

Annual
Report
1976

Public
Employees
Retirement
System
of Ohio

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STRAWBOARD

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A Change of Command

FROM THE CHAIRMAN

New opportunities for PERS members to add to their potential benefits were included in comprehensive legislation enacted in 1976 that also increased the monthly amounts of those already receiving benefits.

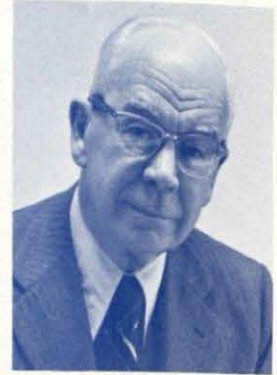
Amended Substitute House Bill No. 268, covered in considerable detail in this Report, ranks among the major legislative amendments in the history of the Retirement System. The bill became effective August 20, 1976.

The year also saw a change of leadership. William S. McLaughlin, chief administrative assistant, was promoted by Board to the post of Executive Director, succeeding J. Douglass Peters, our Director for the past four and a half years, who retired at the end of September. Mr. Peters had been with the System 30 years.

With the resignation of Richard L. Krabach, late in the year, his position on the Retirement Board



WILLIAM S. McLAUGHLIN
EXECUTIVE DIRECTOR
Appointed 10/1/76



J. DOUGLASS PETERS
DIRECTOR EMERITUS
Retired 9/30/76

was taken by Richard D. Jackson named by Gov. James A. Rhodes to succeed Mr. Krabach as Director, Department of Administrative Services, in January, 1977. Mr. Jackson had been Director of the Department of Transportation.

Mark McElroy
Chairman 1977

The Retirement Board

ELECTED BY MEMBERS



MARK McELROY, Chmn.
County Rep.
Cleveland



RAPHAEL HORWITZ
State Rep.
Columbus



CHARLES J. RAMSEY
Municipal Rep.
Youngstown



DORIS WOOD
Miscel. Rep.
Batavia

STATUTORY MEMBERS



WILLIAM J. BROWN
Attorney General



THOMAS E. FERGUSON
Auditor of State



RICHARD L. KRABACH
Director, Ohio Dept.
of Administrative Services
Resigned 1/29/77



RICHARD D. JACKSON
Director, Ohio Dept. of
Administrative Services
Appointed 1/30/77

ASSISTANT DIRECTORS

NORMAN E. LUST
Comptroller

ROBERT A. McLAUGHLIN
Investments

RICHARD D. MYERS
Benefits

WILLIAM G. WILCOX
Public Information

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New Legislation Helps Ease Inflation Pressures

The rights and benefits of members of the Public Employees Retirement System were again improved in 1976, this time through the passage of Amended Substitute House Bill No. 268, effective August 20, 1976. Major provisions of that bill are reviewed on this page.

This measure climaxed a series of efforts by the Ohio Legislature over a period, particularly of the past five years, to meet the continuing problem of inflation for those retired, provide for earlier retirement and enable active members to increase their benefit potentials.

The costs of these potential and actual benefit increases must be met, in part, through increased contribution rates from members and public employers. The Retirement Board, as authorized by the Legislature and on recommendation of its independent actuary, adopted during 1976 new rates that will go into effect July 1, 1977. A comparison of the current and new rates follows:

	Members	Employers
Current.....	8.00%	State Units 12.00% Local Units 11.90%
July 1, 1977.....	8.50%	State Units 13.71% Local Units 13.95%

Here is what Am. Sub. H.B. No. 268 did:

FOR ACTIVE MEMBERS

- Granted full benefit eligibility for those with 30 years of service credit at any age.
- Froze the "age bonus" of those over 65 at whatever age they were on September 1, 1976.
- Eliminated the right of a public employee receiving a retirement or disability pension from one system from earning a pension in another Ohio pension system.
- Made it possible for PERS to pay new benefits retroactive to job termination or age eligibility, whichever is later.

BACKPAYMENTS

- Made it possible for surviving spouses or dependents to make redeposits or purchases of military, out-of-state (or federal) or police & fire and state patrol service that a member might have purchased at time of death.
- Eliminated payment into Employer Accumulation Fund in redeposits, purchases of exempted and optional service and leave of absence.
- Made it possible to make partial payments in purchase of military, out-of-state, optional and exempted service, and redeposits.

DISABILITY BENEFITS

- Established a disability retirement benefit minimum of not less than 30% of Final Average Salary.

MILITARY SERVICE PURCHASE

- Enlarged military purchase to five years of active duty provided member has already established that much service credit or more.

EXEMPTIONS

- Extended hours student may work and still be exempted from 800 to 1,500 hours and made temporary or emergency employees working not more than three months eligible to apply for exemptions.

CONTRIBUTION RATES

- Authorized Retirement Board to increase employee contribution rate, not to exceed 10% (old limit 8%) and employer rate not to exceed 14% (old limit 13%).

FOR RETIRED PERSONS

Cost-of-living Adjustment

- Increased cost-of-living adjustment to 2% with eligibility effective after 24 months.

Medicare B Reimbursement

- Authorized reimbursement of basic Medicare Part B premium starting January 1, 1977, for those benefit recipients so enrolled.

Option Changes

- Made it possible for retirants under Option #1 or #2 to revert to the Straight Life Annuity plan of payment in the event of the death or divorce of the spouse.
- Made it possible for retirant who remarries or marries to select a new optional plan of payment.

Recalculations

- Provided for a minimum recalculation for retirants between June 30, 1955 and July 1, 1971 of \$120.00 per year of service, not to exceed 32 years.

Death Benefit

- Made death benefit payable to beneficiary, person responsible for burial, or estate.

Members' Savings Fund

For many members of the Retirement System the accounts they have accumulated through payroll deductions toward retirement represent their single most important financial asset.

The money in these accounts belongs to the members and sooner or later they or their beneficiaries will have it returned to them. When a member leaves public employment he may ask for a refund. Or should he die his surviving beneficiary has the right to take a refund, or if the survivor qualifies, monthly benefits.

At the time a member or his survivor qualifies for monthly benefits the money in his account is transferred, with the interest it has earned, to a special reserve fund (A and PR Fund) along with money his employer has contributed and interest earned.

During 1976 the payroll deductions from the more than 250,000 active members of the System amounted to \$175,685,349. In addition through redeposits of funds withdrawn and various other back payments in purchase of service credit, members added an additional \$3,984,770 to the Members' Savings Fund.

4

Those who elected to take their money out of their retirement accounts were refunded \$36,911,591. The balance remaining in the Members' Savings Fund at the close of the year, after adjustment for the transfer of members' accounts to their retirement reserves, was \$897,123,686.48,

compared to the December 31, 1975 balance of \$800,955,143.52.

These additions and withdrawals are shown in detail below.

Members' Savings Accounts

Balance as of 12-31-75	\$800,955,143.52
Additions during 1976	
By deductions from salaries	\$175,685,349.25
By redeposits of refunds	\$ 1,537,329.06
*By Back payments	\$ 2,447,441.34
TOTAL ADDITIONS	\$179,670,119.65

