MORTGAGES (PARTICIPATING)

Construction Development Co. Dillard's, Austin, TX	12.500%	10-01-07	\$ 7,267,719	\$ 7,267,719	\$ 8,181,919
Construction Development Co. Dillard's, Memphis, TN	12.500	10-01-07	7,236,885	7,236,885	8,147,208
Marion Steel Co.	18.000	12-01-91	2,345,381	2,345,381	2,345,381
Crow Childress Harrod Ltd.	12.500	8-30-12	8,118,231	8,118,231	9,173,507
Hines/Farmers Branch Assoc. Ltd.	12.500	9-29-02	6,408,673	6,408,673	7,168,657
			<u>\$ 31,376,889</u>	<u>\$ 31,376,889</u>	<u>\$ 35,016,672</u>

INVESTMENTS

LIST OF INVESTMENTS

JUNE 30, 1983 (Continued)

LAND AND BUILDINGS	Par Value	Book Value	Market Value
Office Building, Columbus, OH	\$ 7,035,124	\$ 4,507,305	\$ 11,800,000
Office Building, Dublin, OH	6,672,202	6,672,202	8,300,000
Office Building, Oklahoma City, OKLA	9,250,000	9,250,000	9,640,000
Warehouse, San Antonio, TX	3,800,000	3,736,320	4,250,000
Warehouse, Sharonville, OH	1,394,310	1,369,236	1,700,000
J.C. Penney Store, Cape Girardeau, MO	3,500,000	3,443,200	3,500,000
K-Mart Store, Edinburg, TX	2,182,000	2,102,089	2,182,000
K-Mart Store, Gallatin, TN	2,222,000	2,139,333	2,222,000
K-Mart Store, Miami, FLA	3,350,000	3,350,000	3,500,000
K-Mart Store, Midland, TX	2,829,500	2,727,967	2,860,500
K-Mart Store, Port St. Lucie, FLA	3,667,000	3,601,756	3,675,000
K-Mart Store, Portland, TX	2,388,500	2,303,456	2,575,500
Wal-Mart Store, Bixby, OKLA	1,060,000	1,060,000	1,100,000
Wal-Mart Store, Center, TX	1,320,000	1,320,000	1,550,000
Wal-Mart Store, Fort Smith, ARK	2,550,000	2,550,000	2,800,000
Wal-Mart Store, Groves, TX	2,300,000	2,300,000	2,500,000
Wal-Mart Store, Silsby, TX	1,520,000	1,520,000	1,600,000
Wal-Mart Store, Vidor, TX	2,515,000	2,515,000	2,700,000
Wal-Mart Store, Weatherford, OKLA	1,582,000	1,582,000	1,600,000
Kroger Supermarket, Charlotte, N. CAR	2,865,745	2,865,745	2,850,000
Kroger Supermarket, Charlotte, N. CAR	2,814,320	2,814,320	2,800,000
Kroger Supermarket, Cincinnati, OH	2,078,440	2,078,440	2,075,000
Kroger Supermarket, Columbus, OH	2,187,129	2,146,201	2,175,000
Kroger/Super X, Gallatin, TN	1,750,000	1,679,725	1,750,000
Kroger Supermarket, Plano, TX	2,346,534	2,304,745	2,350,000
Kroger/Super X, Smyrna, TN	2,699,649	2,699,649	2,685,000
Safeway Supermarket, Arlington, TX	3,300,000	3,300,000	3,300,000
Safeway Supermarket, Broken Arrow, OK	2,700,000	2,700,000	2,700,000
Safeway Supermarket, Clute, TX	2,481,000	2,481,000	2,500,000
Safeway Supermarket, Escondido, CA	2,900,000	2,900,000	2,900,000
Safeway Supermarket, Glendale, AZ	1,900,000	1,900,000	1,900,000
Safeway Supermarket, Tulsa, OKLA	2,650,000	2,650,000	2,650,000
Prudential Property Investment Separate Account (PRISA)	20,000,000	20,000,000	35,113,319
	<u>\$ 113,810,453</u>	<u>\$ 110,569,689</u>	<u>\$ 137,803,319</u>
Total Investment Real Estate & Commercial Mortgages	<u>\$ 145,187,342</u>	<u>\$ 141,946,578</u>	<u>\$ 172,819,991</u>

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1983 (Continued)

