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# THE PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO ANNUAL REPORT 1968

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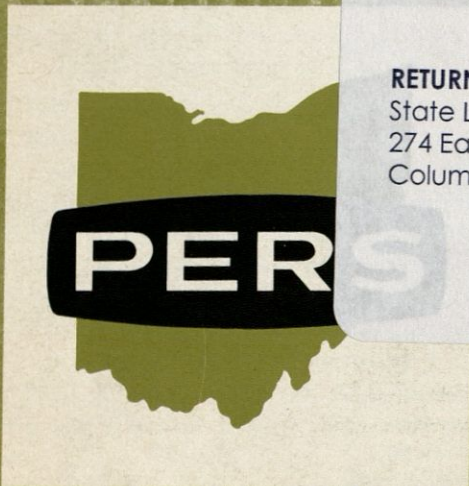


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SECURITY IS OUR BUSINESS

## SECURITY IS OUR BUSINESS

For thousands of career public employees the savings and service credit they have with the Public Employees Retirement System of Ohio is the most important financial security they possess. Our basic responsibility is to protect that security and to assure that when members or their beneficiaries qualify for monthly benefits they receive their payments regularly and in the exact amount provided under the law.

The Retirement System was created by the Ohio Legislature in 1935. This Report provides primarily the statistics on the past year's operations, comparisons with 1967, and, in some instances, comparisons with other years. We cannot hope in such brevity to cover the human interest side of the Retirement System; the story of the people — the elderly, the widows, the orphans, the disabled — who depend on P.E.R.S. for most, if not all, of their livelihood. It is in them, however, that the Retirement System fulfills its primary objective.

Each year brings increased responsibility to the Retirement Board and the staff who administer the System. This report of the dollars handled and people served is an accounting of the stewardship of the staff who have carried out the day-to-day operations of the System.

The year was indeed one of growth. For example, our membership — state, county, municipal, and miscellaneous groups — grew by some 11,000 to more than 213,000. Assets of the System reached a new record high of

\$1,240,489,352 at year's end, among the largest for any public employee retirement system in the nation.

The continuing record high interest rates, particularly on corporate bonds, provided the Board with the opportunity to increase the rate of return on investments. During the year \$110,002,000 par value of high grade long term bonds were purchased at prices which provide a yield to maturity of 6.63%. Increased investment income was a factor in enabling the Retirement Board to revise downward the earlier estimated employer rate by 3/10 of 1.0% of covered payrolls.

The year brought amendments to the law, enacted by the 107th Ohio General Assembly. For those who had retired prior to July 1, 1968, the legislature approved increases related to "cost-of-living" changes. For those retiring after the date increases were achieved by a change in the benefit formula. Some 3,000 new cases were processed during the year, with more than half of these being filed at mid-year when the amendments became effective. At the close of the year monthly payments were going to more than 33,600 individuals in a total amount of \$4,659,307, both record highs.

These amendments were a factor in the increase in assets as well as the increase in benefit payments and reserve obligations. Reserves of the system, needed to meet the additional liabilities created by the higher benefits for both present and future retirants, had to

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MAJOR TOTALS  
FOR THE YEAR 1968

MEMBERSHIPS

Net gain in active members in 1968	6,958	
Total active members as of Dec. 31, 1968	185,692	
Total inactives (on leaves of absence)	27,428	
Total membership as of December 31, 1968		213,120

BENEFIT RECIPIENTS

Net gain in number qualifying for benefits in 1968	2,224	
Total receiving benefits as of December 31, 1968		33,692

BENEFIT PAYMENTS

Net gain in total payments in 1968	\$4,884,234	
Total benefits paid during 1968		\$53,239,229

ASSETS

Net gain in receipts over expenditures for year	\$126,887,303	
Total of assets as of December 31, 1968		\$1,240,489,352

be increased. As a result of the additional obligations to future retirants member rates went from 7.0% to 7.7% effective July 1, 1968. Employer contribution rates, which are currently 8% for local government units and 9% for state units, each will go up by 1% on July 1, 1969, to help fund the benefit increases to both current and future retirants.

As the System's operations and size have increased so has the need for space. The proposed new P.E.R.S. Building is expected to

fulfill that need. Plans and specifications for the new three-story structure were approved by the Board late in 1968 after careful and prolonged study. Excavation was started early in 1969. It is hoped that the System could move from its inadequate present leased quarters to its own new building before mid-1970.

*Paul E. Moyer*  
Chairman — 1969  
The Retirement Board

## MANAGEMENT



Paul E. Moyer (right), 1969 Board Chairman, who is treasurer of Bowling Green State University and state employee representative, is shown here with, left to right, Richard W. Bosworth, investment officer, and Norman E. Lust, comptroller of the System and Stanley R. Swanson, assistant vice president, Moody's Investors Service, investment counsel for the Board.