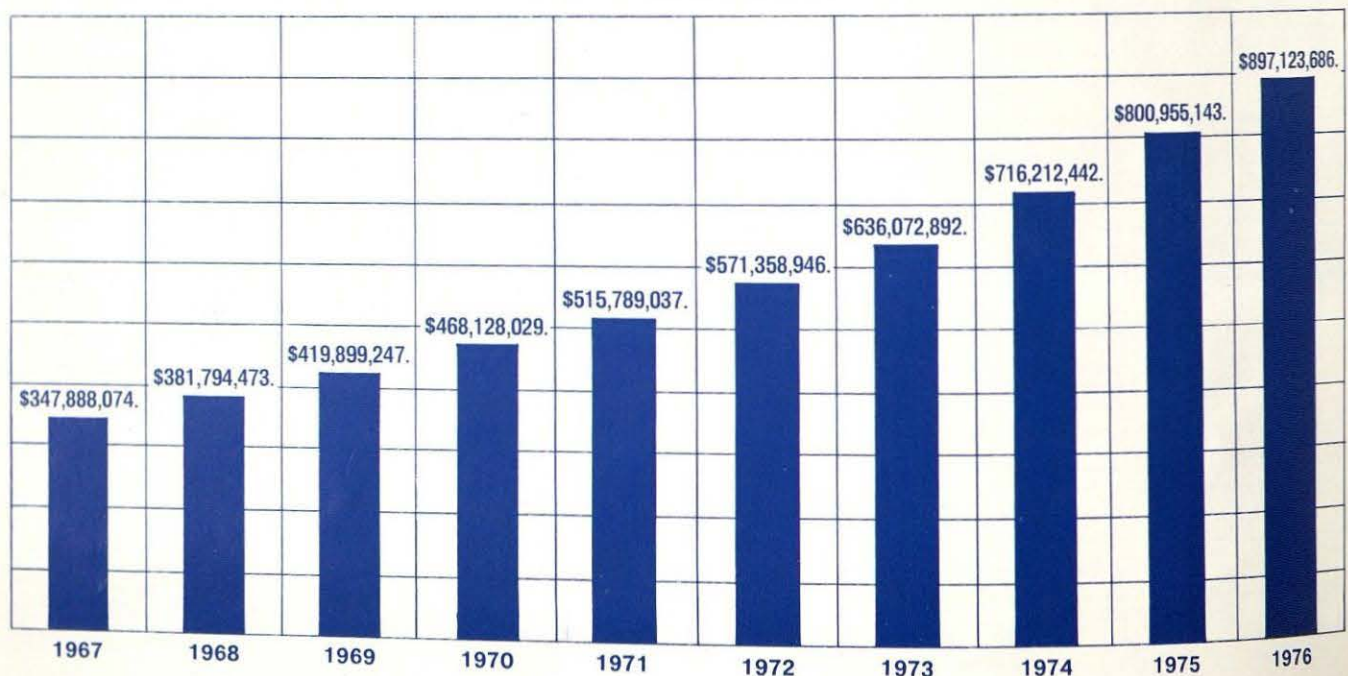
Withdrawals

By refunds to members, survivors	\$ 36,911,591.91
By transfers to Annuity and Pension Reserves of members and survivors qualifying for benefits	\$ 46,589,984.78
TOTAL WITHDRAWALS	\$ 83,501,576.69

Balance in members' accounts as of 12-31-76 \$897,123,686.48

*Back payments include military purchases, out-of-state or federal purchases, optional purchases of unreported service, leaves of absences, etc.

Members' Accounts – A 10-Year Comparison



Survivor Benefits

The survivor benefit provisions of the Retirement laws of Ohio are intended to provide income protection for the families of members of the system who die before reaching the age of retirement eligibility. A member qualifies his family for this protection after only 18 months of full service credit as a member of PERS.

In those instances in which a member dies after reaching age eligibility but before taking retirement, the surviving spouse has the choice of taking survivor benefits or monthly benefits under the Option #1 provision of regular retirement.

Those who may qualify for survivor benefits include spouses, dependent children to age 18 or 22 if students, and dependent parents at age 65 or over. Incompetent spouses, children or parents qualify regardless of age. During 1976 there were 676 new cases in which widows, widowers, children and parents of members qualified for survivor benefits.

The amount received depends on the number of dependent survivors and the late member's final average salary. Benefit minimums also are provided in the law, ranging from \$96 per month for one survivor, to \$236 for three or more. These minimums apply if the final average salary of the member results in a benefit lower than the minimums.

During 1976 a total of \$18,468,588. was paid by the system to survivors. At the close of the

year there were 7,953 such payments being issued monthly, compared with the 1975 total of 7,509. The primary recipient of a survivor benefit qualifies also for free health care coverage and may include others, such as qualifying children, by having the premium deducted from the total benefit each month.

Paid to Survivors

	Number	Payments
Number of cases and payments in 1975	7,509	\$16,971,582
Number of new survivor cases during 1976	676	
Number of survivor cases terminated in 1976	232	
Totals as of 12-31-76	7,953	\$18,468,588

A Comparison – Survivor Benefits Paid Annually – Since 1955



Disability Retirement

Members of the system who have completed 60 months of contributing service may qualify for monthly disability benefits if they are medically judged to be permanently disabled. During 1976 there were 751 members who were granted these benefits for the first time by the Retirement Board.

The cause of a disabling condition that prevents a member from continuing his job need not have been his employment. Disability from any cause entitles a member, with the qualifying service credit, to apply.

The procedure requires a member to file an application and birth certificate in evidence that he or she has not yet reached the retirement eligibility age of 60. A form must also be filed by the employer certifying the job termination date. The member's personal physician provides the Board, on the appropriate form, with information on his physical or mental condition.

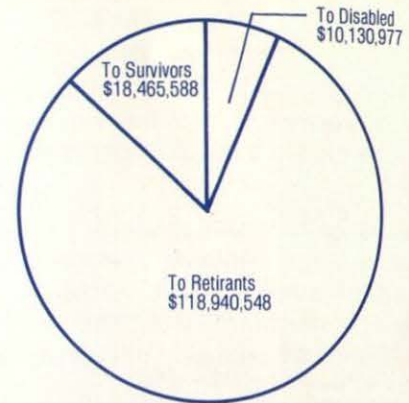
The final step is an examination by a medical specialist, selected by the Board, in which the doctor analyzes the condition of the applicant and indicates whether in the doctor's opinion the disabling condition is permanent. Cost of these examinations, which during 1976 came to \$54,369 is paid by PERS.

With this accumulated information before it and the recommendation of its medical director, the Board decides whether the applicant is permanently disabled and eligible. During 1976 a total of \$10,130,977 was paid in monthly disability benefits to the 3,466 who were qualified compared with \$8,045,625 the year before.

Disability retirants also are supplied with free health care coverage by PERS regardless of their physical condition and their families continue to come within the survivor provisions of the law should the retirant die and leave qualifying dependents.

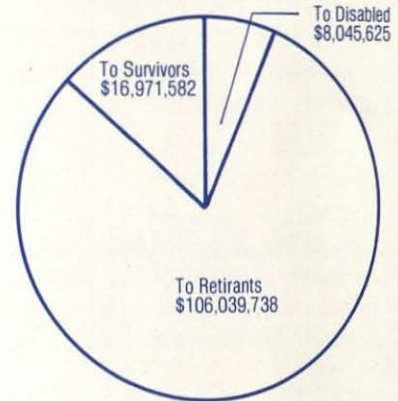
Benefits cannot exceed 75% of the member's final average salary nor be less than 30%.

TOTAL BENEFITS PAID IN 1976



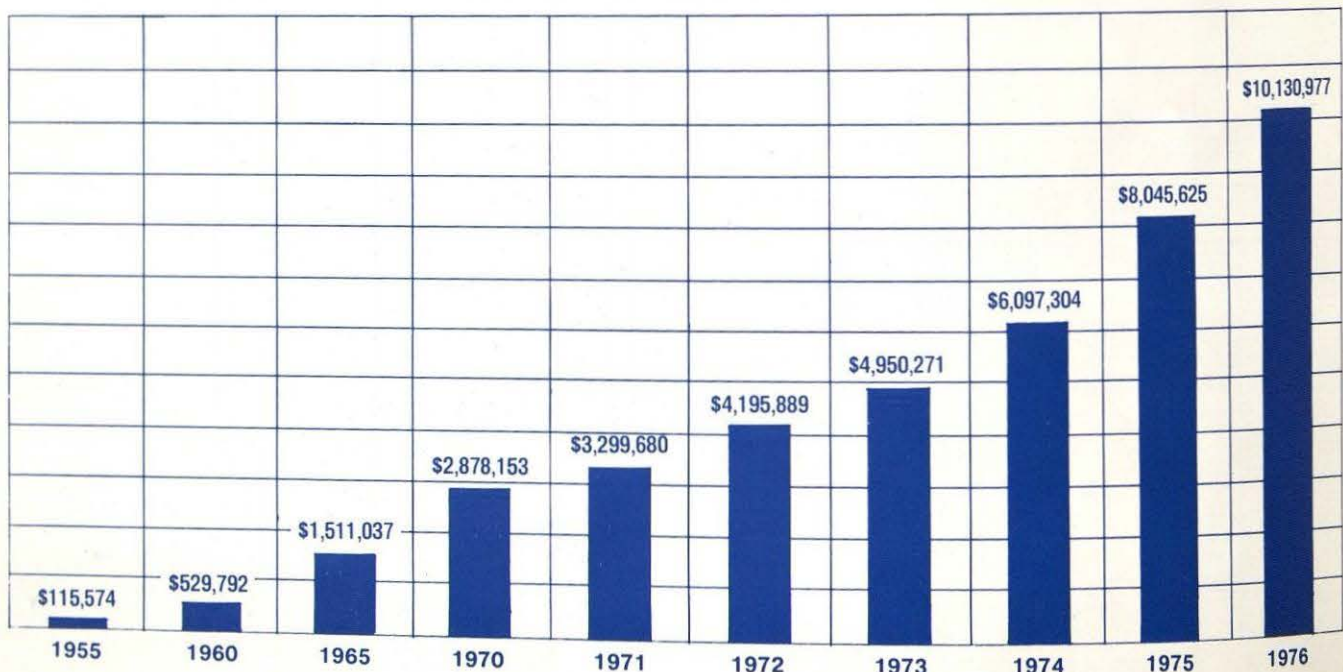
Total — \$147,540,113

1975 PAYMENTS



Total — \$131,056,945

Chart Reflects Growth in Disability Benefits



Retirement Benefits

During the year 1976 there were 5,022 members of the system who applied for and were granted retirement benefits. The number of retirement cases terminated during the year totaled 1,814, leaving a net total of 46,718 at year's end receiving monthly retirement benefits from PERS. At the close of the preceding year the total was 43,510.

