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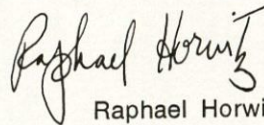
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In Appreciation

The 1971 Annual Report marks the end of the notable career of Fred L. Schneider as Executive Director. He has been associated with the System for 33 of its 36 years, and its executive head for most of that time.

No other individual has had more to do with the direction of this growing organization. It has been with care and diligence that he has guided P.E.R.S. through its years of growth to its present attainments.

We of the Board are mindful of his great contribution, and in making this Annual Report to the Governor, the members of the Legislature and to the people of Ohio, wish to express to him our admiration and appreciation.



Raphael Horwitz,
Chairman of the Board, 1972

The Retirement Board



RAPHAEL HORWITZ, Chairman
Representing State Employees
Columbus



CHARLES E. HUGHES
Representing Municipal Employees
Dayton



MARK McELROY
Representing County Employees
Cleveland



DORIS WOOD
Representing Miscellaneous Employees
Batavia



WILLIAM J. BROWN
Attorney General
Columbus



PAUL A. COREY
Director, Department of State
Personnel
Columbus



JOSEPH T. FERGUSON
Auditor of State
Columbus

J. DOUGLASS PETERS
Acting Director

FRED L. SCHNEIDER
Director Emeritus

JUL 24 1972

A Brief History of P.E.R.S.

The Public Employees Retirement System of Ohio was created by act of the Legislature in a decade that started with despair but ended with hope. The 90th General Assembly passed the Retirement Act in 1933 at a time when the nation was in the grip of the Great Depression.

The Ohio Retirement Act was part of legislative efforts in that decade to provide protection for citizens against the financial hazards not only of a depression but also against total loss of income that often is associated with disability and old age. Federal legislation aimed at providing similar protection for workers (and their families) in non-public jobs also was a product of that decade.

Today the Retirement System extends coverage to all public employees in Ohio—more than 232,000 of them—and their families. This protection represents for many of them their most important financial resource at death, disability or at time of retirement.

In the beginning membership in the Retirement System was limited to state employees; there were about 6,000 "charter" members in 1935, among them Fred L. Schneider, who later was to become its director.



FRED L. SCHNEIDER

First Benefit Paid in 1938

Deductions from the salaries of state employees for retirement started in 1935; the State of Ohio made its first employer contributions to the System in 1937; and in 1938, the first retirement benefit was paid. There were fewer than 300 retirants at that early date; today more than 40,000 receive retirement, disability or survivor benefits each month. In 1971 benefit payments totalled more than \$74,000,000.

The year 1938 was one of unusual growth in the size of the Retirement System. The Legislature expanded the membership to include employees of counties, municipalities, public libraries, and health, park, sanitary and conservancy districts. In that one year the number of active members grew from about 16,000 to more than 42,000.

It also was in 1938 that the name of the System was changed from State Employees Retirement System to its present designation; and Mr. Schneider joined the staff. He was named Executive Secretary (subsequently the title "Secretary" was changed to Director) five years later.

Disability benefits have been a part of the Ohio System from the first. In fact the Ohio System was the nation's first state-wide retirement system to establish a comprehensive schedule of benefits for all covered employees—survivor, disability, service retirement, benefit vesting and refunds. Survivor benefits were added to Ohio's comprehensive schedule of benefits in 1951—another first at that time.

Other changes in the law followed, including over a space of 15 years, five major benefit increases for retirants, and adjustments upward in the benefit formula for those yet to retire. Despite these increases, rising living costs continued then as now to perplex the retirement system and the Legislature.

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Cost-of-Living Increase Voted

Ohio, in 1970, enacted a 1½% cost-of-living increase, starting July 1, 1971, for retirants who had received at least 36 monthly payments by that date. The legislature made these increases automatic annually in any year that living costs as reflected by the U.S. Consumer Price Index, show an increase of 1½% or more. The law also enables the System to carry over from one year to the next any excess over 1½% in the Consumer Price Index.

The Ohio System was established on the basis of employee and employer financing, under the actuarially funded concept. In 1945, with the payment by the State of Ohio of delinquent employer contributions, the System was able to go on a sound actuarial reserve basis.

As from the beginning, the System has but three sources of income; employee and employer contributions and return on investments. Employees contribute 7.7% of their salaries toward retirement; employer units contribute at a rate of 10% (all state units), and 9% of salaries (all other units).

Investments of the funds received by the Retirement System are decided by the Retirement Board, on the recommendation of Investment Counsel, and strictly within the limitations set forth in the Retirement Law.

Assets Total \$1,764,620,944

As of the end of 1971 73.29% of PERS money was invested in bonds—U.S. Government, municipals and those of corporations rated A or higher. Common stock represented 20.59% of the total portfolio. The law limits investments in common and preferred stock to 35% of the total portfolio. The yield on investments has shown a steady increase from year to year, reaching 5.23% in 1971, the highest to date. The assets of the System as of December 31, 1971 totalled \$1,764,620,944.

Most recent of the legislative modifications of the retirement law came in December, 1971, with the passage of Amended Sub. H.B. No. 100 and Amended Sub. H.B. 284, the first changing the benefit formula from 1.9% to 2% and making other changes, all effective for those retiring July 1, 1971 and thereafter. Amended Sub. H.B. 284 provided monthly increases for individuals retired or on disability retirement prior to July 1, 1968. Further details on these two measures appear elsewhere in this Report.

New Building Opens in 1970

Another milestone in the history of PERS and in the administration of Mr. Schneider came with the planning and erection, and occupancy in August, 1970, of the new PERS Building, located in the near southeast section of Columbus. The three-story structure, housing the 150 employees of the System and all of its operations, is the first "home" of PERS, which from its inception had been housed in rented quarters.

Mr. Schneider announced early in 1971 his intention to retire as soon as a successor could be found and the usual transition completed. He had served 38 years in public life, 33 of those years with PERS. As of the close of the year he had agreed to continue on until a successor had been found by the Board but not later than March 31, 1972.

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Membership

Ohio's P.E.R.S. One of the Nation's Largest

With a total membership in 1971 of 232,523 (active members 196,553; inactive 35,970), the Public Employees Retirement System of Ohio ranks among the largest state-wide retirement systems in the nation. It also was, in 1935, the first state-wide system for public employees in the U.S.