The general administration and management of the Retirement System is vested in a board of seven members, four of whom are elected by the membership. The law designates the other three members, who are the Attorney General of Ohio, the Auditor of State and the Director of State Personnel.

The employee members are elected to terms of four years by the membership groups they represent, namely, state, county, municipal and miscellaneous group public employees. All serve without compensation. They meet monthly in Columbus at the offices of the Retirement System, 35 East Gay Street.

Pictured on these two pages are members of the Board as well as Executive Director Fred L. Schneider and a few other key staff members employed by the Board to administer the daily operations of the System. These staff members are part of a total force of 126 persons employed by P.E.R.S.



*Richard G. Roeder  
Gabriel, Roeder, Smith & Co.  
Consulting Actuaries*



*Raymond W. Bethel, M.D.  
Medical Consultant*



*Paul W. Brown  
Attorney General  
Columbus*



*Roger Cloud  
Auditor of State  
Columbus*



*Wayne Ward  
Director,  
Ohio Department  
of Personnel  
Columbus*

*An architect's model of the System's proposed new building appears in this picture with, left to right, Fred L. Schneider, executive director of P.E.R.S.; Miss Elma A. Whitney, chairman (1968) of the Retirement Board; Mrs. Helen Roscoe, secretary to the Board; and J. Douglass Peters, deputy director of P.E.R.S.*



*Two of the veteran members of the Board chat in this informal picture taken before a recent meeting. Robert D. McKean (left), senior cashier, City Treasurer's Office, Cleveland, has represented municipal employees since 1952. Fred J. Morr, Cincinnati, Hamilton County Auditor, has represented county employees since 1939, longest tenure of any Board members.*

*Services to employer groups and the membership in the field are handled by E. A. Engert (left). William G. Wilcox, administrative assistant, is in charge of publications and public relations.*



## AS MEMBERSHIP AND RETIREMENT RIGHTS GROW SO MUST FUNDS AND RESERVES INCREASE

Each new member and each day of earnings by a public employee adds to the responsibilities of the Retirement System. For as membership increases and as retirement equities accumulate so must the funds and reserves of the System be increased. Rates for employees and employers must be adjusted so that when these contributions are combined with investment income we achieve the funding that will assure the payment of current and future benefit obligations.

When the law is amended, as it was last year by the 107th Ohio General Assembly, rates must be adjusted to provide the funds to meet the enacted increases. Any adjustments in rates are made by the Board on the recommendation of the System's actuary after a study of the effect of the increases in relation to the Sys-

tem's income, funds and reserves. As a result of the 1968 amendments the contribution rate for members was increased from 7.0% to 7.7% effective July 1, 1968. Rates for employers, currently 8.0% for local government units and 9.0% for state units, will be increased to 9.0% and 10.0%, respectively, on July 1, 1969.

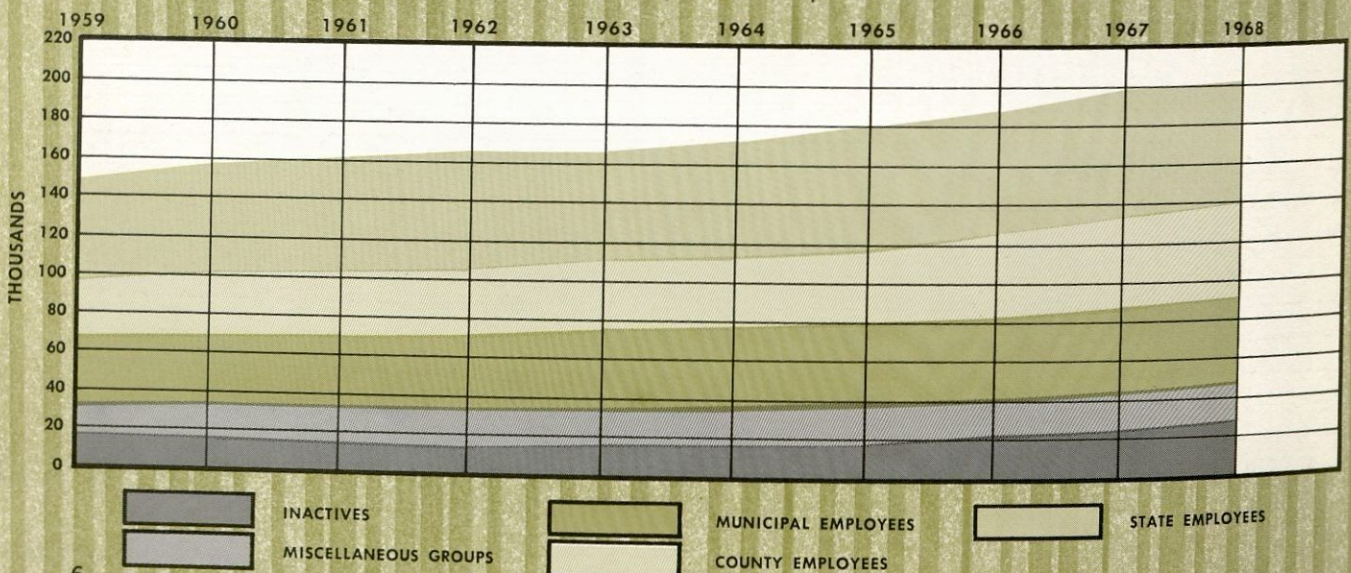
The growth of membership in P.E.R.S., as well as in its Funds and Reserves, is illustrated in the figures and graphs below. At the close of 1968, the System had 213,120 members, including those on "leave of absence," shown as "inactives." Its Funds and Reserves totalled \$1,240,472,741. The various categories of public employees in the System are listed in the tabulations below. Elected officials who have exercised their option of becoming members are included in the figures.