The average age of those newly retiring was 65.5, and, on the average, they had 18 years of service credit as shown in the table on the right showing a comparison with the year 1975 when there were 4,706 new retirants.

At the close of 1976 there were 58,137 persons in all receiving benefits from PERS. These included retirants, those on disability benefits and those receiving survivor benefits. As of that date PERS had set aside as reserves to guarantee these benefit payments a total of \$1,671,085,939 as required by law and actuarial projections.

Added Costs HEALTH CARE AND DEATH BENEFITS

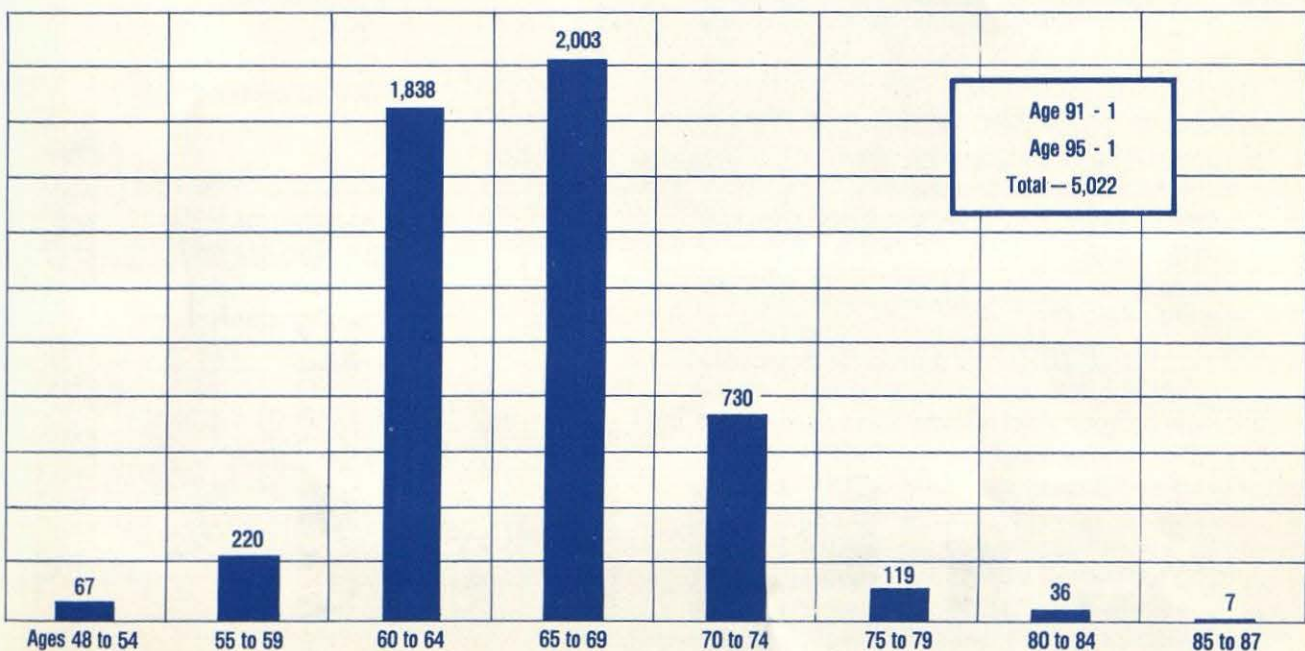
In addition to the monthly benefits for which the more than 58,000 persons qualified from PERS in 1976, each primary benefit recipient received free hospital and medical coverage at a cost to the Retirement System of \$18,785,745.

The \$500.00 death benefit payments to estates and beneficiaries of retirants and those on disability who died during the year amounted to \$1,180,000.

STATISTICS ON NEW RETIRANTS IN 1976 COMPARED WITH THOSE IN 1975

	1976	1975
Number	5,022	4,706
Average years service credit	18.0	18.2
Average age	65.5	65.2
Final average salary (average)	\$9,525.00	\$9,205.00
Average annual benefit	\$3,862.00	\$3,759.00
Average monthly benefit	\$321.83	\$313.25
Number of all persons receiving benefits	58,137	53,999
Total set aside in reserve funds to pay current benefits	\$1,671,085,939	\$1,462,031,973

Ages at Which Members Retired in 1976



Statement of Assets, Liabilities and Reserves

	1976	
ASSETS		
Cash and Temporary Investments		\$ 75,709,283.67
Accounts Receivable—Employers		38,383,437.32
Investments		
Investments		
Bonds—Par Value—U.S. Treasury	\$ 48,610,000.00	
U.S. Gov't. Insured		
Merchant Marine	14,653,000.00	
Federal National		
Mortgage		
Association	20,000,000.00	
Washington		
Metropolitan Area		
Transit Authority	500,000.00	
Canadian Securities	9,075,000.00	
Corporate	<u>2,096,736,998.41</u>	
Total Bonds Par	\$2,189,574,998.41	
Add Premium	7,835,299.46	
Deduct Discount	<u>141,731,681.34</u>	
Book Value Bond Investments		2,055,678,616.53
Mortgages (Capehart) Par	\$ 66,054,724.21	
Add Premium	131,695.93	
Deduct Discount	<u>1,853,567.25</u>	
Book Value Mortgages		64,332,852.89
Stock (at Cost) Common		949,793,940.36
Fixed Assets		
Furniture, Fixtures and Equipment	\$ 820,089.66	
Land and Home Office Building	<u>2,222,483.70</u>	3,042,573.36
Deferred Loss on Sale of Securities		17,911,787.89
Prepaid Expense—Atty. Fees .4%		
Court Directed		<u>53,186.39</u>
TOTAL ASSETS		<u>\$3,204,905,678.41</u>
LIABILITIES AND RESERVES		
Accounts Payable—Medical Insurance	\$ 482,932.31	
Investments		
Funds		
Members' Savings Fund	\$ 897,123,686.48	
Employers' Accumulation Fund		
Employer Fund Liability ⁽¹⁾	\$3,044,297,964.08	
Unfunded Accrued Liability ⁽¹⁾	<u>2,413,582,721.00</u>	630,715,243.08
A & P R Fund		1,422,889,355.02
Survivor Benefit Fund		248,196,584.50
Income Fund		4,345,538.00
Expense Fund		396,935.48
Deferred Compensation Board Expense		<u>4,715.38</u>
Total Funds		3,203,672,057.94
Short Term Investment Income		151,212.16
Allowance for Replacement—		
Furniture, Fixtures and Equipment	\$ 373,630.28	
Building	<u>225,845.72</u>	599,476.00
TOTAL LIABILITIES AND RESERVES		<u>\$3,204,905,678.41</u>

⁽¹⁾Unfunded accrued liabilities are the difference between liabilities (future benefits) and the accrued assets of PERS as determined by our independent actuary.

Notes to Financial Statement

1975

\$ 112,371,974.87

\$ 37,436,444.54
3,324,917.55 40,761,362.09

\$ 5,709,200.00

7,662,000.00

500,000.00

1,890,566,761.77

\$1,904,437,961.77

6,253,591.32

127,745,910.92

1,782,945,642.17

\$ 73,134,510.81

140,716.01

2,079,270.67

71,195,956.15

798,549,641.50

\$ 554,467.49

2,166,569.60

2,721,037.09

19,365,262.81

64,013.33

\$2,827,974,890.01

\$ 306,856.54

52,275.00

\$ 359,131.54

\$ 800,955,143.52

\$1,614,047,719.35

1,054,597,605.00

559,450,114.35

1,242,478,197.65

219,553,766.21

3,809,794.00

394,863.30

4,896.35

2,826,646,775.38

491,168.18

\$ 275,677.95

202,136.96

477,814.91

\$2,827,974,890.01

ASSETS

CASH—Only sufficient cash is on deposit at the State Treasury to cover current payment of benefits, refunds and expenses.