Established originally for state employees only, the Ohio System early started expanding its membership. The years in which the various public employee groups were added to the System are listed in the table on this page. The rapid growth, from 6,025 members in 1935, is illustrated in the bar graph below.

Today all public employees must belong to the System except those covered by four other major Ohio retirement systems, namely, public school teachers and faculties of most state universities; non-teaching employees of local boards of education; police and firemen; and state highway patrolmen.

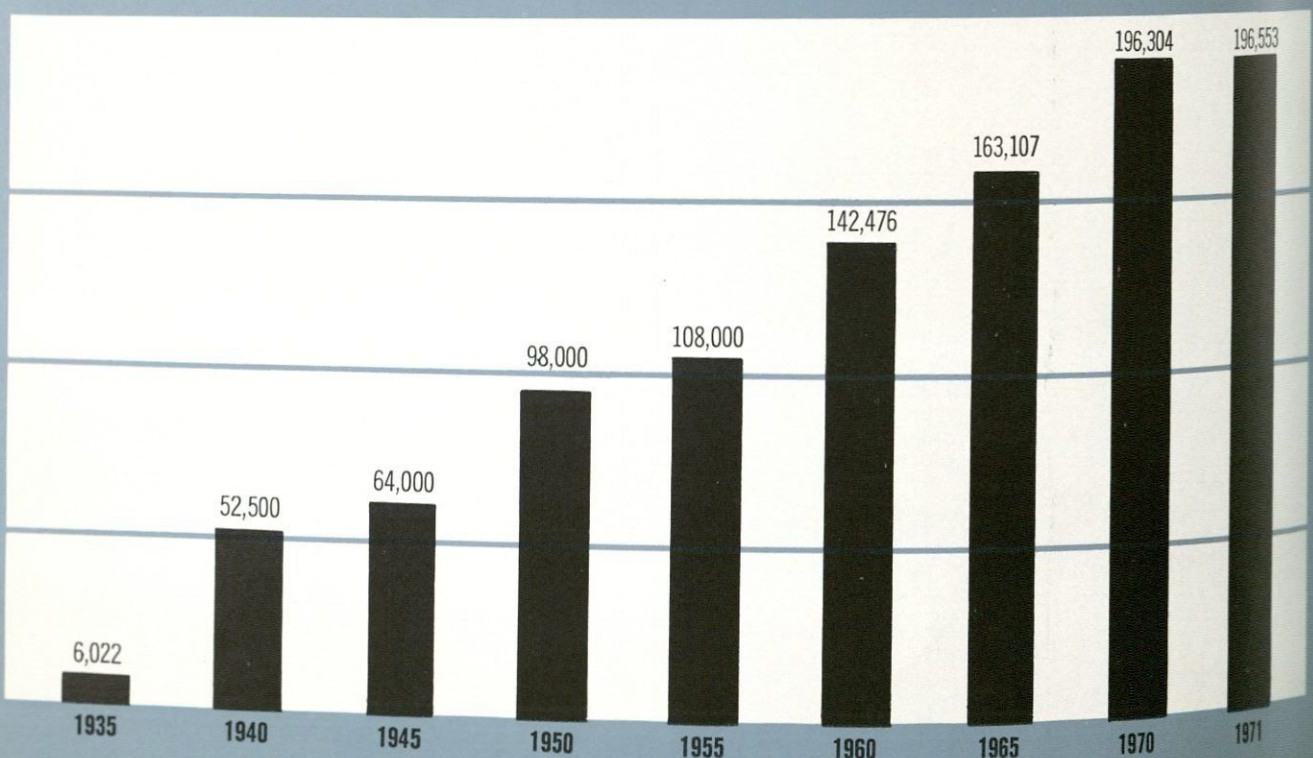
The sizes of the four PERS employee groups (state, county, city and miscellaneous) that make up the System and the percentage they represented of the total membership as of December 31, 1971, are shown in the upper chart on the right.

In the lower chart those receiving monthly benefits as of December 31, 1971, have been grouped according to the employment group of the member (or decedent in the case of survivor payments) immediately before benefit payments started.

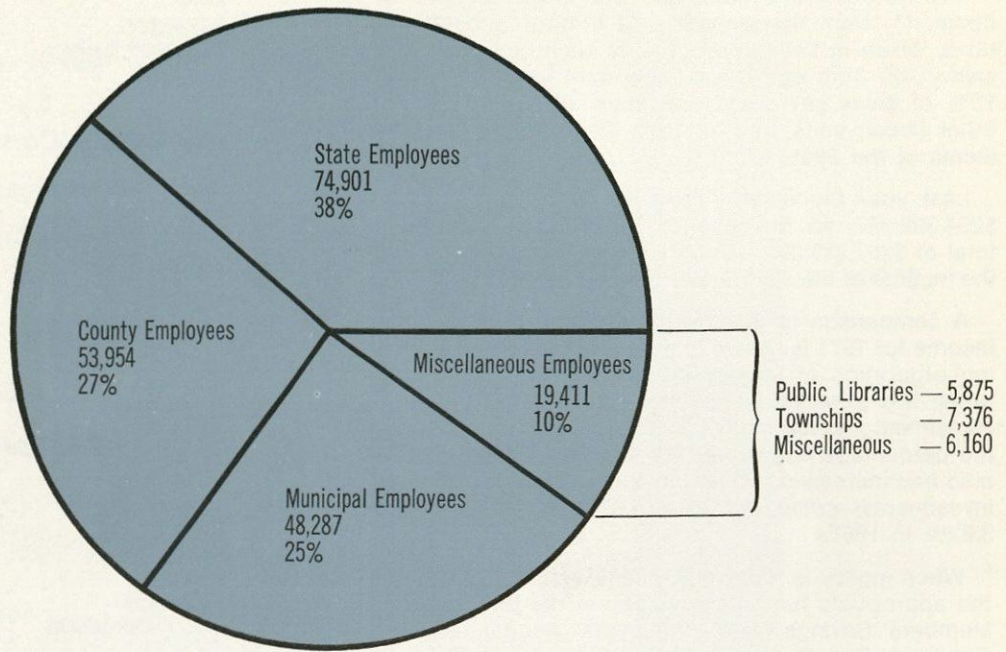
Membership Groups by Years of Admission to the Retirement System