### MEMBERSHIP IN PERS—1968-1967

EMPLOYER GROUPS	NUMBER OF UNITS		NUMBER OF MEMBERS	
	1968	1967	1968	1967
State of Ohio .....	183	193	71,260	68,093
County Governments .....	154	177	47,198	44,369
Municipal Governments .....	801	793	46,745	46,221
Miscellaneous Groups				
Public Libraries .....	248	247	5,930	5,705
Townships .....	1,241	1,227	7,143	6,631
Others .....	272	267	7,416	7,715
TOTALS .....	2,899	2,904	185,692	178,734
*Inactives .....			27,428	23,127
TOTAL MEMBERSHIP .....			213,120	201,861

\*INACTIVES — Refers to those members who have separated from public employment but have left their accumulated contributions on deposit with PERS.

### GROWTH IN MEMBERSHIP—A 10-year comparison



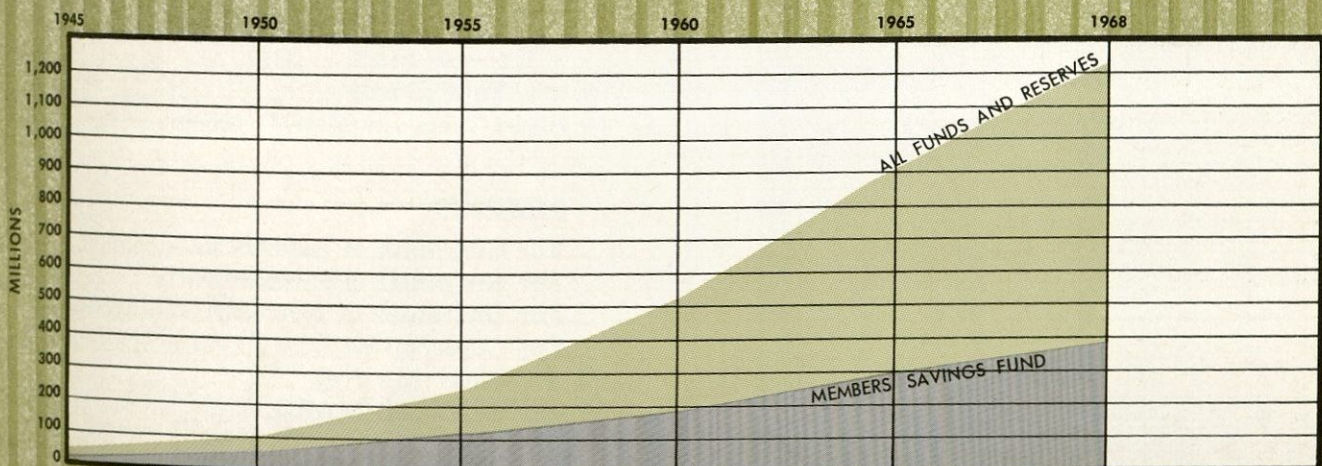
## FUNDS

	1968	1967
Members' Savings Fund .....	\$ 381,794,473.56	\$ 347,888,074.07
Employers' Accumulation Fund .....	254,166,422.65	251,556,087.87
Annuity and Pension Reserve Fund .....	486,918,975.20	399,294,452.22
Survivor Benefit Fund .....	106,534,208.27	96,948,666.02
Income Fund .....	5,505,268.61	3,804,211.64
Interest Reserve for Members Retiring in Next Year...	1,500,000.00	1,500,000.00
Expense Fund (Balance Remaining from Previous Year's Administration Expenses) .....	20,153.00	101,758.35
<b>TOTAL FUNDS</b> .....	<b>\$1,236,439,501.29</b>	<b>\$1,101,093,250.17</b>

## RESERVES

For Guarantee of Interest Maintenance .....	\$ 1,902,939.00	\$ 1,902,939.00
For Guarantee of Investments .....	1,677,052.00	1,677,052.00
For Guarantee of Mortality Contingencies .....	453,249.00	3,453,249.00
For Contribution Rate Increase Contingency .....		5,458,948.56
<b>TOTAL RESERVES</b> .....	<b>\$ 4,033,240.00</b>	<b>\$ 12,492,188.56</b>
<b>TOTAL OF FUNDS AND RESERVES</b> .....	<b>\$1,240,472,741.29</b>	<b>\$1,113,585,438.73</b>

GROWTH OF MEMBERSHIP SAVINGS AND ALL FUNDS—A 23-year comparison



## NOTES TO FINANCIAL STATEMENT

### ASSETS

**CASH** Only enough cash is on deposit at the State Treasury to meet the outstanding checks written for benefit payments, refunds and expenses.

