

FINANCIAL REPORT
of the
RETIREMENT BOARD

DECEMBER 31, 1939



STATE OF OHIO
PUBLIC EMPLOYEES RETIREMENT SYSTEM
35 EAST GAY STREET * COLUMBUS, OHIO

STRAWBOARDS

MPx

351.5
oh 97f

Retirement Board

WILLIAM J. MALONEY, *Chairman*
Municipal Employee Member*
Cleveland

THOMAS J. HERBERT
Attorney General

JOSEPH T. FERGUSON
Auditor of State

GERTRUDE JONES
Chairman, Civil Service Comm.

CHARLES J. MANNERY
State Employee Member*
Columbus

FRED J. MORR
County Employee Member*
Cincinnati

PAULINE REICH
Miscellaneous Employee Member*
Cleveland Heights

WILSON E. HOGE, *Secretary*

*Employee members of the Board are nominated and elected by the members of the System from among their number. All Board members serve without remuneration.

To Members of the System:

We take pleasure in reporting to you the financial condition of the System as of December 31, 1939.

The "State Employees Retirement System" began operation on January 1, 1935. On July 1, 1938, the name was changed to the "Public Employees Retirement System" and the membership broadened to include other public employees.

Some important changes were made in the law by the 93rd General Assembly. Original members of the System can now secure credit for experience under Boards of Education in Ohio if they have never been given credit for such experience by any other retirement system. Members eligible for retirement by virtue of length of service or age may retire at the end of any quarter.

The State of Ohio is paying its share as an employer on a pay-as-you-go basis. We are receiving from the state during this biennium only the amount necessary to be disbursed currently in pensions to state employees, with no attempt to build reserves to guarantee the continuation of such pensions. The present law provides that the state shall begin paying on a reserve basis at the start of the next biennium.

All other governmental units are paying now on an actuarial reserve basis. Particular attention is called to the fact that the Retirement Board has separated the monies paid by the state from those paid by other units and under no circumstances will use the reserves paid by such other units for the benefit of state employees.

Your active interest in the affairs of the system is encouraged. The Retirement System has been made possible only because of the unselfish and tireless interest of the many persons who strove to establish it with no thought of personal gain. It can continue to serve the best interests of the employees and of the taxpayers only through constant adherence to the vision of a better public service.

Respectfully submitted for the Board.

Wilson E. Hoge
Secretary.



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ANNUAL STATEMENT, YEAR ENDING DECEMBER 31, 1939

| ASSETS | | LIABILITIES | |
|---|---|--------------|--|
| <i>Cash</i> | | <i>Funds</i> | |
| Petty Cash \$ 20.00 Deposits with Treasurer of State 794,217.27 Funds Undeposited 14,530.62 Total \$ 808,767.89 Accounts Receivable 18,000.00 Investments Par Value \$5,535,499.05 Premium 494,670.04 Discount -21,725.23 Book Value 6,008,443.86 Accruals Interest, Discount, etc., not considered in above items 86,025.61 TOTAL ASSETS \$6,921,237.36 | Employees Savings Fund . . . \$5,465,956.05 Employers Normal Fund . . . 592,514.90 Employers Deficiency Fund . . . 354,519.37 State Employers Fund . . . 225,642.57 Annuity and Pension Reserve Fund . . . 176,353.68 Income Fund . . . 77,027.54 Expense Fund . . . 4,854.72 Total Funds \$6,896,868.83 Accruals Bond amortizations, etc., not considered in above items 24,368.53 TOTAL LIABILITIES \$6,921,237.36 | | |

Records of the Public Employees Retirement System are audited yearly by the Bureau of Inspection and Supervision of Public Offices.
 The Treasurer of State is the official banker of the System, and is bonded for the assumption of these responsibilities. The above statements balance with the Treasurer's accounts.

Money belonging to the Retirement System must be held by the Treasurer entirely separate from all other state funds.