State of Ohio	1-1-1935
Counties and Municipalities	7-1-1938
Public Libraries; health, park and conservancy districts; and sanitary districts	7-1-1938
Elective Officials (optional)	1-1-1941
Cleveland Transit System	5-1-1942
Townships	10-1-1943
Shaker Heights Transit System	9-6-1944
Metropolitan Housing Authorities Retirement Systems	6-30-1949
Union Cemeteries and Institutional Commissaries (optional 10-20-49)	9-30-1951
Joint Hospitals and State University Rotary Funds	11-1-1953
Ohio Turnpike	7-1-1955
Law Libraries	10-1-1957
Cleveland State University and Toledo State College of Medicine (all employees)	11-13-1965

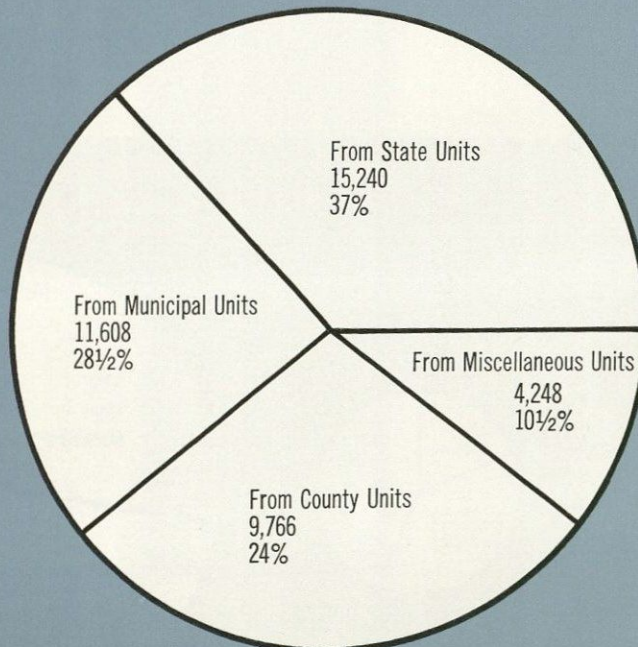
Growth of P.E.R.S. Membership—1935 thru 1971 (active members)



**Number and Percentage of Active Members
by Employee Group**



**Number and Percentage of Retirants, Survivors and
Disability Retirants According to Last Membership Group**



Income

Investments Growing As a Source of Income

The Retirement System has but three sources of income; (1) from the membership through payroll deductions, which in 1971 were 7.7% of each employee's gross salary; (2) from employers, who contributed at a rate of 10% of gross payrolls for all state units, and 9% for all other (local) units; and (3) from the return on the investments of the System.

Last year the income from these three sources was \$294,392,527, an increase of \$27,063,296 over the 1970 total of \$267,329,231. Ten years ago—for the year 1961—the income of the Retirement System totalled \$112,209,818.

A comparison of income by source 10 years ago with income for 1971 is shown in the charts below. The increasing proportion of investment income compared with the other two sources is apparent. Whereas 10 years ago investment income made up 18% of total income, in 1971 the percentage had moved up to 27%. The rate of return also had increased, moving to a new high of 5.23% on all investments, compared with 5.09% in 1970, and with 3.82% in 1961.

When money is received by the System it is credited to the appropriate fund, as specified in the law, namely, the Members' Savings Fund, Employers' Accumulation Fund, Survivors' Benefit Fund, or the Income Fund. Balances in these funds as of December 31, 1971, are shown under the Liabilities heading in the financial statement on Page 8. All money coming to the System is invested promptly in income producing securities.

A summary of the investments of PERS as of December 31, 1971, totalling \$1,735,901,275, appears on the page opposite this one. Investments as of the close of 1970 totalled \$1,533,232,680.

Sources of Income

Employee's Contributions

Employing Unit	1971	1970
State of Ohio	\$ 49,833,227.24	\$ 45,487,367.58
Municipalities	29,554,717.92	30,772,735.53
Counties	29,551,571.32	27,281,384.13
Miscellaneous	8,634,786.01	5,780,182.39
Total Contributions	\$117,574,302.49	\$109,321,669.63

Employer's Contributions

Employing Unit	1971	1970
State of Ohio	\$ 38,341,633.88	\$ 35,025,400.55
Municipalities	25,286,593.18	26,329,263.36
Counties	25,283,953.96	23,341,827.40
Miscellaneous	7,387,830.85	4,945,646.28
Total Contributions	\$ 96,300,011.87	\$ 89,642,137.59

Totals— Employee-Employer Contributions

Employing Unit	1971	1970
State of Ohio	\$ 88,174,861.12	\$ 80,512,768.13
Municipalities	54,841,311.10	57,101,998.89
Counties	54,835,525.28	50,623,211.53
Miscellaneous	16,022,616.86	10,725,828.67
Total Contributions	\$213,874,314.36	\$198,963,807.22

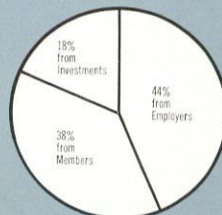
Investment Income

Type of Investment	1971	1970
Bonds	\$ 65,855,046.18*	\$ 55,121,203.56
Prime Commercial Paper (short term)	478,122.89	836,545.82
Mortgages	4,168,697.27*	4,400,505.55
Stocks	10,016,346.40	8,007,169.38
Total Investment Income	\$ 80,518,212.74	\$ 68,365,424.31
TOTAL CONTRIBUTIONS AND INVESTMENT INCOME	\$294,392,527.10	\$267,329,231.53