**ACCOUNTS RECEIVABLE** These are employers' contributions due for the last quarter of 1968.

**EQUIPMENT DEVELOPMENT** In 1965 the Board began a program of modernizing methods and equipment. The cost of this new equipment will be amortized over a six-year period.

**BONDS** Most (80%) of P.E.R.S. money is invested in bonds — U. S. Government, municipals and those of corporations rated A or higher. The corporate holdings include bonds issued by industries, utilities, railroads and U. S. insured steamship bonds. These bonds are listed at their par value.

**MORTGAGES** P.E.R.S. owns only Capehart Mortgages. These secure loans, guaranteed by the U. S. Government, on dependent housing on armed forces bases.

**CORPORATE STOCK** P.E.R.S. owns 79 stocks selected by the Board, on the advice of investment counsel, for their high quality. These stocks represent 10% of the portfolio.

### LIABILITIES

#### FUNDS

*Member's Savings Fund* — The 7.7% deducted from the pay of all employee members is held in trust in this fund. Return of his entire account, as a benefit or as a refund, is guaranteed to each member or his beneficiary or his estate.

*Employers' Accumulation Fund* — The current 9% of payroll paid by the State and the 8% paid by local governments are held in this fund for later transfer to the Annuity and Pension Reserve Fund when a member retires or his survivors qualify for benefits.

*Annuity and Pension Reserve Fund* — When a member retires, enough money is set aside in this fund to guarantee monthly benefits for the rest of his life. The amount set aside for each retiree includes:

- 1) all retirement deductions from his pay;
- 2) his employer's "matching" contributions;
- 3) interest earned by these funds.

*Income Fund* — Includes all income from investments. Interest from this source is credited to the other funds each year. The 1968 interest has been credited. The remainder shown in the fund is for transfer to the Expense Fund to operate the system during 1969 and to guarantee special interest requirements for 1969 retirees.

*Expense Fund* — Each January the Retirement Board adopts a budget to pay operating costs for the coming year. The money remaining at the close of 1968 from the budgeted amount is shown here.

### RESERVES

In keeping with prudent management, the Retirement Board guards against unforeseen costs by setting up special reserves to meet any such contingencies.

## STATEMENT OF ASSETS, LIABILITIES AND RESERVES

### ASSETS

#### Cash

Office Cash Fund \_\_\_\_\_

Cash and Temporary Investments \_\_\_\_\_

Total Cash \_\_\_\_\_

Accounts Receivable \_\_\_\_\_

Equipment Development and Improvement  
Investments \_\_\_\_\_

Bonds — Par Value — U. S. Treasury \_\_\_\_\_

Federal Land Bank \_\_\_\_\_

F. N. M. A. \_\_\_\_\_

U. S. Gov't. Ins. \_\_\_\_\_

Merchant Marine \_\_\_\_\_

Corporate \_\_\_\_\_

Municipal \_\_\_\_\_

Total Bonds at Par \_\_\_\_\_

Add Premium \_\_\_\_\_

Deduct Discount \_\_\_\_\_

Book Value Bond Investments \_\_\_\_\_

Mortgages (Capehart) Par \_\_\_\_\_

Add Premium \_\_\_\_\_

Deduct Discount \_\_\_\_\_

Book Value Mortgages \_\_\_\_\_

Stocks (At Cost): Common \_\_\_\_\_

Preferred Convertible \_\_\_\_\_

TOTAL ASSETS \_\_\_\_\_

### LIABILITIES

#### Funds

Members' Savings Fund \_\_\_\_\_

Employers' Accumulation Fund\* \_\_\_\_\_

Annuity and Pension Reserve Fund \_\_\_\_\_

Survivor Benefit Fund \_\_\_\_\_

Income Fund \_\_\_\_\_

Interest Reserve for

Members Retiring in 1969 \_\_\_\_\_

Expense Fund \_\_\_\_\_

Total Funds \_\_\_\_\_

Short Term Investment Income \_\_\_\_\_

### RESERVES

For Guarantee of Interest Maintenance \_\_\_\_\_

For Guarantee of Investments \_\_\_\_\_

For Guarantee of Mortality Contingencies \_\_\_\_\_

For Contribution Rate Increase Contingency \_\_\_\_\_

Total Reserves \_\_\_\_\_

TOTAL LIABILITIES AND RESERVES

\* Not listed are the unfunded accrued service liabilities. These liabilities are regularly determined by actuarial valuation and as of the most recent valuation (12/31/67) the actuary calculated them to total \$326,428,616. They are being amortized over a period of approximately 22-1/2 years.