Active Accounts

As of the end of the year, the System had approximately 52,000 active members. The System has one of the largest banking problems in the state with 52,000 accounts, most of them active bi-monthly. During 1939, the Retirement Office handled in the neighborhood of 1,300,000 individual postings.

Statements of Account

Each member is entitled to one statement per year upon written request. Thus far, the payment of the one dollar expense fund assessment has been insufficient to permit the discharge of the tremendous volume of work required and yet have a residue with which statements of accounts, membership cards, etc., could be mailed to all members. Many cases have required more than one dollar in a year to pay postage and stationery costs alone, without the consideration of office labor.

Refunds

All employees who separated from the public service and requested refund of their accumulated contributions secured them with as little delay as possible. In the cases of 384 members who died, refunds to estates or beneficiaries totaled \$40,312.61.

Retirement Allowances

During the year, 10,902 retirement warrants totaling \$386,576.18 were mailed. On December 31, 1938, there was a total of 289 retirement cases. The law was amended effective June 30, 1939, to permit retirements quarterly, and by December 31, 1939, a total of 1,077 persons had retired. (For details on procedure, please ask for "Instructions and Information Regarding Procedure in Applying for Superannuation Retirement.")

Investment of Funds

On December 31, 1938, our total funds amounted to \$3,708,218.92. One year later, the total had increased to \$6,896,868.83. The entire funds were invested in the bonds or obligations of Ohio political subdivisions. While the foregoing statement shows

the bonds at their amortized value, the current market value would show very handsome profits.

In the face of unprecedented prices on bonds we still were able to maintain the required interest yield without the purchase of doubtful credits.

Interest Paid

Interest on members' accounts is paid once a year on the preceding year's balance. The present rate is 3%. Interest paid on accounts for the year 1939 totaled \$91,787.63.

Members Should Protect Financial Interests

1. Each member should file personal history record, Form A, immediately upon entrance.
2. Members should designate beneficiaries. When a beneficiary is named, in the event of death refund is made direct to such beneficiary without court documents. Certain court costs and involved procedures are necessary if a beneficiary has not been designated. Members may change designations of beneficiaries by writing for proper form.
3. Members should insist on payrolls carrying their complete names, including middle names, to avoid possibilities of posting to wrong accounts.
4. To avoid later difficulties arising from destruction of records, etc., members should file now proof of date of birth and all service for which credit is being claimed.



FINANCIAL REPORT *of the* RETIREMENT BOARD

DECEMBER 31, 1942



STATE OF OHIO
PUBLIC EMPLOYEES RETIREMENT SYSTEM
35 EAST GAY STREET ★ COLUMBUS, OHIO

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Retirement Board

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Columbus

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Municipal Employee Member*
Cleveland

MARIE A. NEWBERRY
Miscellaneous Employee Member*
Dayton

WILSON E. HOGGE, *Secretary*

To Members of the System:

We take pleasure in reporting to you the financial condition of the System as of December 31, 1942.

Some important changes were made in the law by the 95th General Assembly. Since the amendments are important it is urged that reference be made to bulletins which have been sent to the department heads.

Particular attention is called to the fact that the Retirement Board, in conformity with the law, has separated the monies paid by each employer group, and under no circumstances can the reserves paid by any one unit be used for the benefit of employees of the various other units.

Your active interest in the affairs of the System is encouraged. The Retirement System has been made possible only because of the unselfish and tireless interest of the many persons who strove to establish it with no thought of personal gain. It can continue to serve the best interests of the employees and of the taxpayers only through constant adherence to the vision of a better public service.

Respectfully submitted for the Board.

Wilson E. Hoge

Secretary.