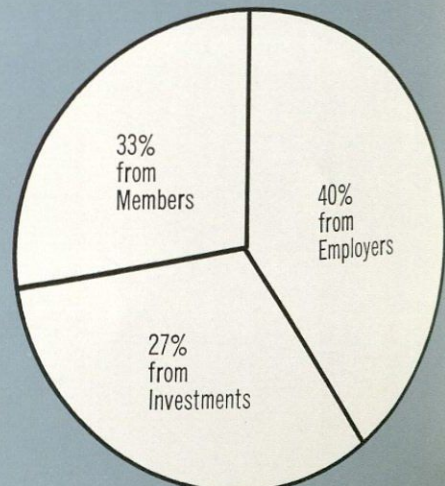
*Net of Premium Amortization

A 10-Year Comparison

1961
Total income \$112,209,818



1971
Total income \$294,392,527



Summary of Investments At End of 1971

SECURITIES HELD		Par Value	Yield At Cost ⁽¹⁾	% Of Portfolio
U.S. Government and Agencies Bonds:				
U.S. Treasury	\$ 39,158,000		3.61	
Federal Land Bank	600,000		4.13	
Federal Nat'l. Mortgage Association	2,500,000		4.76	
U.S. Gov't. Insured Merchant Marine	<u>2,711,000</u>		4.71	
Total		\$ 44,969,000		2.59
International Bank for Reconstruction & Development		4,515,000	5.61	.26
Municipal Bonds:				
State of Ohio	\$ 106,000			
County	350,000			
Municipal General Obligation	202,000			
Municipal Revenue	4,411,000			
School	11,588,000			
Joint Township	<u>20,000</u>			
Total Municipal Bonds		16,677,000	3.24	.96
Corporate Bonds:				
Industrial	\$ 204,077,293			
Telephone	297,078,000			
Public Utilities	657,684,000			
Railroad General & Terminal	2,226,000			
Railroad Equip. Trust Certificates	<u>45,095,000</u>			
Total Corporate Bonds		1,206,160,293	5.95	69.48
Mortgages (Capehart)		95,852,629	4.55	5.52
Short Term Investments (Maturity — less than 30 days)		8,500,000	3.82	.49
Stocks (at Cost):				
Common		357,403,188	3.33	20.59
Preferred Convertible		<u>1,824,165</u>	3.14	.11
TOTAL PORTFOLIO		<u>\$1,735,901,275</u>	5.23	<u>100.00</u>

⁽¹⁾Yield At Cost is determined by dividing the annual earnings of an investment by the price paid. This excludes any changes in value resulting from market fluctuations—realized or otherwise.

Statement of Assets, Liabilities and Reserves

ASSETS

		1971
Cash and Temporary Investments		\$ 2,614,676.59
Accounts Receivable		29,489,779.02
Investments		
Bonds—Par Value—U. S. Treasury	\$ 39,158,000.00	
Federal Land Bank	600,000.00	
F. N. M. A.	2,500,000.00	
U. S. Merchant Marine	2,711,000.00	
Int'l. Bank for Reconst. and Development	4,515,000.00	
Corporate	1,206,160,292.87	
Municipal	16,677,000.00	
Total Bonds Par	\$1,272,321,292.87	
Add Premium	7,917,900.45	
Deduct Discount	28,032,754.30	
Book Value Bond Investments		1,252,206,439.02
Mortgages (Capehart) Par	\$ 95,852,629.11	
Add Premium	173,018.57	
Deduct Discount	2,774,901.65	
Book Value Mortgages		93,250,746.03
Stock (At Cost) Common	\$ 357,403,187.73	
Preferred Convertible	1,824,165.35	
Fixed Assets		359,227,353.08
Furniture, Fixtures and Equipment	\$ 504,339.50	
Land and Home Office Building	2,148,448.70	
Deferred Loss on Sale of Securities ⁽¹⁾		2,652,788.20
TOTAL ASSETS		25,179,162.49
		<u>\$1,764,620,944.43</u>

LIABILITIES

Accounts Payable—Investments		\$ 1,791,135.91
Funds		
Members' Savings Fund	\$ 515,789,037.44	
Employer Retirement Liability ⁽²⁾	\$904,992,664.94	
Unfunded Accrued Liability ⁽²⁾	493,691,881.00	
Funded Employer Liability	411,300,783.94	
A & P R Fund	657,985,627.47	
Survivor Benefit Fund	135,207,119.09	
Income Fund	1,942,699.00	
Reserve to Fund 1971 Increases		
(Covers Part Unfunded by Appropriation)	26,682,043.56	
Interest Guar. (Members at Retirement)	9,965,436.00	
Expense Fund	240,108.62	
Total Funds		1,759,112,855.12
Short Term Investment Income		10,410.28
Allowance for Replacement—		
Furniture, Fixtures and Equipment	\$ 200,291.12	
Building	40,200.00	
		240,491.12

RESERVES

For Guarantee of Interest Maintenance	\$ 1,502,939.00	
Investments	1,509,864.00	
Mortality Contingencies	453,249.00	
Total Reserves		3,466,052.00
TOTAL LIABILITIES AND RESERVES		<u>\$1,764,620,944.43</u>

⁽¹⁾This entry, explained in "Notes" on right, will be amortized over the remaining period to maturity of the bonds exchanged.

⁽²⁾Estimated from December 31, 1970 Actuarial Valuation, completed in 1971.

Notes to Financial Statement

1970	\$	269,002.31	
		29,033,833.76	
\$		52,683,900.00	
		7,975,000.00	
		3,275,000.00	
		2,729,000.00	
		4,515,000.00	
		1,058,666,947.79	
		18,579,000.00	
		<u>\$1,148,423,847.79</u>	
		7,573,529.67	
		28,192,198.63	
			1,127,805,178.83
\$		100,927,049.52	
		180,230.57	
		2,930,163.60	
			98,177,116.49
\$		276,707,617.31	
		1,824,165.35	
			278,531,782.66
\$		460,585.22	
		2,140,782.05	
			2,601,367.27
			26,632,637.41
			<u>\$1,563,050,918.73</u>
	\$		969,752.01
\$		468,128,029.85	
		390,878,699.80	
		572,237,687.66	
		125,575,623.66	
		79,166.94	
		1,500,000.00	
		65,121.75	
			1,558,464,329.66
			6,225.69
			144,559.37
\$		1,502,939.00	
		1,509,864.00	
		453,249.00	
			3,466,052.00
			<u>\$1,563,050,918.73</u>

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—Principally these are employers' contributions due for the last quarter of 1971.

BONDS—73.29% 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, and railroads. These bonds are listed at their par value.

MORTGAGES—P. E. R. S. owns only Capehart Mortgages. These Capehart Mortgages are guaranteed by the United States Government.