1968

\$ 20.00  
1,401,633.09

\$ 1,401,653.09  
 21,202,453.99  
 155,466.00

\$165,462,000.00  
 15,735,000.00  
 4,550,000.00

2,745,000.00  
 770,177,000.00  
 21,117,500.00  
\$979,786,500.00  
 7,886,492.38  
 2,124,694.51

985,548,297.87

\$113,081,986.62  
 193,721.78  
3,312,212.49

109,963,495.91  
 120,393,820.72  
 1,824,165.35  
\$1,240,489,352.93

\$381,794,473.56  
 254,166,422.65  
 486,918,975.20  
 106,534,208.27  
 5,505,268.61

1,500,000.00  
20,153.00

\$1,236,439,501.29  
 16,611.64

\$ 1,902,939.00  
 1,677,052.00  
 453,249.00

4,033,240.00  
\$1,240,489,352.93

1967

\$ 20.00  
197,140.55

\$ 197,160.55  
 19,896,293.25  
 125,970.00

\$187,212,000.00  
 15,735,000.00  
 4,550,000.00

2,745,000.00  
 663,518,000.00  
 21,986,500.00  
\$895,746,500.00  
 7,485,793.02  
 1,957,726.29

901,274,566.73

\$117,602,400.79  
 200,027.96  
3,452,252.87

114,350,175.88  
 77,752,608.43

\$1,113,596,774.84

\$347,888,074.07  
 251,556,087.87  
 399,294,452.22  
 96,948,666.02  
 3,804,211.64

1,500,000.00  
101,758.35

\$1,101,093,250.17  
 11,336.11

\$ 1,902,939.00  
 1,677,052.00  
 3,453,249.00  
5,458,948.56

12,492,188.56  
\$1,113,596,774.84

## INVESTMENT INCOME CONTINUES TO INCREASE . . . BOND PURCHASES IN 1968 BRING YIELD OF 6.63 PER CENT

Perhaps the year's most significant investment development for retirement systems and other large long-term investors was the continuing high level in the interest rates on new issues of corporate bonds. This situation served to further increase the rate of return on the System's investment portfolio.

During the year, P.E.R.S. purchased \$110,002,000, par value of high grade long term

bonds at prices which provide a yield to maturity of 6.63%. The net effect on the yield from all corporate bond holdings of the System was to increase the rate from 4.71% in 1967 to 4.99% in 1968, and the yield on all P.E.R.S. investments, as listed below, to 4.62%, the highest rate to date.

At the same time the Board achieved a larger percentage in its common stock investments.

### ANNUAL INCOME— 1968-1967

EMPLOYING UNIT	EMPLOYERS' CONTRIBUTIONS		EMPLOYEES' CONTRIBUTIONS		TOTAL	
	1968	1967	1968	1967	1968	1967
State of Ohio	\$34,817,170.71	\$29,686,794.04	\$28,189,427.48	\$23,090,027.70	\$ 63,006,598.19	\$ 52,776,821.74
Municipalities	20,419,097.73	18,146,150.00	18,618,924.47	15,989,067.73	39,038,022.20	34,135,217.73
Counties	17,605,334.15	16,151,278.38	16,003,758.26	14,254,822.29	33,609,092.41	30,406,100.67
Miscellaneous	7,089,715.57	6,483,323.95	6,463,769.17	5,707,296.18	13,553,484.74	12,190,620.13
Total Contributions	\$79,931,318.16	\$70,467,546.37	\$69,275,879.38	\$59,041,213.90	\$149,207,197.54	\$129,508,760.27

TYPE OF INVESTMENT	INVESTMENT INCOME	
	1968	1967
Bonds	\$ 40,888,887.28	\$ 34,370,025.71
Commercial Paper (short term)	396,683.34	147,357.32
Mortgages	4,876,075.13	4,905,604.16
Stocks	3,815,200.59	2,540,070.28
Total Investment Income	\$ 49,976,846.34	\$ 41,963,057.47

### ANNUAL RECEIPTS FROM EMPLOYERS, EMPLOYEES AND INVESTMENTS—A 23-year comparison



The objective here was not current high dividend return, but rather greater participation in the growth of our economy through investment in the common stock of the major corporations of America. Hopefully, this action would help serve to offset purchasing power erosion due to inflation.