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ANNUAL STATEMENT, YEAR ENDING DECEMBER 31, 1942

ASSETS

Cash
 Office Cash Fund \$ 20.00
 Deposits with Treasurer of State 1,047,670.15
 Funds Undeposited 82,033.95
 Total Cash \$ 1,129,724.10

Accounts Receivable 19,365.88

Investments
 Bonds—Par Value \$ 8,258,415.35
 Premium 711,249.87
 Discount — 20,723.65

Book Value 8,948,941.57
 U. S. Treasury Bonds—
 Par Value \$5,040,000.00
 Premium 82,564.01

Book Value 5,122,564.01
 Book Value—All Bonds \$14,071,505.58

F.H.A. Mortgages—
 Par Value 1,441,183.61

Total Investments 15,512,689.19

Equipment
 Cost 34,265.93
 Less: Depreciation 16,177.45

Present Value 18,088.48

TOTAL ASSETS \$16,679,867.65

LIABILITIES

Funds
 Employes Savings Fund \$11,074,430.64
 Employers Normal Fund 2,840,961.87

Employers Deficiency Fund 1,251,082.67
 State Employers Fund 581,476.71

Annuity and Pension Reserve Fund 639,877.61
 Income Fund 116,632.42
 Expense Fund 7,317.25

Total Funds \$16,511,779.17

Surplus

Reserve for guarantee of
 actuarial interest require-
 ments \$150,000.00

Depreciated value of equip-
 ment 18,088.48

Total Reserves 168,088.48

TOTAL LIABILITIES \$16,679,867.65

The Honorable Joseph T. Ferguson
 Auditor of State
 Columbus, Ohio

Dear Sir:

I have made an examination of the Public Employes Retirement System and hereby certify the above statement of assets and liabilities to show the true financial condition thereof, according to the books and accounts of said retirement system for the year ending December 31, 1942.

R. E. KIRK *State Examiner*

The volume of work handled by the Retirement Office has increased severely in the past year. A number of factors have contributed to that increase, among which have been increased membership, increased numbers on retirement, and an accelerated rate of turnover in public personnel as a result of the war emergency.

Membership

Membership increased to approximately 60,000 during the year in spite of reduction in personnel in some branches of the government. The increase was due largely to the fact that the City of Cleveland purchased its local railway system, thereby bringing approximately 4300 employes within the provisions of the Retirement System.

Active Accounts

The System has one of the largest banking problems in the state with approximately 60,000 accounts, most of them active bimonthly. During 1942, the Retirement Office handled in the neighborhood of 1,440,000 individual postings. As of December 31, 1942, statements were distributed to all members showing their accumulated contributions as of that date.

Refunds

Refunds to employes leaving the public service increased during the year as a result of entrance into military service and war industry. Disbursements therefore were much larger than in the previous year both as to number and amount. In spite of the increase refunds were made with as little delay as possible.

Retirement Allowances

At December 31, 1942, there were 2112 persons receiving retirement allowances as compared with 1791 on December 31, 1941, thus demanding the writing and mailing of 3852 more retirement checks than during the previous year.

Funds and Investment Problems

On December 31, 1941, our total funds amounted to \$13,558,947.16. One year later, on December 31, 1942, the total had increased to \$16,679,867.65. The entire funds were invested in Ohio political subdivisions and federal government obligations.

While the foregoing statement shows the bonds at their amortized value, the current market value would show very handsome profits.

Until the present war emergency started almost all of our funds were invested in Ohio municipal bonds. During 1942 we purchased United States government bonds almost exclusively. That program resulted from two causes. First, we desired to participate to the utmost in the war financing, and second, the scarcity of municipal bonds caused rapid advance in prices with resulting low yields to such a point that the interest returns on the federal obligations actually represented the most lucrative investment available to us. Since the war emergency started we have invested \$5,040,000.00 in such bonds.

Interest Paid

As a result of the above condition our average return on investments has dropped rapidly. For the year 1942 we paid interest on accounts at the rate of 1½%. However, an amendment to the law guarantees 4% interest, compounded annually, to all members who eventually retire. You will note by the financial statement that reserves are being set up for such guaranteees.

Members Should Protect Financial Interests

1. Each member should file personal history record, Form A, immediately upon entrance.
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3. Members should insist on payrolls carrying their complete names, including middle names, to avoid possibilities of posting to wrong accounts.
4. To avoid later difficulties arising from destruction of records, etc., members should file now proof of date of birth and all service for which credit is being claimed.