CORPORATE STOCK—P. E. R. S. owns stocks in 94 corporations selected by the Board, on the advice of investment counsel, for their high quality. These stocks represent 20.59% of the portfolio.

DEFERRED LOSS ON SECURITIES—Low coupon bonds were sold in 1969 and 1970 at a deep discount and the proceeds were reinvested in higher coupon bonds at approximately the same deep discount and approximately the same maturity and same par value as the bonds sold. The replacement bonds will mature at par, will yield almost 1% more each year until maturity and thus will increase investment income about \$750,000 each year until maturity.

LIABILITIES

FUNDS

MEMBERS' 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 10% of payroll paid by the State and the 9% paid by local governments are held in this fund for later transfer to the Annuity and Pension Reserve Fund when a member retires and qualifies for benefits.

ANNUITY AND PENSION RESERVE FUND—When a member retires, enough money is set aside in this fund to guarantee the present value of his monthly benefits for life. The amount set aside for each retirant includes:

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

Then annually, as required by statute, 4% interest is credited into the A & PR Fund from the Income Fund.

INCOME FUND—Includes all income from investments. Interest from this source is credited to the other funds each year. The 1971 interest has been credited.

EXPENSE FUND—Early each year the Retirement Board adopts a budget to pay operating costs for the coming year. The money remaining at the close of 1971 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.

Benefits

Cost-of-Living Increases Introduced in 1971

Ohio's new automatic cost-of-living increases for all persons receiving benefits from PERS went into effect July 1, 1971. Enacted in 1970, the legislation for the first time established a fixed pattern for helping retirees and others cope with mounting living costs.

All those receiving their 37th payment for July or thereafter were given a 1½% increase, and assured of annual repeats of these increases when the U.S. Consumer Price Index shows an annual increase of 1½% or more. The legislation also authorized the carry over to the next year of any CPI percentage increase in excess of 1½%.

As long-time retirees of the System know, this was the fifth adjustment upward in benefit amounts in the last 14 years. The earlier increases came in the years 1957, 1959, 1965 and 1968. And there were other improvements.

For new retirees during that 14-year period, changes in the benefit formula and other liberalizing amendments also brought increases. The most recent, in 1971, changed the benefit formula from 1.90% of Final Average Salary to 2.00%, effective July 1, and the dollar minimum for each year of service credit from \$82 to \$86.

The effect of all of these increases plus the growing number of retirees, on total annual benefits paid by the System is spectacularly illustrated in the bar graphs on the opposite page. For example, the total payout to retirees and beneficiaries in 1971 was nearly 12 times what it was in 1955. Such payments at \$60,785,076 in 1971, are double what they were six years ago.

Equally dramatic is the increase in payments to survivors (widows, widowers, orphaned children and parents). In 1955 these payments totalled less than a

half million dollars. In 1971 they exceeded \$10 million, reflecting to a major extent the impact of the amendments of 1970. In that year the determination of monthly benefit amounts was related to a percentage of a decedent's salary (final average salary).

Disability payments, although considerably less in number and volume than either retirement or survivor payments, nevertheless scored the greatest percentage increase in total payments. The 1971 total of \$3,299,680 was nearly 30 times what it was in 1955.

At year's end in 1971 two other measures had been enacted that are destined to have a major effect on future benefit amounts, starting with the January 1972 warrants.

Am. Sub. H.B. No. 100 changed the benefit formula from 1.90% to 2.00% as explained earlier on this page. It also provided that a member might use years of service credit as well as age in determining the percentage he will receive of his base amount if at time of retirement he has less than 35 years of service credit or is less than 65 years old. The bill also eliminated the survivor benefit requirement of three years of marriage to qualify a spouse.

Am. Sub. H.B. No. 284 brought increases of \$2 per month, up to a maximum of \$50 for each year of retirement for those who retired prior to July 1, 1968, with the increases starting with the January 1972 warrants. The legislature appropriated about one half the cost for the current biennium to assist the System in paying the increases. However, the problem of financing the balance was left to the Retirement Board, which early in 1972 announced that by Jan. 1, 1973 both employee and employer contribution rates would have to be raised.

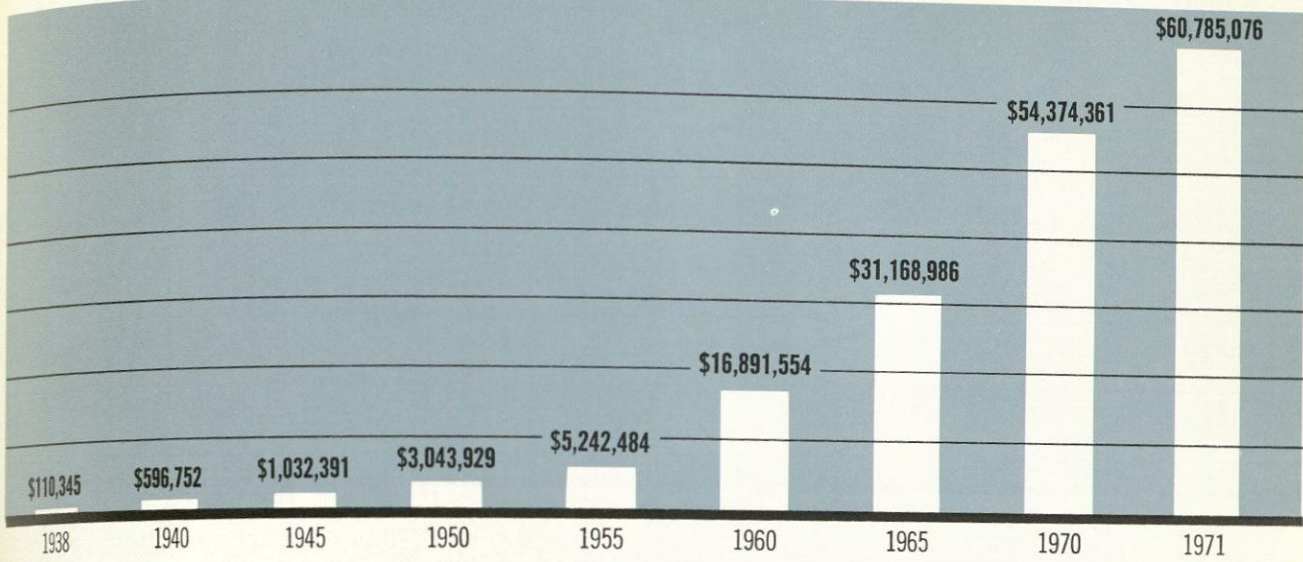
Number Receiving and Amount Paid in Each Month During 1971