ACCOUNTS RECEIVABLE—Employer contributions for the final quarter of 1976 are determined at year end but are payable, without penalty, until March 31, 1977.

BONDS—63.95% of PERS investments are in bonds of the United States Treasury and its agencies, Canadian Provinces, U.S. Corporations (industrials, utilities, and railroads). This statement shows the bonds at book value, that is par value adjusted for unamortized premiums paid or unaccumulated discounts received.

MORTGAGES—We own Capehart mortgages, guaranteed by the U.S. Government. As they were purchased at prices above and below par, premiums and discounts are shown to adjust the holdings to book value.

STOCKS — 28.97% of PERS investments are prime quality common stocks, selected for earnings and expectation of growth. They are diversified among high quality American Corporations.

DEFERRED LOSS ON SECURITIES—In 1969 and 1970 low income bonds were sold at discount. The proceeds were reinvested in bonds having approximately the same maturity dates and par value, but greater income. These will mature at the full par value. They will earn approximately 1% more income, thus increasing earnings about \$750,000 per year until maturity, at which time the book "loss" will be recovered.

LIABILITIES

MEMBERS' SAVINGS FUND — is the fund in which your contributions — and those of all members — are held in trust. Return of your entire account, as a benefit or refund, is guaranteed to you, your beneficiary or estate.

EMPLOYERS' ACCUMULATION FUND — The 12% of payroll paid by the state, and the 11.9% paid by local government are held in this fund.

ANNUITY AND PENSION RESERVE FUND — When you retire enough money will be placed in this fund to guarantee your monthly benefit for your life, or the life of the plan you select. This account will include:

- 1) All your retirement deductions from your pay;
- 2) Employer contributions from your employer;
- 3) Income earned on the above.

SURVIVOR BENEFIT FUND — This guarantees survivor benefit payments presently being paid.

INCOME FUND — Interest earnings remain here after current interest is credited to the other statutory funds.

EXPENSE FUND — This covers the cost of operating the system. The estimated budget adopted by the Board each year is set up in this fund. These expenses are paid out of investment earnings.

Investment Report: Rewarding Year

The year 1976 proved to be very rewarding for the investments of the Retirement System. With inflation slowing and confidence rising, both the stock market and the bond market exhibited remarkable progress which benefited our fund to a significant degree. These rewards were not the result of one year's action but, we believe, the consequence of having a good long-term plan and adhering to it. Our plan which was adopted over five years ago is outlined below under the headings of investment policies and procedure:

INVESTMENT POLICIES

1. The Public Employees Retirement Board has established a policy to capitalize on opportunities to realize maximum effort of the investment management process in light of the Board's very specific and restricted purpose.
2. Maximize total return on investments over the long term consistent with high standards of quality, prudent judgement and statutory limits.
3. Employ a highly competent outside investment counsel to assist the Board's own investment staff.
4. With the cooperation of the State Treasurer establish an efficient and safe procedure for handling the movements of investable funds; to also provide a safekeeping arrangement for physical custody of assets held and for clearing and settlement of investment transactions.

INVESTMENT PROCEDURE

1. Section 145.09 R.C. provides the general administration and management of the Public Employees Retirement System is vested in the Public Employees Retirement Board, which body may authorize its administrative officers to act for the Board.
 - a. This procedure permits the investment of funds between monthly meetings by administrative officers within programs, guidelines and policies approved by the Board.

2. PERS investment procedure is implemented in the following manner:
 - a. After the roll call an agenda is presented listing all investment transactions since the previous board meeting. Following a general discussion of the specific transactions the Chair asks for approval.
 - b. Next a list of announced future bond offerings, portfolio statements and other investment reports are presented to the board for their information at which time a general economic and investment discussion is held.
 - c. An investment program for the coming month is then presented to the board for their direction and approval. After a specific program is approved by the Board it authorizes investment staff to implement the program.

RESULTS

In pursuing the guidelines of our policies and procedures we accomplished the following in 1976. Of the cash available for long-term commitment, \$241,800,000 was invested in high quality bonds which yield an average return of 9.19%. \$151,244,298 was invested in common stocks with the remaining placed in either U.S. Government and Agency bonds or short-term investments, 35 days or less, waiting long-term commitments.

We are continuing to monitor all of our holdings with the objective of searching for the best investments that will satisfy our obligations. The bond exchange program, in its sixth year of operation, produced continued benefits for the System. (detailed results are shown on page 12)

We believe the year 1977 will be trying with the Federal Government waging a campaign against unemployment which still plagues this nation. The investment outlook is clouded but could prove to be satisfying if the Federal Government is successful.

Valuation of Portfolio as of December 31, 1976

There are several means of valuing securities. Our debt securities (bonds) are carried on our financial statement at book value, which is their cost with any premiums paid or discount earned amortized to the date the bond matures. "Par value" is the amount stated on the face of the bond; "Market" is what it would have brought if sold on the date for which the statement is made.

Common Stocks are carried on our financial statement at cost—what we paid for them. "Par value" has little meaning for common stocks, which truly represent

shares of ownership in a concern. "Market value" is changing constantly as the market puts a value on the company and its prospects in the light of changing conditions in the business world.

To have historical continuity we continue to show in our financial statement bonds at book value, and stocks at cost price. However, in the interest of full disclosure of all information, our portfolio is displayed below under the three means of expressing value.

SECURITIES HELD

	Par Value	Amortized Book Value	Market Value
U.S. Treasury & Agencies	\$ 83,263,000	\$ 83,850,168	\$ 89,046,680
Washington Metro	500,000	500,000	505,625
Canadian Securities	9,075,000	8,171,040	8,069,043
Corporate Bonds	2,096,736,998	1,963,157,409	1,936,128,187
Total Bonds	\$2,189,574,998	\$2,055,678,617	\$2,033,749,535
Mortgages (Capehart)	66,054,724	64,332,853	57,827,208
Short Term Investments	73,050,000	73,050,000	73,050,000
Common Stock	949,793,940*	949,793,940*	965,243,349
Total Portfolio	\$3,278,473,662	\$3,142,855,410	\$3,129,870,092

*Common Stock At Cost

Summary of the System's Investments December 31, 1976

SECURITIES HELD

	Par Value	Yield At Cost ⁽¹⁾	% of Portfolio
U.S. Government and Agencies Bonds:			
U.S. Treasury	\$ 48,610,000	7.73	
U.S. Gov't. Insured Merchant Marine	14,653,000	8.75	
Federal National Mortgage Association	20,000,000	7.74	
Total	\$ 83,263,000		2.54
Washington Metropolitan Area			
Transit Authority	500,000	7.75	.02
Canadian Securities			
	9,075,000	8.84	.28
Corporate Bonds:			
Industrial	\$ 454,659,642		
Pipeline	59,756,000		
Telephone	398,323,000		
Public Utilities	1,133,482,000		
Railroad General	582,000		
Railroad Equipment Trust Certificates	34,254,357		
Finance	15,680,000		
Total	2,096,736,999	7.89	63.95
Mortgages (Capehart)	66,054,724	4.56	2.01
Short Term Investments			
(Maturity—35 days or less)	73,050,000	4.45	2.23
Common Stocks (at Cost)			
	949,793,940	3.19	28.97
TOTAL PORTFOLIO	\$3,278,473,663	6.38	100.00

(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.

PERS Revenue by Source

From Employers

	1976
State of Ohio	\$ 95,912,264.31
Local Governments	159,649,922.68
Total Contributions	\$255,562,186.99

	1975
	\$ 84,540,510.57
	131,551,651.94
Total Contributions	\$216,092,162.51

From Members

	1976	1975
	\$ 63,947,483.92	\$ 61,133,603.83
	107,105,621.11	95,265,546.41
Total Contributions	\$171,053,105.03	\$156,399,150.24

From Investments

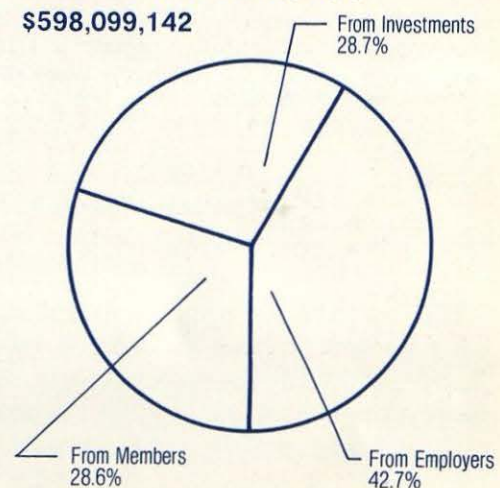
	1976	1975
Bonds	\$137,888,396.46 ⁽¹⁾	\$111,861,467.60 ⁽¹⁾
Commercial Paper		
(short term)	3,037,948.45	7,609,812.54
Mortgages	2,952,837.42 ⁽¹⁾	3,234,240.25 ⁽¹⁾
Stocks	27,604,668.11	22,457,806.85
Total Investment	\$171,483,850.44	\$145,163,327.24

(1) Net of premium amortization.