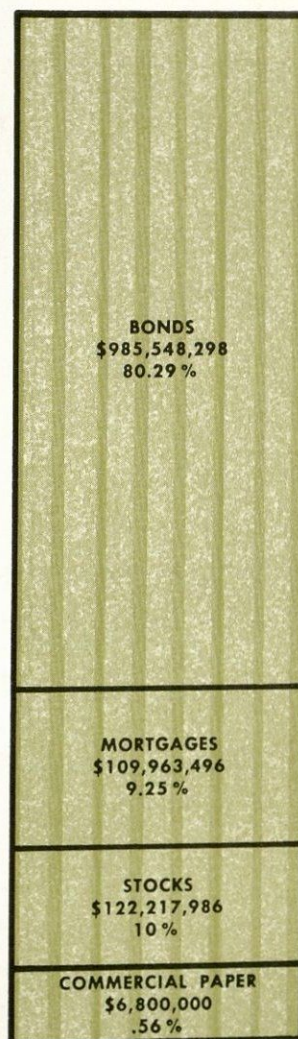
The System purchased common stocks in every month of the year, for a total investment

of \$46,075,517. Included in this total was the sum of \$2,021,172 realized from the sale of common stocks sold at a profit of \$410,732, which was reinvested in other stocks. By the end of the year the System had increased its common stock holdings to 10% of its total investment portfolio as compared with 7.10% a year ago. The statutory limitation is 25%.

### INVESTMENTS— 1968-1967 COMPARED

	TOTALS		% OF TOTAL INVESTMENTS <sup>(1)</sup>	
	1968	1967	1968	1967
Bonds—Par Value				
U. S. Treasury	\$ 165,462,000	\$ 187,212,000	13.54	17.09
Federal Land Bank	15,735,000	15,735,000	1.29	1.44
F. N. M. A.	4,550,000	4,550,000	.37	.41
U. S. Gov't. Ins.				
Merchant Marine	2,745,000	2,745,000	.23	.25
Corporate	770,177,000	663,518,000	63.03	60.57
Municipal	21,117,500	21,986,500	1.73	2.01
Total	\$ 979,786,500	\$ 895,746,500		
Add Premium	7,886,492	7,485,793		
Deduct Discount	2,124,694	1,957,726		
Book Value Bonds	\$ 985,548,298	\$ 901,274,567		
Mortgages (Capehart) Par	113,081,987	117,602,401	9.25	10.73
Add Premium	193,722	200,028		
Deduct Discount	3,312,213	3,452,253		
Book Value Mortgages	\$ 109,963,496	\$ 114,350,176		
Commercial Paper	6,800,000	4,400,000	.56	.40
Stocks (At Cost)				
Common	120,393,821	77,752,608	9.85	7.10
Preferred Convertible	1,824,165		.15	
TOTAL INVESTMENTS				
BOOK VALUE	\$1,224,529,780	\$1,097,777,351	100.00	100.00

### CURRENT INVESTMENTS BY TYPE



(1) Based on Bonds, Mortgages and Commercial Paper at Par Value, and Stocks at Cost.

## CHANGES IN LAW BRING BENEFIT INCREASES TO RETIRANTS IN 1968

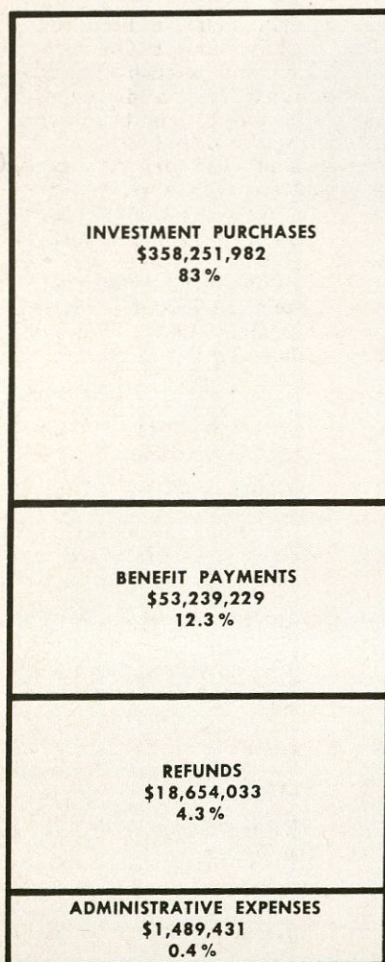
Statistics cannot truly portray the role of the Retirement System in the lives of people. For the members, it is, in many instances, the depository of his life's savings. For the retirant, it can be, and often is, his only source of income. For both it usually represents their greatest assurance of retirement security. It is in the service to these persons — the members and the retirants — that the Retirement System achieves its purpose for being.

At the close of 1968 there were 33,692 retirants, beneficiaries, widows, orphans, elderly

parents and disabled persons receiving monthly benefits from the Retirement System. In 1967 the total was 31,692. Payments to them during 1968 totalled \$53,239,228, a gain of \$4,884,234 over 1967. The higher figures for 1968 reflect not only the growing number of retirants, but also the increases in benefit amounts that became effective in mid-year.