Month	Number	Amount	Month	Number	Amount	Month	Number	Amount
January	38,022	\$5,519,142	May	39,019	\$5,764,609	September	40,047	\$6,054,629
February	38,195	5,554,747	June	39,273	5,813,124	October	40,277	6,104,778
March	38,527	5,643,230	July	39,418	5,902,517	November	40,503	6,155,728
April	38,900	5,730,445	August	39,642	5,961,112	December	40,705	6,194,482

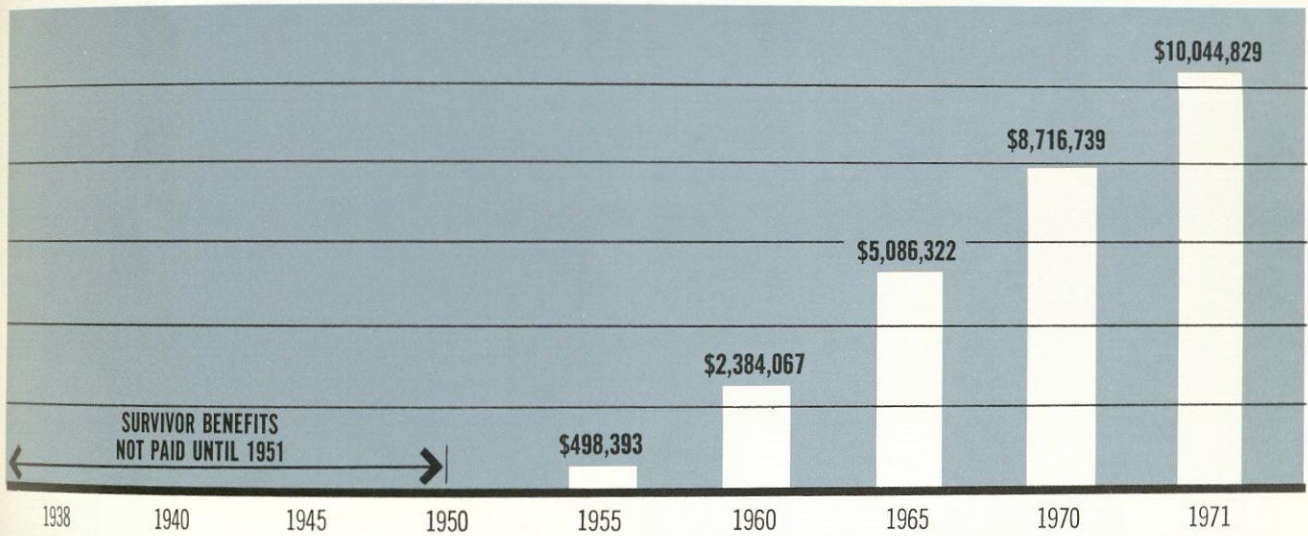
(Note: These total monthly payments exclude one-time payments to individuals covering more than one month.)

A Comparison of Benefits Paid By Years—From 1938

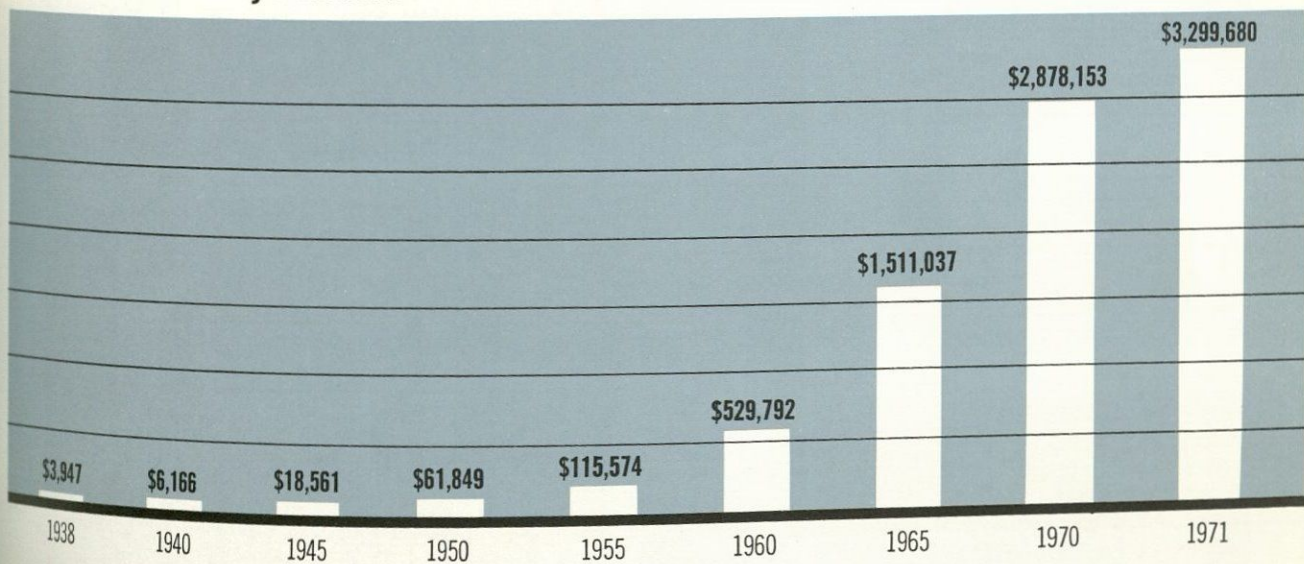
To Retirants (and Beneficiaries of Retirants)



To Survivors (Widows, Widowers, Dependent Children, Parents)