Totals

	1976	1975
Employers	\$255,562,186.99	\$216,092,162.51
Members	171,053,105.03	156,399,150.24
Investments	171,483,850.44	145,163,327.24
Totals	\$598,099,142.46	\$517,654,639.99

1976 Total Revenue



Investment Activity January 1, 1976 – December 31, 1976

INVESTMENT PORTFOLIO JANUARY 1, 1976		\$2,887,822,114
INCREASES:		
Bonds and Notes Purchased		
U.S. Treasury	\$ 47,960,000	
U.S. Gov't. Insured Merchant Marine	7,000,000	
Federal National Mortgage Association	20,000,000	
Canadian Securities	9,075,000	
Corporate	602,725,000	
Common Stocks Purchased (at Cost)	<u>239,084,689</u>	
Total Increases	<u>\$925,844,689</u>	
DECREASES:		
Bonds Sold		
U.S. Treasury	\$ 5,059,200	
Corporate	386,241,000	
Capehart Mortgages Sold	814,314	
Common Stocks Sold	87,829,953	
Common Stock Rights Sold	10,437	
Bonds Called Before Maturity		
U.S. Gov't. Insured Merchant Marine	9,000	
Corporate	2,812,000	
Maturities		
Corporate Bonds	7,501,764	
Short Term Investments (Net)	38,650,000	
Capehart Mortgages	<u>6,265,472</u>	
Total Decreases	<u>\$535,193,140</u>	
Net Increase to Investment Portfolio		<u>390,651,549</u>
INVESTMENT PORTFOLIO DECEMBER 31, 1976		<u>\$3,278,473,663</u>

NOTE: In the brief periods of time that normally elapse between the receipt of funds and their investment in long-term securities, the funds are invested temporarily in short-term notes that mature in less than 35 days. Thus the Retirement System assures continuity of investment income with a minimum of lapsed time from the day funds are received.

Bond Exchange Summary – Year Ended December 31, 1976

	Bonds Sold	Bonds Purchased
Par Value	\$385,591,000	\$386,590,000
Coupon Income	27,530,529	28,841,622
Average Coupon	7.14%	7.46%

During 1976 we continued our active bond management program to improve the portfolio's marketability, quality, current return, yield to maturity, or combinations of these items.

Specifically in 1976 a net increase in coupon

income of \$1,311,093 per year was gained on the bonds purchased versus the bonds sold. This was a 4.76% increase over original income. In addition par value was increased \$999,000 and a net cash takeout of \$449,923 was generated.

Detailed Listing of Corporate Bonds – December 31, 1976

	Par Value		Par Value
INDUSTRIAL			
A C F INDUSTRIES	\$ 1,734,000	MONSANTO CO.	\$ 7,000,000
AMERICAN CAN COMPANY NOTES	749,242	MUSTANG FUEL CORP.	5,350,000
AMERICAN GREETING CORP.	4,000,000	NATIONAL STEEL CORP.	16,377,000
ANACONDA CO.	4,150,000	NORTON-SIMON, INC.	1,000,000
ANCHOR HOCKING	8,750,000	OLEFINS PROPERTIES INC.	5,829,233
ARMCO STEEL CO.	13,815,000	PENNEY, J. C. CO.	18,150,000
ATLANTIC REFINING CO.	2,100,000	PENNSYLVANIA MART PROPERTIES	3,000,000
ATLANTIC RICHFIELD CO.	1,000,000	PETROLEUM FACILITIES INC.	1,741,000
BETHLEHEM STEEL CORP.	6,900,000	PHELPS DODGE CORP.	680,000
BORDEN CO.	3,355,000	PROCTER AND GAMBLE	11,250,000
BUCYRUS ERIE CO.	6,650,000	QUAKER OATS CO.	2,675,000
BURLINGTON INDUSTRIES	2,000,000	RELIANCE ELECTRIC CO.	4,250,000
CARBORUNDUM CO.	8,000,000	REPUBLIC STEEL CORP.	1,476,000
CARGILL, INC.	5,000,000	SCOTT PAPER CO.	4,000,000
CARNATION CO.	5,090,000	SEARS, ROEBUCK AND CO.	14,300,000
CARRIER CORP.	4,935,000	SECOND SWANSEA PROPERTIES INC.	1,559,256
CARTER HAWLEY HALE STORES, INCORP.	469,000	SHELL FUNDING CORP.	4,363,000
CATERPILLAR TRACTOR CO.	1,000,000	SHELL OIL CORP.	11,822,463
CITIES SERVICE CO.	3,100,000	SPERRY RAND CORP.	1,000,000
CONSOLIDATED FOODS	1,500,000	SQUARE D CO.	3,500,000
CONTINENTAL CAN CO.	1,500,000	STALEY MFG. CO., A. E.	7,000,000
CONTINENTAL OIL CO.	5,180,000	STANDARD OIL CO. — INDIANA	1,000,000
CORN PRODUCTS	600,000	STANLEY WORKS	4,000,000
CROWN ZELLERBACH CORP.	1,320,000	STATEWIDE STATIONS INC.	4,143,000
CUTLER HAMMER, INC.	2,500,000	SWIFT CREEK MINING & EQUIPMENT	3,140,049
DANA CORP.	7,250,000	T R W INC.	11,735,000
DART INDUSTRIES	250,000	TANKER FINANCE	675,000
DIAMOND INTERNATIONAL CORP.	4,165,000	TEXACO, INC.	10,359,000
DIAMOND SHAMROCK CORP.	6,100,000	UNION CARBIDE CO.	7,633,849
DOW CHEMICAL CO.	20,499,000	UNION OIL CO. OF CALIF.	7,125,000
DOW CORNING CORP.	1,100,000	UNITED SHOE MACHINERY CO.	2,725,000
DUPONT D'NEMOURS, E. I.	4,500,000	UNITED STATES STEEL CORP.	1,000,000
EATON CORP.	10,000,000	WARNER-LAMBERT	2,000,000
EXXON CORP.	12,370,000	WESTERN ELECTRIC CO. INCORP.	4,995,000
FORD MOTOR CO.	3,500,000	WESTINGHOUSE ELECTRIC CO.	2,500,000
FOURTH SWANSEA PROPERTIES INC.	3,598,489	WEYERHAEUSER CO.	4,000,000
GARDNER-DENVER CO.	3,850,000	XEROX CORP.	4,927,500
GENERAL ELECTRIC CO.	1,792,500	YOUNGSTOWN SHEET & TUBE CO.	300,000
GENERAL MOTORS CORP.	14,000,000	TOTAL INDUSTRIAL	\$ 454,659,642
GOODRICH, B. F. CO.	2,000,000	YIELD	8.47%
GREAT NORTHERN NEKOOSA	2,500,000		
GULF OIL CORP.	1,500,000	TELEPHONE	
HALLIBURTON CO.	3,000,000	AMERICAN TEL. & TEL. CO.	\$ 31,277,000
HARSCO CORP.	3,500,000	BELL TEL. OF PENN.	10,500,000
HEINZ, H. J. CO.	7,750,000	CAROLINA TEL. & TEL. CO.	2,485,000
HOOVER TAFT CO.	2,861,061	CENTRAL TEL. CO.	5,100,000
INGERSOLL-RAND CO.	2,100,000	CENTRAL TEL. CO. OF FLORIDA	1,468,000
INLAND STEEL CO.	8,395,000	CHESAPEAKE & POTOMAC TEL. —	
JOHNSON, S. C. & SONS	3,750,000	MARYLAND	12,425,000
KENNECOTT COPPER CORP.	2,000,000	CHESAPEAKE & POTOMAC TEL. —	
KIMBERLY-CLARK CORP.	3,050,000	VIRGINIA	4,970,000
KRAFT CO CORP.	6,800,000	CHESAPEAKE & POTOMAC TEL. —	
LYONDELL PROPERTIES, INC.	10,000,000	WASH. D. C.	6,850,000
MARATHON OIL CO.	1,500,000	CHESAPEAKE & POTOMAC TEL. —	
MASCO CORP.	6,000,000	WEST VIRGINIA	5,415,000
MOBIL OIL CORP.	1,000,000	CINCINNATI BELL, INC.	12,270,000
		DIAMOND STATE TEL. CO.	2,025,000