GROWTH AND DEVELOPMENT CAPITAL

Shares		Book Value	Market Value
20,000	Bob Evans Farms, Inc.	\$ 522,500	\$ 600,000
20,000	Cleveland-Cliffs Iron Co.	411,600	472,500
40,000	Figgie International, Inc.	938,045	950,000
45,000	Lancaster Colony Corp.	881,550	888,750
60,000	Lubrizol Corp.	1,212,750	1,380,000
20,000	Mid-Continent Telephone Corp.	527,738	465,000
10,000	Nordson Corp.	294,750	300,000
16,000	Premier Industrial Corp.	501,710	558,000
45,000	Scott & Fetzer Co.	1,619,925	2,036,250
20,000	Society Corp.	555,750	525,000
8,400	Timken Co.	513,754	560,700
10,000	Wendy's International, Inc.	185,900	172,500
—	Cardinal Capital Development Fund Limited Partnership	1,250,000	1,250,000
	Total Growth & Development Capital	\$ 9,415,972	\$ 10,158,700

COMMON AND PREFERRED STOCKS

Shares		Book Value	Market Value
170,000	Amerada Hess Corp.	\$ 5,014,275	\$ 4,993,750
120,000	American Express Co.	2,992,450	8,520,000
70,000	American Home Products Corp.	2,271,010	3,281,250
125,000	American Telephone & Telegraph Co.	7,114,729	7,937,500
150,000	Arkla, Inc.	2,425,672	3,900,000
120,000	Atlantic Richfield Co.	5,670,887	5,880,000
70,000	Avon Products Inc.	5,139,234	2,388,750
140,000	Black & Decker Manufacturing Co.	3,149,730	3,062,500
160,000	Bristol Myers Co.	3,297,525	6,480,000
40,000	CBS, Inc.	1,989,563	2,675,000
70,000	CSX Corp.	3,802,050	5,013,750
40,000	Caterpillar Tractor Co.	1,830,587	1,890,000
70,000	Chubb Corp.	2,997,837	4,375,000
130,068	Cigna Corp.	5,698,880	6,259,523
100,000	Coca Cola Co.	5,008,607	4,987,500
170,000	Control Data Corp.	5,871,788	9,647,500
60,000	Corning Glass Works	3,876,725	5,070,000
60,000	Dart & Kraft, Inc.	2,756,340	3,945,000
70,000	Dayton-Hudson Corp.	3,100,637	5,232,500
50,000	Diebold, Inc.	3,450,229	3,900,000
20,000	Dreyfus Corp.	1,018,711	1,182,500
54,000	DuPont (E.I.) de Nemours & Co.	2,551,921	2,578,500
85,000	Eastman Kodak Co.	7,946,358	6,173,125
65,000	Emerson Electric Co.	2,733,919	4,013,750
150,800	Exxon Corp.	3,470,726	5,089,500
110,000	Federated Department Stores, Inc.	4,335,565	7,232,500
45,000	First Bank Systems, Inc.	2,214,625	2,491,875

INVESTMENTS

LIST OF INVESTMENTS

June 30, 1983 (Continued)

COMMON AND PREFERRED STOCKS

(Continued)

<u>Shares</u>		<u>Book Value</u>	<u>Market Value</u>
45,000	Fischbach Corp.	\$ 2,386,250	\$ 2,272,500
80,000	Florida Power & Light Co.	2,754,475	2,860,000
100,000	General Electric Co.	2,465,127	5,500,000
110,000	General Foods Corp.	3,710,763	4,881,250
90,000	General Instrument Co.	4,330,512	5,073,750
44,000	Getty Oil Co.	2,388,873	3,030,500
90,000	Halliburton Co.	3,755,425	3,667,500
100,000	Hercules, Inc.	2,157,775	3,975,000
30,000	Hewlett Packard Co.	2,288,687	2,730,000
70,000	Honeywell, Inc.	5,304,838	8,076,250
175,000	International Business Machines Corp.	13,001,200	21,043,750
45,000	International Paper Co.	2,508,775	2,351,250
70,000	International Telephone & Telegraph Corp.	3,202,284	2,931,250
120,000	Johnson & Johnson	4,342,060	5,910,000
100,000	K-Mart Corp.	3,778,233	3,475,000
110,000	McDonald's Corp.	4,411,137	7,205,000
60,000	Merck & Company, Inc.	5,462,926	5,572,500
95,000	Minnesota Mining & Mfg. Co.	6,176,193	7,956,250
50,000	Mobil Oil Corp.	827,800	1,575,000
60,000	Morgan (J.P.) & Co.	3,385,562	4,297,500
70,000	Motorola, Inc.	5,032,437	9,485,000
70,000	NL Industries, Inc.	1,245,613	1,251,250
70,000	Norfolk Southern Corp.	3,535,900	4,025,000
95,000	Northwest Airlines, Inc.	3,346,281	4,868,750
95,000	Penney (J.C.) Co.	4,267,460	5,652,500
40,000	Pfizer, Inc.	1,409,512	1,750,000
20,000	Polaroid Corp.	1,604,845	615,000
100,000	Potomac Electric Power Co.	1,503,037	1,737,500
100,000	Procter & Gamble Co.	4,447,154	5,512,500
150,000	RCA Corp.	3,308,538	4,331,250
75,000	Reynolds (R.J.) Industries, Inc.	2,737,320	3,825,000
140,000	St. Regis Paper Co.	4,800,270	4,112,500
100,000	Sears, Roebuck & Co.	4,575,352	4,137,500
150,000	SmithKline Beckman Corp.	9,823,863	10,987,500
60,000	Southeast Banking Corp	1,809,086	1,575,000
90,000	Standard Oil Co. of California	1,939,719	3,532,500
80,000	Standard Oil Co. of Ohio	2,151,857	4,050,000
110,000	Tektronix, Inc.	5,175,550	8,841,250
105,000	Texaco Inc.	4,076,500	3,648,750
80,000	Texas Eastern Corp.	4,689,000	4,510,000
50,000	Union Carbide Corp.	2,421,313	3,437,500
50,000	Union Pacific Corp.	2,320,875	2,893,750
60,000	Whirlpool Corp.	1,685,115	3,120,000
100,000	Xerox Corp.	6,286,077	4,725,000
	Total Common and Preferred Stock	\$ 264,562,149	\$ 335,210,523
Total Portfolio	Par Value	\$ 1,290,957,186	\$ 1,318,763,740