Members of the 107th Ohio General Assembly sought, in enacting higher benefits, to offset some of the erosion in purchasing power caused by mounting costs of living. The amendments

### ALLOCATION OF EXPENDITURES IN 1968



### EXPENDITURES

TYPE	1968 AMOUNT	1967 AMOUNT
Retirement Allowances	\$ 43,640,159.79	\$ 39,780,016.95
Beneficiary Allowances	4,877,359.79	4,415,962.40
Survivor Benefits	2,320,413.88	2,049,642.91
Disability Benefits	2,401,295.61	2,109,372.16
Refunds to Members	17,088,540.17	14,590,481.52
Refunds to Beneficiaries	1,565,493.08	1,396,794.78
<b>TOTAL</b>	<b>\$ 71,893,262.32</b>	<b>\$ 64,342,270.72</b>
Investments	358,251,982.44	256,588,053.80
Administrative Expenses	1,489,431.57	1,082,882.56
<b>TOTAL</b>	<b><u>\$431,634,676.33</u></b>	<b><u>\$322,013,207.08</u></b>

provided those who retired prior to July 1, 1968, with a scale of increases geared to the change in the "cost-of-living" index (C.P.I.) since the year of retirement. Those retiring after that date were provided with a new benefit formula that results also in higher benefits.

The problem of inflation vs. the retirant is a continuing one and more adequate solutions are being sought. The Ohio Retirement Study Commission, for example, is considering possible answers. This Commission, also created at the last session, is composed of 14 members,

including representatives of the five retirement systems in Ohio, three members of the Ohio Senate, three members of the Ohio House of Representatives and three members appointed by the Governor. It will submit its findings and recommendations to the Governor and the General Assembly.

Operating costs of the System are slightly higher than a year ago, reflecting general advances in costs of equipment, supplies, rent and salaries. The relative sizes of all expenditures during the year are illustrated in the bar graph.

## OPERATING COSTS AND CAPITAL EXPENDITURES

OPERATING COSTS	1968	1967
Salaries	\$ 795,093.15	\$ 730,355.08
Rent	57,193.79	56,545.68
Equipment (Includes Rental, Repair, Replacement, Amortization)	137,795.65	87,893.26
Stationery and Printing	51,346.51	38,568.04
Office Supplies	14,641.16	11,757.70
Telephone, Telegraph, Power, Freight and Express	16,372.77	14,983.98
Postage	40,488.05	36,037.18
Insurance and Workmen's Compensation	12,379.82	13,356.36
Employer's Contribution (P.E.R.S.)	59,159.96	44,303.92
Medical Examinations and Investigations	15,807.23	12,675.92
Actuarial Service	12,350.00	4,450.00
Audit Service (Bureau of Inspection)	3,886.80	3,949.81
Investment Service	8,500.00	8,500.00
Microfilm	1,392.50	1,207.18
Travel (Staff, Director, Board)	5,989.19	5,448.37
Publications (Subscriptions)	1,199.84	1,083.20
Bond Charges	7,934.31	5,523.69
Miscellaneous and Remodeling	15,734.80	6,243.19
Retirement Study Commission Assessment	8,582.20	
<b>TOTAL OPERATING COSTS</b>	<b>\$1,265,847.83</b>	<b>\$1,082,882.56</b>
<b>CAPITAL EXPENDITURES</b>	<b>223,583.74</b>	<b>—0—</b>
<b>TOTAL</b>	<b>\$1,489,431.57</b>	<b>\$1,082,882.56</b>

## COUNSELOR'S GUIDEBOOK

A new information brochure, "The Retirement Counselor's Guidebook" was published by the Retirement System during the year. Its purpose is to provide public employers and others who counsel staff members on retirement matters with a ready reference brochure. Copies of this booklet and other information leaflets for members are available by writing to the Public Employees Retirement System, 35 East Gay Street, Columbus, Ohio 43215. Titles of these leaflets are:

- No. 1 Survivor Benefits — Beneficiary Designations
- No. 2 Estimating Retirement Benefits
- No. 3 How to Apply for Your Retirement Benefits
- No. 4 Disability Retirement
- No. 5 How to Regain Lost Service Credit By Redeposit of Refunds
- No. 6 Statement of Funds
- No. 7 Payment Plans
- No. 8 PERSONAL . . . A Word to the Wives

A Handbook for Members

The Retirement Counselor's Guidebook

STATEMENT OF CHANGES IN FUNDS AND RESERVES  
FOR YEAR ENDED DECEMBER 31, 1968

As money is received by the Retirement System from contributions of employers and employees and from income on investments it is credited to the appropriate funds of the System according to source. Transfers and distributions from these funds then are made later, as needed to provide benefit payments to members when they qualify for them.