Detailed Listing of Corporate Bonds (continued)

	Par Value		Par Value
GENERAL TEL. CO. OF CALIF.	\$ 8,620,000	CONSOLIDATED EDISON OF NEW YORK	\$ 18,870,000
GENERAL TEL. CO. OF FLORIDA	1,500,000	DALLAS POWER & LIGHT CO.	3,673,000
GENERAL TEL. CO. OF ILLINOIS	7,905,000	DAYTON POWER & LIGHT CO.	4,705,000
GENERAL TEL. CO. OF INDIANA	3,680,000	DELAWARE POWER & LIGHT CO.	2,500,000
GENERAL TEL. CO. OF MICHIGAN	2,500,000	DELMARVA POWER AND LIGHT CO.	3,000,000
GENERAL TEL. CO. OF OHIO	3,400,000	DETROIT EDISON CO.	10,680,000
GENERAL TEL. CO. OF PENNSYLVANIA	1,500,000	DUQUESNE LIGHT CO.	20,878,000
GENERAL TEL. CO. OF THE NORTHWEST, INC.	2,442,000	EL PASO ELECTRIC CO.	5,250,000
GENERAL TEL. CO. OF THE SOUTHEAST	1,500,000	EMPIRE DISTRICT ELECTRIC CO.	1,250,000
GENERAL TEL. CO. OF THE SOUTHWEST	1,200,000	FLORIDA POWER & LIGHT CO.	21,455,000
GENERAL TEL. CO. OF UPSTATE NEW YORK	5,500,000	GULF POWER CO.	500,000
GENERAL TEL. CO. OF WISCONSIN	500,000	GULF STATES UTILITIES CO.	2,560,000
HAWAIIAN TEL. CO.	3,100,000	HARTFORD ELECTRIC LIGHT CO.	2,950,000
ILLINOIS BELL TEL. CO.	9,150,000	HAWAIIAN ELECTRIC CO.	1,010,000
INDIANA BELL TEL. CO.	6,450,000	HOUSTON LIGHTING & POWER CO.	7,335,000
MICHIGAN BELL TEL. CO.	10,155,000	IDAHO POWER CO.	2,800,000
MOUNTAIN STATES TEL. & TEL.	15,045,000	INDIANA & MICHIGAN ELECTRIC CO.	1,935,000
NEW ENGLAND TEL. & TEL. CO.	11,800,000	INDIANAPOLIS POWER & LIGHT CO.	11,200,000
NEW JERSEY BELL TEL. CO.	7,825,000	IOWA POWER & LIGHT CO.	8,535,000
NEW YORK TEL. CO.	31,749,000	IOWA SOUTHERN UTILITIES	3,500,000
NORTHWESTERN BELL TEL. CO.	20,735,000	JERSEY CENTRAL POWER & LIGHT CO.	700,000
OHIO BELL TEL. CO.	23,340,000	KANSAS CITY POWER & LIGHT CO.	8,580,000
PACIFIC NORTHWEST BELL TEL.	21,960,000	KANSAS POWER AND LIGHT CO.	2,000,000
PACIFIC TEL. & TEL. CO.	16,900,000	KENTUCKY UTILITIES CO.	2,300,000
ROCHESTER TEL. CORP.	8,500,000	LONG ISLAND LIGHTING CO.	8,050,000
SOUTH CENTRAL BELL TEL. CO.	10,800,000	LOUISIANA POWER & LIGHT CO.	5,400,000
SOUTHERN BELL TEL. & TEL.	30,590,000	MASSACHUSETTS ELECTRIC CO.	3,300,000
SOUTHERN NEW ENGLAND TEL. CO.	4,100,000	METROPOLITAN EDISON CO.	16,070,000
SOUTHWESTERN BELL TEL.	23,092,000	MINNESOTA POWER & LIGHT	4,275,000
UNITED TEL. CO. OF OHIO	1,950,000	MISSISSIPPI POWER & LIGHT CO.	12,200,000
UNITED TEL. CO. OF FLORIDA	2,000,000	MONTANA DAKOTA UTILITIES CO.	8,200,000
WISCONSIN TEL. CO.	4,050,000	MONTANA POWER COMPANY	3,425,000
TOTAL TELEPHONE	\$ 398,323,000	NARRAGANSETT ELECTRIC CO.	300,000
YIELD	6.94%	OHIO EDISON CO.	14,155,000
		OTTER TAIL POWER CO.	1,000,000
		PACIFIC POWER AND LIGHT CO.	5,750,000
		PENNSYLVANIA ELECTRIC CO.	3,850,000
		PENNSYLVANIA POWER & LIGHT CO.	39,475,000
		PHILADELPHIA ELECTRIC CO.	23,690,000
		PHILADELPHIA ELECTRIC POWER CO.	500,000
		POTOMAC EDISON	500,000
		POTOMAC ELECTRIC POWER	22,135,000
		PUBLIC SERVICE CO. OF INDIANA	5,900,000
		SOUTHERN CALIFORNIA EDISON	18,675,000
		SOUTHWESTERN ELECTRIC POWER CO.	4,150,000
		SOUTHWESTERN PUBLIC SERVICE	12,794,000
		TAMPA ELECTRIC CO.	22,345,000
		TEXAS ELECTRIC SERVICE CO.	4,375,000
		TEXAS POWER & LIGHT CO.	5,650,000
		TOLEDO EDISON CO.	4,325,000
		UNION ELECTRIC OF MISSOURI	29,650,000
		UTAH POWER & LIGHT CO.	2,000,000
		VIRGINIA ELECTRIC & POWER CO.	22,403,000
		WEST TEXAS UTILITIES	800,000
		WESTERN MASS. ELECTRIC CO.	4,400,000
		WISCONSIN ELECTRIC POWER CO.	27,125,000
		WISCONSIN POWER & LIGHT CO.	3,850,000
		TOTAL ELECTRIC UTILITY	\$ 596,656,000

PUBLIC UTILITY

ELECTRIC UTILITY

ARKANSAS POWER & LIGHT CO.	\$ 10,000,000
ATLANTIC CITY ELECTRIC CO.	1,300,000
BOSTON EDISON CO.	9,460,000
BROCKTON EDISON CO.	50,000
CALIFORNIA ELECTRIC POWER CO.	1,750,000
CAMBRIDGE ELECTRIC LIGHT CO.	656,000
CANAL ELECTRIC CO.	1,960,000
CAROLINA POWER & LIGHT CO.	32,552,000
CENTRAL ILLINOIS LIGHT CO.	3,900,000
CENTRAL LOUISIANA ELECTRIC CO.	1,000,000
CENTRAL POWER & LIGHT CO.	1,800,000
CITIZENS UTILITIES	5,750,000
CLEVELAND ELECTRIC ILLUMINATING	3,750,000
COLS. & SOUTHERN OHIO ELECT. CO.	4,850,000
COMMONWEALTH EDISON CO.	25,095,000
CONNECTICUT LIGHT & POWER CO.	3,900,000

	Par Value
GAS UTILITY	
ALABAMA GAS CORP.....	\$ 500,000
COLUMBIA GAS SYSTEM INC.....	2,250,000
ELIZABETHTOWN GAS CO.....	1,200,000
GAS SERVICE CO.....	700,000
MICHIGAN CONSOLIDATED GAS CO.....	1,500,000
MINNESOTA GAS CO.....	873,000
NATIONAL FUEL GAS CO.....	1,281,000
NORTHERN ILLINOIS GAS CO.....	1,000,000
PACIFIC LIGHTING.....	2,000,000
PEOPLES GAS, LIGHT & COKE CO.....	1,344,000
SOUTHERN NATURAL GAS CO.....	3,782,000
TOTAL GAS UTILITY.....	\$ 16,430,000