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 provides 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 continually 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 institution 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 restructuring 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.

GROWTH AND DEVELOPMENT CAPITAL INVESTMENTS

The Board's policy provides for the investment of funds to supply both growth and development capital. The policy provides for the development capital to be invested preferably on a commingled basis in private business development companies which have strong management resources and expertise in investing such funds in individual venture capital opportunities. It is anticipated that such private business development companies will invest such funds where quality of the investment is evident, the principals have expertise, financial resources are adequate to permit the venture to succeed, prospects for the venture are good and the product or service has a growth market. In such investments in private business development companies the Board's liability must be limited to the amount of its investment.

The investment policy provides that growth capital may be invested in businesses where more than one-half of their assets, more than one-half of their employees or their principal office must be located within this state, provided that the Board's liability is limited to the amount of its investment.

Such investments may take the form of debt or equity interests in publicly owned companies traded over-the-counter or on a national exchange but where size is usually smaller than that of more mature companies. Such firms should have quality management, an adequate history of financial strength and growth and prospects for continuing growth of sales and earnings for the longer term. Such growth capital investments will be diversified through different types of business and shall be limited to three percent of the Board's total investment portfolio. The performance of such companies over the long term is expected to be equal to or greater than that of larger and more mature companies.

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

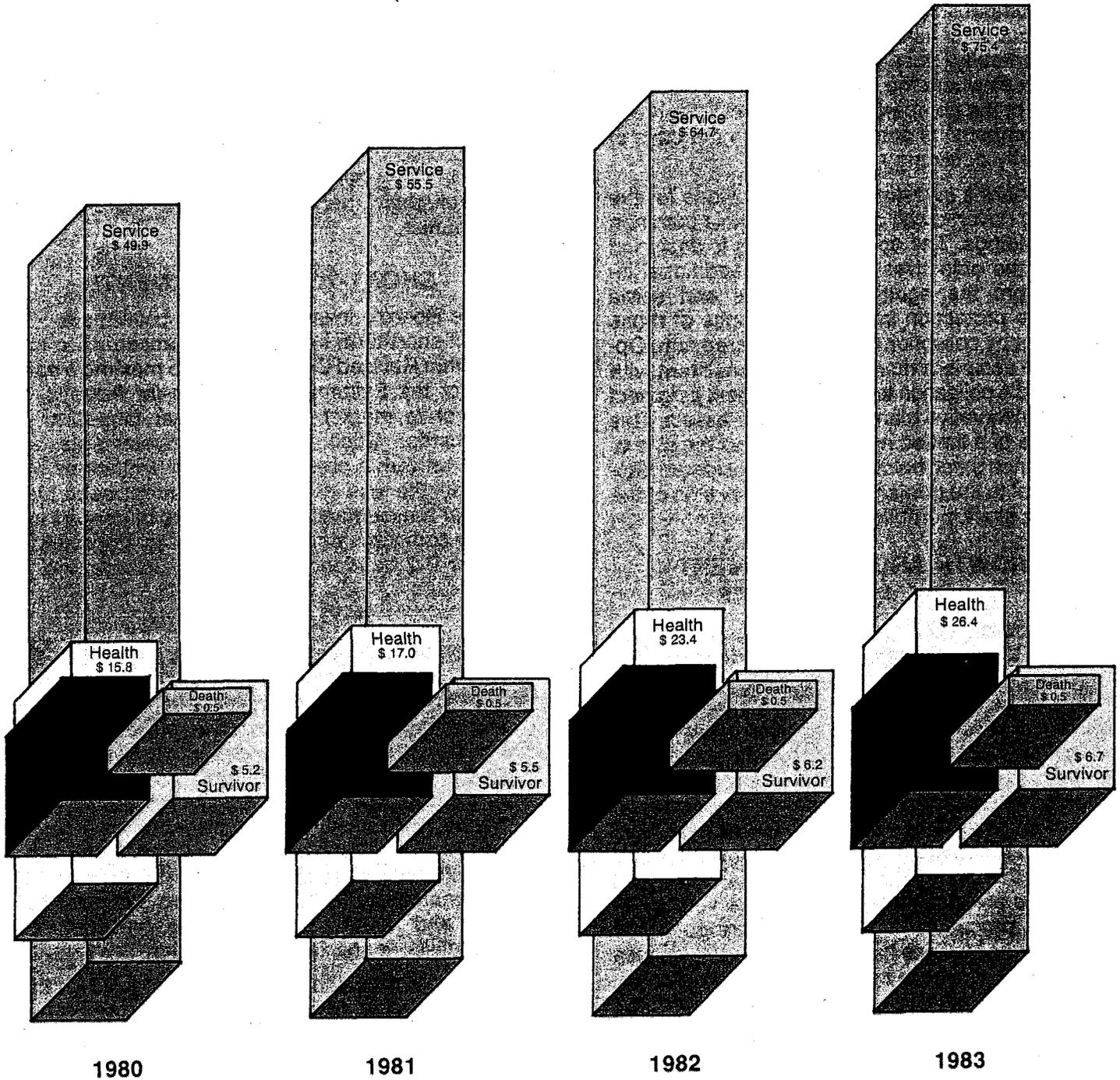
In order to implement its investment policy, the Board employs the services of one or more investment counselors or consultants in addition to its own staff. Investment asset diversification ranges are formulated annually and reviewed at least quarterly with the investment counselor and staff to provide 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 EXPENSES BY TYPE
(In Millions Of Dollars)