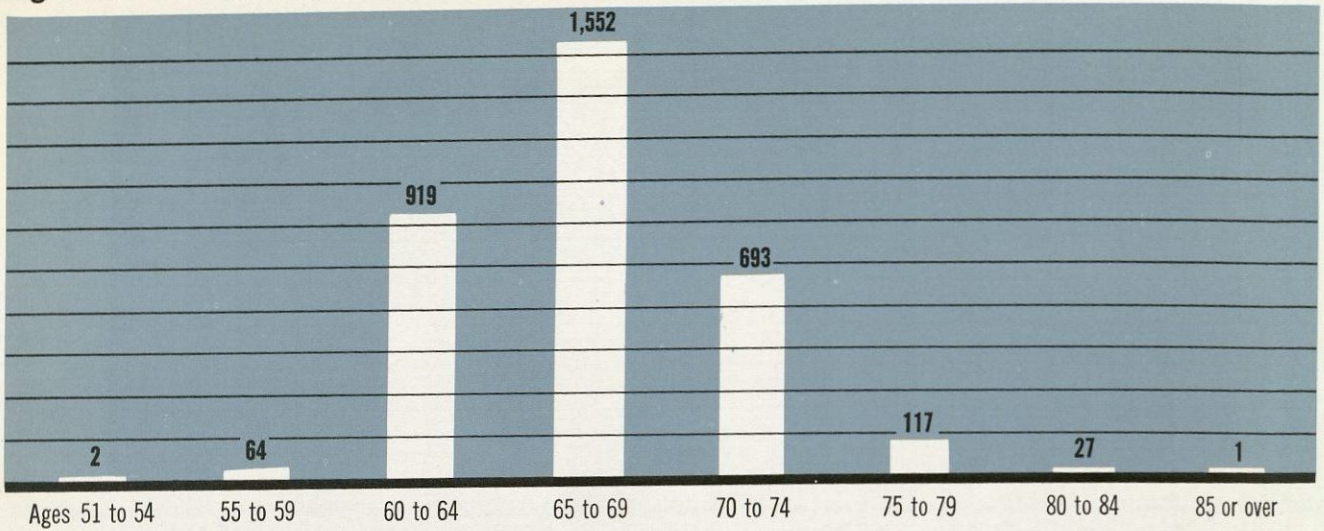


To Those Permanently Disabled

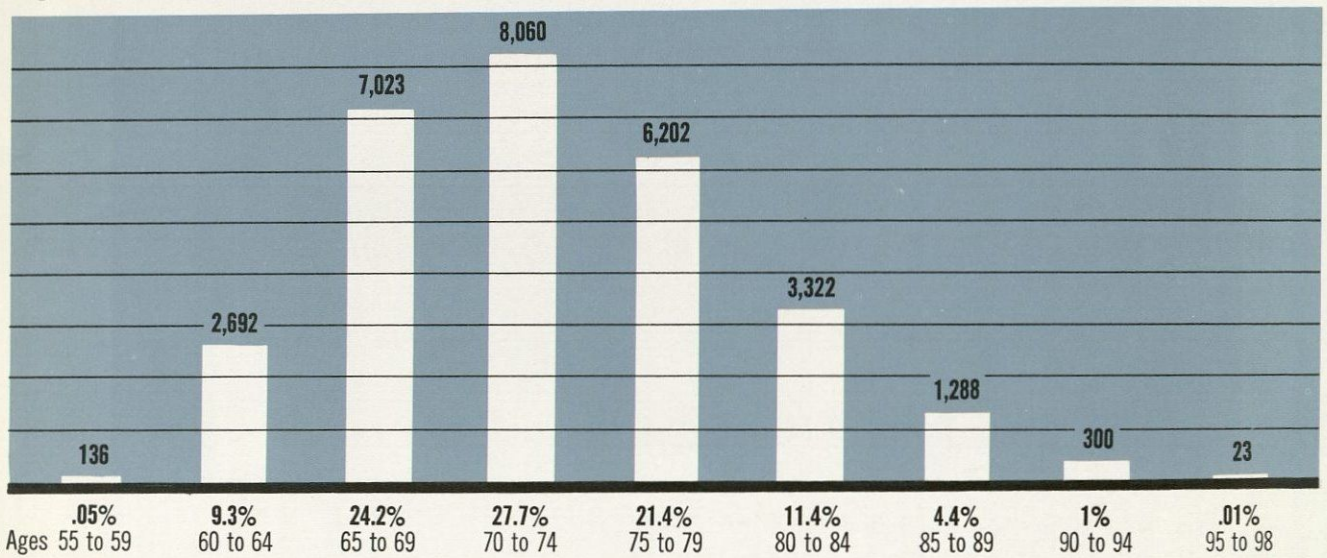


Retirement Trends in 1971

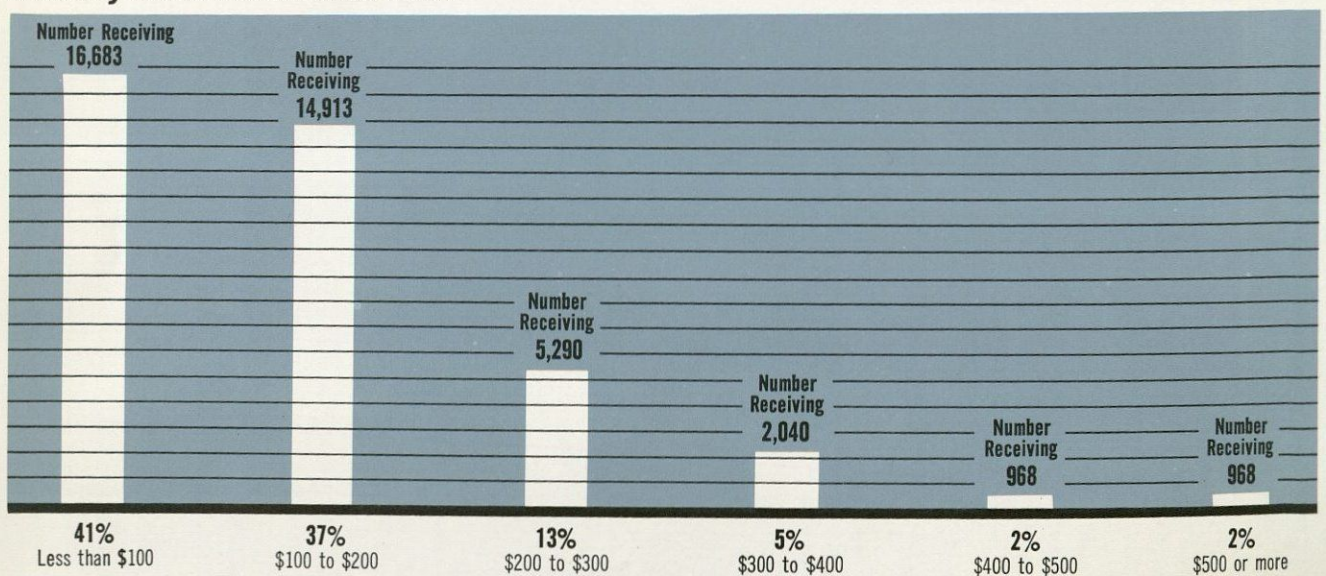
Ages at which Members Retired



Ages of Retirants as of June 30, 1971



Monthly Benefit Amounts Paid



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

March 31, 1972

The Retirement Board
Public Employees Retirement System of Ohio
277 East Town Street
Columbus, Ohio 43215

Ladies and Gentlemen:

From its beginning the Public Employees Retirement System of Ohio has lived by the wise financial principle of establishing contribution rate percents which will remain approximately level from generation to generation of Ohio citizens. More specifically, such contribution rate percents 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.

The last completed annual actuarial valuations of non-retired members were based upon data and benefit formulas as of December 31, 1970. The valuation results demonstrated compliance with the above financial principle.

(Benefit increases legislated into being in late 1971 will cause subsequent contribution rate increases.)

The last completed annual actuarial valuation covering retirants and beneficiaries was based upon data as of June 30, 1971.

This valuation indicates that liabilities for future benefit payments to present retired lives are fully funded by applicable System reserve assets.

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

$$\sum_{n=1}^{n'} C_n + \sum_{n=1}^{n'} I_n - \sum_{n=1}^{n'} B_n - \sum_{n=1}^{n'} E_n$$

Statement of Changes in Funds and Reserves for the Year Ended December 31, 1971

FUNDS	Balance January 1 1971	Income In Excess Of Expenditures
Members' Savings Fund	\$ 468,128,029.85	\$ 72,748,134.86
Employers' Accumulation Fund	390,878,699.80	99,734,479.30
Future Survivor Annuities	28,988,473.61	11,769,715.21
Retirement Annuities	571,772,564.75	(63,786,571.98)*
Statutory Cost of Living Adjustment	465,122.91	198,655.42*
Survivor Annuities	96,587,150.05	(10,044,291.59)*
Administrative Expenses	65,121.75	(1,773,852.97)*
Income Fund	1,579,166.94	84,295,460.81
RESERVE for Guarantee of Interest Maintenance	1,502,939.00	
RESERVE for Guarantee of Investments	1,509,864.00	
RESERVE for Guarantee of Mortality Contingencies	453,249.00	
TOTAL	<u>\$1,561,930,381.66</u>	<u>\$193,141,729.06</u>
Retirement Account Only		



J. DOUGLASS PETERS

As this Report was being prepared for printing, the Retirement Board, at its March meeting, named J. Douglass Peters, long-time Deputy Director, as Acting Director of the Retirement System to succeed Fred L. Schneider, who had retired effective March 31, 1972. Mr. Peters started his career with PERS early in 1946.

Interest Distribution Addition	Interest Distribution Deduction	Transfer Addition	Transfer Deduction	Balance December 31, 1971