ELECTRIC & GAS UTILITY	
BALTIMORE GAS & ELECTRIC CO.....	\$ 47,702,000
CENTRAL HUDSON GAS & ELECTRIC CO.....	1,000,000
CENTRAL ILLINOIS ELECTRIC & GAS.....	1,100,000
CENTRAL ILLINOIS PUBLIC SERVICE.....	12,580,000
CINCINNATI GAS & ELECTRIC CO.....	12,641,000
IOWA ILLINOIS GAS & ELECTRIC CO.....	28,234,000
IOWA PUBLIC SERVICE CO.....	11,450,000
KANSAS GAS & ELECTRIC CO.....	1,300,000
LOUISVILLE GAS & ELECTRIC CO.....	11,220,000
MADISON GAS & ELECTRIC CO.....	6,785,000
NEW BEDFORD GAS & EDISON CO.....	1,498,000
NEW YORK STATE ELECTRIC & GAS.....	4,063,000
NORTHERN INDIANA PUBLIC SERVICE CO.....	12,400,000
OKLAHOMA GAS & ELECTRIC CO.....	7,145,000
PACIFIC GAS & ELECTRIC CO.....	6,825,000
PUBLIC SERVICE CO. OF COLORADO.....	11,950,000
PUBLIC SERVICE CO. OF NEW MEXICO.....	3,163,000
PUBLIC SERVICE CO. OF OKLAHOMA.....	2,000,000
PUBLIC SERVICE ELECTRIC AND GAS.....	43,218,000
ROCHESTER GAS & ELECTRIC CO.....	9,750,000
SAN DIEGO GAS & ELECTRIC CO.....	9,950,000
SOUTH CAROLINA ELECTRIC AND GAS.....	9,495,000
SOUTHERN INDIANA GAS & ELECTRIC CO.....	3,850,000
UNION LIGHT, HEAT & POWER CO.....	3,950,000
WISCONSIN PUBLIC SERVICE CORP.....	6,400,000
TOTAL ELECTRIC & GAS UTILITY.....	\$ 269,669,000

POWER UTILITY	
ALABAMA POWER CO.....	\$ 43,830,000
APPALACHIAN POWER CO.....	26,290,000
CENTRAL MAINE POWER CO.....	3,979,000
CONSUMERS POWER CO.....	25,975,000
DUKE POWER CO.....	43,460,000
FLORIDA POWER CORP.....	9,472,000
GEORGIA POWER CO.....	16,446,000
ILLINOIS POWER CO.....	6,900,000
INTERSTATE POWER CO.....	3,890,000
MONONGAHELA POWER CO.....	6,000,000
NEW ENGLAND POWER CO.....	4,230,000
NIAGARA MOHAWK POWER CORP.....	25,275,000
NORTHERN STATES POWER CO. OF MINN.....	13,800,000
NORTHERN STATES POWER OF WISCONSIN.....	2,500,000
OHIO POWER CO.....	2,750,000

PENNSYLVANIA POWER CO.....	\$ 1,150,000
WEST PENN POWER CO.....	14,250,000
WISCONSIN MICHIGAN POWER.....	530,000
TOTAL POWER UTILITY.....	\$ 250,727,000
TOTAL PUBLIC UTILITY.....	\$1,133,482,000
YIELD.....	7.81%

PIPELINE	
COLONIAL PIPELINE CORP.....	\$ 7,042,000
COLORADO INTERSTATE CORP.....	1,866,000
FOUR CORNERS PIPELINE.....	1,056,000
MICHIGAN, WISCONSIN PIPELINE.....	7,792,000
NATURAL GAS PIPELINE CO. OF AMERICA.....	500,000
PANHANDLE EASTERN PIPELINE CO.....	1,500,000
SOHIO/BP TRANS ALASKA PIPELINE CAPITAL, INC.....	40,000,000
TOTAL PIPELINE.....	\$ 59,756,000
YIELD.....	9.94%

RAILROAD EQUIPMENT TRUST CERTIFICATES	
ATCHINSON TOPEKA & SANTA FE.....	\$ 800,000
DENVER & RIO GRANDE WESTERN RR.....	564,000
FRUIT GROWERS EXPRESS.....	1,733,334
GATX CORP.....	9,900,000
GREAT NORTHERN RAILWAY.....	473,000
ILLINOIS CENTRAL GULF RR.....	2,900,000
LOUISVILLE & NASHVILLE RR.....	7,635,023
MISSOURI PACIFIC RR.....	1,050,000
NORFOLK & WESTERN RAILWAY.....	1,263,000
PITTSBURGH & LAKE ERIE RR.....	533,000
SEABOARD COAST LINE.....	2,023,000
SOUTHERN PACIFIC CO.....	130,000
SOUTHERN RAILWAY.....	350,000
ST. LOUIS SOUTHWESTERN RAILWAY.....	2,800,000
UNION PACIFIC RR.....	600,000
UNION TANK CAR CO.....	1,500,000
TOTAL RAILROAD EQUIPMENT TRUST CERTIFICATES.....	\$ 34,254,357
YIELD.....	9.23%

RAILROAD GENERAL	
DETROIT TOLEDO SHORE LINE RR.....	\$ 582,000
TOTAL RAILROAD GENERAL.....	\$ 582,000
YIELD.....	3.25%

FINANCE	
FORD MOTOR CREDIT CORP.....	\$ 3,430,000
SOCIETY CORP.....	7,250,000
TOTAL FINANCE.....	\$ 10,680,000
YIELD.....	9.85%

BANK HOLDING COMPANIES	
FIRST BANC GROUP OF OHIO, INC.....	\$ 5,000,000
TOTAL BANK HOLDING COMPANIES.....	\$ 5,000,000
YIELD.....	9.00%
TOTAL CORPORATE BOND PORTFOLIO.....	\$2,096,736,879
YIELD.....	7.89%

Detailed Listing of Common Stock
December 31, 1976

Stock Name	Number of Shares	Cost
AIR PRODUCTS & CHEMICALS INC.....	332,256	\$ 11,217,011
ALLEGHENY POWER SYSTEM.....	288,100	6,547,042
ALUMINUM CO. OF AMERICA.....	180,700	8,147,853
AMAX, INC.....	79,800	4,008,734
AMERICAN CYANAMID CO.....	308,100	9,989,677
AMERICAN GENERAL INSURANCE CO.....	315,000	6,255,613
AMERICAN HOME PRODUCTS CORP.....	412,300	12,083,200
AMERICAN HOSPITAL SUPPLIES.....	350,000	14,423,846
AMERICAN NATURAL RESOURCES.....	86,000	3,230,279
AMERICAN TEL. & TEL.....	416,971	20,725,058
ARKANSAS LOUISIANA GAS.....	125,000	2,484,816
ARMCO STEEL.....	319,000	9,107,461
ATLANTIC RICHFIELD CO.....	206,600	6,716,204
BALTIMORE GAS AND ELECTRIC CO.....	162,080	5,324,357
BANKAMERICA CORP.....	532,000	9,984,653
BAXTER LABORATORIES.....	280,000	11,328,728
BEATRICE FOODS.....	25,000	663,125
BELL & HOWELL CO.....	150,000	7,541,155
BETHLEHEM STEEL.....	242,500	9,725,604
BLACK & DECKER.....	384,000	9,472,340
BORDEN INC.....	318,500	9,445,470
BRISTOL-MYERS CO.....	159,100	9,962,429
BURROUGHS CORP.....	212,000	19,628,541
CAPITAL HOLDING CORP.....	350,000	7,723,345
CARRIER CORP.....	476,100	11,660,834
CATERPILLAR TRACTOR CO.....	53,400	2,269,300
CHESEBROUGH-PONDS, INC.....	360,000	10,422,307
CINCINNATI GAS AND ELECTRIC.....	142,600	3,834,305
CITICORP.....	330,000	10,870,725
COLGATE PALMOLIVE CO.....	456,000	12,012,655
COMMONWEALTH EDISON CO.....	208,400	7,464,704
COMMUNICATIONS SATELLITE CORP.....	300,000	13,350,000
CORNING GLASS WORKS.....	113,200	8,650,933
DAYTON POWER AND LIGHT CO.....	141,400	3,837,453
DEERE & CO.....	212,800	4,270,084
DOW CHEMICAL.....	192,600	7,654,895
DRESSER INDUSTRIES.....	227,000	8,376,531
DUKE POWER CO.....	250,000	5,750,000
EASTMAN KODAK CO.....	172,600	20,642,628
ECKERD, JACK CORP.....	371,600	7,159,127
EMERSON ELECTRIC.....	268,400	9,659,235
EXXON CORP.....	493,760	19,549,292
FIRST CHICAGO CORP.....	259,700	4,465,721
FLORIDA POWER AND LIGHT CO.....	138,400	4,491,392
FORD MOTOR CO.....	149,200	8,237,748
FRANKLIN LIFE INSURANCE CO.....	352,100	7,331,000
GANNETT CO.....	212,000	6,165,872
GENERAL ELECTRIC CO.....	140,000	6,538,157
GENERAL MILLS, INC.....	475,800	11,931,047
GENERAL MOTORS CORP.....	140,500	9,107,746
GENERAL REINSURANCE CORP.....	40,000	7,548,875
GEORGIA PACIFIC CORP.....	125,787	3,744,050
GETTY OIL.....	50,000	7,950,002