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 the 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 office, 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 operation of the System, and is aided by seven assistant directors. Their areas of responsibility are accounting/membership, investments, office services, retirement services, information services, data processing, and staff development/human resources.

EMPLOYER PARTICIPATION

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

Employers contribute to SERS at the rate of 12.5% of payroll. Some employers 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 employers 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 school employer. 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 SERS. (2) Persons retired from one of the other Ohio state retirement systems may not become members of SERS. A retired member may not be employed in the schools for 60 calendar days following the effective date of retirement. Thereafter, employment in the school cannot exceed 59 days of the fiscal year, beginning July 1.
Active members have an amount equal to 8.0% of their earnings deducted from their gross salaries for each payroll period. These amounts are then forwarded to SERS by the payroll officer, and applied to the member's account at SERS.
- 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 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 SERS upon termination of school employment. 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. A refund 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 with the state of Ohio. This purchase may be made after the member has been credited with 1.5 years of contributing service.

SERVICE RETIREMENT

Members may retire from school employment 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 partial years which a person worked within Ohio schools, plus any other free or purchasable service which the System recognizes.

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. The interest rate is 5.5% (rate increased to 7.5% on July 1, 1983.) 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. The types of service which can be purchased are:

MILITARY — For service with the armed forces of the U.S. before July 1, 1973, a member may purchase up to 5 years of credit for time spent before working for a school employer or after leaving that employment. 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 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 covered by SERS, STRS, PERS, PFDPF, or SHPRS. An interest charge is payable in addition to the restored funds.

COMPULSORY SERVICE — This is service for which the member should have made contributions 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 during a period when the member was given a choice of contributing or refraining from doing so. In order for the member to purchase this 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 with (served at the same time as) SERS service will be included in determination of retirement benefits.

BENEFIT CALCULATION

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 required benefit amount to allow for an extended period of retirement. Reduction factors are required by Ohio state law and set by the Board as recommended by the actuary.

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 age 60 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 been recommended for approval by a SERS-sponsored medical review 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 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 benefit recipient participates in Medicare B, the premium is paid by SERS and is added to the 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.

COST OF LIVING INCREASES

After 12 months on the benefit rolls, SERS retirants are entitled to an automatic cost of living of 3%. This automatic increase will be paid each year by the Retirement System until the accumulated excess cost of living points fall below 3%. In addition, the legislature has granted several permanent ad hoc increases to SERS retirees, the last such increase being in 1981.

SERVICE TO THE MEMBERSHIP

The reason for the existence of SERS is service to members and retirants. Some special examples of this are:

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 — Members 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 receiving health 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.

In addition, as required by federal tax law, SERS sends each benefit recipient a W2P statement for use in preparing federal and state tax returns. Federal tax law requires SERS to withhold federal taxes from all benefit checks unless the benefit recipient instructs SERS not to withhold these taxes.

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 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.