\$ 7,361,248.69		\$ 273,437.94	\$ 32,721,813.90	\$ 515,789,037.44
15,698,732.00	\$ 7,361,248.69		87,649,878.47	411,300,783.94
1,108,449.00			13,848,921.78	28,017,716.04
24,248,109.00		125,087,747.37		657,321,849.14
				663,778.33
4,009,049.00		16,637,495.59		107,189,403.05
		1,948,839.84		240,108.62
	45,064,339.00		2,220,110.19	38,590,178.56
				1,502,939.00
				1,509,864.00
				453,249.00
<u>\$52,425,587.69</u>	<u>\$52,425,587.69</u>	<u>\$143,947,520.74</u>	<u>\$136,440,724.34</u>	<u>\$1,762,578,907.12</u>

Operating Expenses and Capital Expenditures—1971

ITEMS

Salaries and Wages	\$1,052,193.97
Building Occupancy	76,359.67
Equipment (Includes: Rent, Repair, Contract)	145,081.60
Office Supplies	26,671.73
Telephone, Telegraph, Freight and Express	23,107.89
Postage	54,978.02
Insurance and Workmen's Compensation	27,364.16
Employers Contribution (PERS)	94,271.37
Medical Examinations and Investigations	13,088.61
Actuarial Service	16,370.00
Audit Service (Bureau of Inspection)	4,263.23
Investment Service and Expense	81,376.61
Microfilm Service	3,009.66
Travel (Staff, Director, Board)	11,488.25
Publications and Subscriptions	37,015.21
Replacement Expense	95,941.75
Miscellaneous and Remodeling	2,324.39
Retirement Study Commission Assessment	19,303.55
Total Operating Expenses	\$1,784,209.67

Capital Expenditures	51,420.93
Total	\$1,835,630.60

NOTE: The statutes require that all the operating costs of the Retirement System be paid from investment income. These costs in 1971 amounted to 2.28% of that income.



What the Retirement System Means to its Members

1. SURVIVOR BENEFITS ...

In the event of the death of a member after 18 months of full-time public service, the surviving spouse and children may qualify for monthly benefits based on the number of dependent survivors and the final average salary. If the member had neither spouse nor dependent children, then older dependent parents at age 65 or older may qualify.

2. DISABILITY BENEFITS ...

Should a member become totally and presumably permanently disabled for any cause before reaching age 60, regular monthly disability benefits will be paid, if the member had been on the job full time for at least five years.

3. RETIREMENT BENEFITS ...

After a member reaches age 60 and has at least five full years of service credit in covered public employment, he or she can retire and qualify for a monthly income for life, and, if the member so elects, for the life of the beneficiary. The amount is based on the member's earnings, age and length of public employment.

4. AUTOMATIC SAVINGS ...

The money deducted for retirement belongs to the member. It is fully refundable. Should a member leave public employment and decide to request a refund, the money will be returned three months from the date of job termination.