Thus when a member retires or qualifies for disability benefits, or when his survivor or beneficiaries qualify for benefits (in the event of his death), all the money the member had in his savings account is transferred from the "Members' Savings Fund" to the appropriate "annuities" fund for him. These four "annuities"

funds are designated in the table below as Disability Benefits, Retirement Annuities, Beneficiary Annuities and Survivor Annuities.

In addition to the money transferred from the "Members' Savings Fund," there also must be sufficient additional money transferred to the appropriate annuity to assure that payments will continue as long as they are due. This additional money is transferred, in amounts determined by actuarial tables, from two sources, namely, the Employers' Accumulation Fund and the Investment Income Fund.

Such transfers and distributions for 1968, as well as those for other indicated purposes, are shown in the table below.

FUNDS	BALANCE JANUARY 1 1968	INCOME IN EXCESS OF EXPENDITURES	INTEREST DISTRIBUTION ADDITION	INTEREST DISTRIBUTION DEDUCTION	TRANSFER ADDITION
Members' Savings Fund	\$ 347,888,074.07	\$ 51,273,153.60	\$ 4,875,543.59		
Employers' Accumulation Fund	251,556,087.87	68,428,527.33	25,623,062.23		\$ 8,458,948.56
Future Survivor Annuities	19,952,345.04	11,460,790.43	665,488.00		
Disability Benefits	41,696,195.56	(2,394,737.16)*	1,437,590.00		8,945,318.34
Retirement Annuities	357,491,536.02	(43,211,827.44)*	12,070,919.00		110,696,288.04
Statutory Cost of Living Adjustments	106,720.64	80,972.20*			
Beneficiary Annuities	53,701,460.43	(4,877,359.79)*	1,795,007.00		7,042,391.20
Survivor Annuities	23,294,860.55	(2,320,161.55)*	799,491.00		6,319,913.20
Administrative Expenses	101,758.35	(1,482,213.57)			1,400,608.22
Income Fund	5,304,211.64	49,930,158.51		\$47,267,100.82	
RESERVE for Guarantee of Interest Maintenance	1,902,939.00				
RESERVE for Guarantee of Investments	1,677,052.00				
RESERVE for Guarantee of Mortality Contingencies	3,453,249.00				
RESERVE for Contribution Rate Increase Contingency	5,458,948.56				
<b>TOTAL</b>	<u>\$1,113,585,438.73</u>	<u>\$126,887,302.56</u>	<u>\$47,267,100.82</u>	<u>\$47,267,100.82</u>	<u>\$142,863,467.56</u>

\* Disbursement Account Only.

# ANNUAL AUDIT AND ACTUARIAL VALUATION

All receipts and disbursements of the Public Employees Retirement System are audited annually by the Bureau of Inspection and Supervisions of Public Offices in the Office of the Auditor of State. The audit for 1968 was in progress when this report went to press.

*From the Actuary*

TRANSFER DEDUCTION		<b>BALANCE DECEMBER 31 1968</b>	
\$ 22,242,297.70	\$	381,794,473.56	
99,900,203.34		254,166,422.65	
11,300,017.24		20,778,606.23	
		49,684,366.74	
		437,046,915.62	
		187,692.84	
		57,661,498.84	
		28,094,103.20	
		20,153.00	
962,000.72		7,005,268.61	
		1,902,939.00	
		1,677,052.00	
3,000,000.00		453,249.00	
5,458,948.56			
\$142,863,467.56		\$1,240,472,741.29	

**GABRIEL, ROEDER, SMITH & COMPANY**  
CONSULTING ACTUARIES  
FIRST NATIONAL BUILDING  
DETROIT, MICHIGAN 48226  
AREA 313 961-3346

February 10, 1969

The Retirement Board  
Public Employees Retirement System of Ohio  
35 East Gay Street  
Columbus, Ohio 43215

Ladies and Gentlemen:

The last completed annual actuarial valuation determining the System's liabilities covering retirants and beneficiaries now receiving benefits, is the June 30, 1968 actuarial valuation.

This valuation indicates that these liabilities (for future benefit payments to these people) are fully funded by applicable System reserve assets.

The last completed biennial actuarial valuation of the System's non-retired members is the December 31, 1967 valuation.

This valuation indicates that the employee and employer contribution rates, established by the Retirement Board in accordance with the provisions of statute, are sufficient:

- (i) To fully fund the costs of benefit commitments being made to members for their service currently being rendered; and
- (ii) To fund over a reasonable period of future years the unfunded portion of liabilities for their service already rendered.

Based upon these valuations it is our opinion that the Public Employees Retirement System of Ohio is in sound condition in accordance with accepted actuarial principles.

Respectfully submitted,

*R. G. Roeder*

Richard G. Roeder

RGR:eam

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THE PUBLIC EMPLOYEES