Stock Name	Number of Shares	Cost
HALLIBURTON	201,000	\$ 9,778,601
HERCULES, INC.	250,900	7,741,519
HOLIDAY INNS, INC.	307,800	15,340,367
HONEYWELL, INC.	181,400	11,515,784
HOUSEHOLD FINANCE CORP.	358,150	12,420,269
HOUSTON INDUSTRIES	39,500	1,735,645
INTERNATIONAL BUSINESS MACHINE	163,800	41,592,653
INTERNATIONAL PAPER CO.	97,200	6,328,740
JOHNSON & JOHNSON	136,900	9,573,832
KENNECOTT COPPER	100,000	3,220,545
KERR — McGEE CORP.	174,400	13,766,581
KRESGE, S.S. CO.	400,000	14,550,796
LEASEWAY TRANSPORTATION CORP.	168,729	5,074,815
LILLY, ELI & CO.	205,600	12,779,394
LUCKY STORES, INC.	565,180	9,560,710
MARATHON OIL	180,000	10,509,033
MARSH & McLENNAN COS. INC.	200,000	9,504,549
McDERMOTT, J. RAY	185,000	8,515,441
McDONNELL DOUGLAS	440,000	10,066,310
MINNESOTA MINING & MANUFACTURING	267,400	15,941,736
MONSANTO CO.	125,000	10,588,957
MORGAN, J.P. & CO.	179,900	9,379,686
MOTOROLA INC.	124,500	5,903,829
NCR INC.	103,542	5,152,002
OKLAHOMA GAS AND ELECTRIC CO.	100,000	2,674,864
PENNEY, J.C.	220,000	14,398,343
PEOPLES GAS CO.	136,400	5,230,915
PEPSICO, INC.	200,000	15,723,539
PFIZER, INC.	303,600	10,009,760
PRENTICE HALL, INC.	168,800	7,040,562
PROCTER AND GAMBLE CO.	181,700	14,161,766
RALSTON PURINA	185,700	7,361,105
RYDER SYSTEM, INC.	200,000	6,535,214
SANTA FE INDUSTRIES	200,000	7,483,145
SEARLE, G.D. & CO.	284,600	6,866,666
SEARS, ROEBUCK AND CO.	148,800	14,047,481
SKYLINE CORP.	120,000	5,537,508
SMITH KLINE CORP.	179,200	11,414,056
SOUTHWESTERN LIFE CORP.	300,000	6,558,338
SOUTHWESTERN PUBLIC SERVICE CO.	220,000	2,966,461
SPERRY RAND	288,300	13,440,218
STANDARD OIL CO. OF INDIANA	200,000	8,933,107
STANDARD OIL OF CALIFORNIA	206,700	5,780,254
TEXAS UTILITIES CO.	146,600	4,056,976
U. S. FIDELITY & GUARANTY	119,800	5,144,913
UNION PACIFIC CORP.	121,500	8,876,588
WARNER-LAMBERT CO.	338,400	11,680,078
WESTERN BANCORPORATION	152,100	5,319,086
WEYERHAEUSER CO.	230,700	6,886,785
WHIRLPOOL CORP.	330,000	9,122,438
XEROX CORP.	191,599	11,318,821
TOTAL STOCK PORTFOLIO	23,718,754	\$949,793,940

Statement of Changes in Funds and Reserves For the Year Ended December 31, 1976

	Balance January 1 1976	Income In Excess Of Expenditures
FUNDS		
Members' Savings Fund	\$ 800,955,143.52	\$142,758,527.74
Employers' Accumulation Fund	559,450,114.35	229,299,127.40
Future Survivor Annuities	42,533,894.33	33,425,510.87
Retirement Annuities	1,242,388,314.30	(154,209,611.10)*
Statutory Cost of Living Adjustment	89,883.35	(143,899.46)
Survivor Annuities	177,019,871.88	(22,174,623.31)*
Administrative Expenses	394,863.30	(3,810,748.84)
Deferred Compensation Board Expenses	4,896.35	(180.97)
Income Fund	<u>3,809,794.00</u>	<u>151,886,158.78</u>
TOTAL	<u>\$2,826,646,775.38</u>	<u>\$377,030,261.11</u>

*Disbursement Accounts Off-Set By Miscellaneous Receipts

Operating Expenses For 1976

ITEMS	
Salaries and Wages	\$2,050,278.83
Employer Contribution (PERS)	237,426.22
Insurance and Workmen's Compensation	78,092.83
Actuarial Service	22,400.00
Audit Service	3,912.14
Investment Services and Expenses	156,976.18
Medical Examinations; Investigations	54,369.66
Data Processing Contract Service	724.00
Microfilm	28,353.69
Printing and Publications; Dues and Subscriptions	74,092.13
Postage	159,587.36
Equipment (Includes: Rent, Repair, Contract)	496,957.03
Telephone, Telegraph, Freight and Express	41,047.95
Office Supplies	60,101.99
Travel (Staff, Director, Board, Investment)	30,507.17
Replacement Expense	138,667.96
Retirement Study Commission	44,420.70
Building Occupancy	126,841.77
Miscellaneous	<u>18,474.23</u>
Total Operating Expenses	\$3,823,231.84

Summary of Activities

Mail Received	293,612
Mail Sent	1,127,550
New Member Accounts	46,391
New Benefits Paid	6,308
Refunds Paid	36,542
Payment Statements	9,918
Estimates Prepared	8,378
Office Interviews	15,248
Info Pieces Distributed	1,615,000
Field Interviews	690
Group Meetings	227
Audience Totals	13,881
Number on PERS Staff	195

NOTE: The statutes require that all the operating costs of the Retirement System be paid from investment income. These costs in 1976 amounted to 2.2% of that income, with a per capita (per member) cost of \$11.05.

Interest Distribution Addition	Interest Distribution Deduction	Transfer Addition	Transfer Deduction	Balance December 31 1976
		\$ 15,817,456.66	\$ 62,407,441.44	\$ 897,123,686.48
\$ 34,392,199.00		21,548,579.71	213,974,777.38	630,715,243.08
3,190,270.00				79,149,675.20
77,671,209.00		257,093,458.93		1,422,943,371.13
				(54,016.11)
10,475,484.00		3,726,176.73		169,046,909.30
		3,812,821.02		396,935.48
				4,715.38
	\$125,729,162.00		25,621,252.78	4,345,538.00
<u>\$125,729,162.00</u>	<u>\$125,729,162.00</u>	<u>\$301,998,493.05</u>	<u>\$302,003,471.60</u>	<u>\$3,203,672,057.94</u>

Statement
by State Auditor



THOMAS E. FERGUSON
AUDITOR OF STATE
COLUMBUS, OHIO 43216

February 17, 1977

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

Dear Members of the Board:

The annual inspection of the records and accounts of the Retirement System for the calendar year 1976 has been submitted to the Retirement Board.

Prepared by the Bureau of Inspection and Supervision of Public Offices, the report indicated that the audit and examination was made in accordance with generally accepted auditing standards and disclosed that the financial records and accounts were neatly and accurately maintained.

Sincerely yours,

Thomas E. Ferguson
THOMAS E. FERGUSON
Auditor of State

TEF:jh

Statement
by Actuary

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

March 8, 1977

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

Ladies and Gentlemen:

The basic financial objective of PERS is to establish contribution rates which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Ohio citizens.

To test how well this objective is being achieved, annual actuarial valuations are made. The last completed valuations of present members were based upon data as of December 31, 1975. These valuations indicate that the contribution rates, established by the Retirement Board for benefits then in effect, meet the basic objective and, more specifically, 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.

Inflation continues to be the strongest disturbance in financial operations, causing major member pay increases and related liability increases and causing unsettled investment markets.

The PERS financial objective, together with the dedicated manner in which the objective is pursued, distinguishes PERS from the publicized financial delinquents of the public employee retirement plan universe.

Based upon the valuations it is our opinion that the Public Employees Retirement System of Ohio continues in sound condition in accordance with actuarial principles of level cost financing.

Respectfully submitted,

R G Roeder

Richard G. Roeder

RGR:sw

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INVESTMENT PORTFOLIO STATEMENT

PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO

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