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The Pennsylvania Public School Employees' Retirement System
is administered by an eleven-member board:

The Secretary of Education, ex officio-
Robert G. Scanlon

The State Treasurer, ex officio-
Robert E. Casey

The Executive Secretary of the Pennsylvania School Boards Association, ex officio-
Fred M. Hedding

Two members appointed by the Governor, at least one who is not a school or state employe-
John D. Killian, Esq.
Vacant

Three elected by the active professional members of the system from among their number-
Nancy M. Noonan
J. Henry Eisenhart
Francis J. Moran

One elected by the annuitants from among their number-
Benjamin L. Stackowski

One elected by the non professional members of the system from among their number-
Samuel Corrado

One elected by members of the Pennsylvania public school boards from among their number-
Richard C. Harris

Mr. Killian serves as board chairman.

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COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
BOX 125
HARRISBURG, PENNSYLVANIA 17108

April 1, 1980

CHAIRMAN OF THE BOARD

Dear Governor Thornburgh:

I am pleased to report on the retirement activity of the Public School Employes' Retirement System for the fiscal year ended June 30, 1979, the 60th anniversary year of the System.

The following pages report a record growth in assets to \$4.543 billion for the fiscal year ended June 30, 1979; receipts were \$785.8 million including \$255.6 million of investment income, and payments were \$402.5 million.

The Board of Trustees of the Public School Employes' Retirement System authorized an audit by Peat, Marwick, Mitchell & Co., Certified Public Accountants, of the financial records of the System including a count of PSERS securities held by the Treasurer of the Commonwealth of Pennsylvania. The System's records were examined for the fiscal year ended June 30, 1979 and a copy of the favorable opinion letter is located on page 11 of this report.

A delay in preparing this financial report for the fiscal year ended June 30, 1979 was due primarily to the lateness of the meeting between the Board of Trustees and Peat, Marwick, Mitchell & Co. to discuss the results of their audit.

A major move contemplated by the Board is greater in-house investment activity designed to bring the investments under closer control of the Board. The funds will be monitored for the Board by the Investment Coordinator located at PSERS headquarters. Every move is designed for the purpose of improving the return on investments, the principal fiduciary responsibility of the Board.

We appreciate your continuing personal interest in the System and particularly how it can be of assistance to help strengthen the economy of Pennsylvania.

More detailed data is contained on the following pages.

Sincerely yours,

A handwritten signature in cursive script that reads "John D. Killian".
John D. Killian

GROWTH

The assets of this System were well established over the \$4 billion mark at \$4.543 billion for the year ended June 30, 1979. In comparison, 60 years ago the assets of this Fund were \$3.129 million.

This year the investible assets produced income that reached a record level of \$255.6 million. The net income not used to support the benefit payments and administrative expenses was reinvested to produce additional income. It is interesting to note the income from investments exceeded the members' contributions by \$108.9 million for the year ended June 30, 1979. Sixty years ago the income from investments was \$22,358.26.

INVESTMENT

The Board of Trustees, realizing that an intermediary type of investing (1 to 10 years) is needed to round out the portfolio of investments, has begun a program to invest in this category by purchasing GNMA level mortgages and graduated payment mortgages for the first time. The GNMA (Government National Mortgage Association) graduated payment mortgages is a new feature in the investment market and will be fitted into the Board's intermediary plan of investing. GNMA level and GPM's are guaranteed by the full faith and credit of Federal Government.

The A. G. Becker fund evaluation places the invested assets of the Pennsylvania Public School Employes' Retirement System in the sixth percentile, better than 94% of the funds evaluated over a 10 year period, with a 6.2% time weighted return on investments.

SERVICE

The number of retirees receiving monthly benefits for retirements, disabilities, and special retirements in this System have increased by 3,383--from 57,678 at June 30, 1978 to 61,061 at June 30, 1979. The payments for retirements, disabilities, and special retirements for the year increased \$17.9 million from \$306.8 million to \$324.7 million. The annual average payment was \$5,270.00 for the year ended June 30, 1979. In comparison, the average payment in the first fiscal year ended June 30, 1920 was \$275.76.

GRAPHICS

This report contains charts on pages 51-53 displaying the relative importance of receipts from all sources. Receipts from reporting units, members, and interest income show an absolute increase; the relative positions, however, are most important. As expected, the percent of total receipts for the members' contributions are declining partly because of Act 96 of October 2, 1975, which reduced the amount members must pay from 5½% of salary to 5¼% of salary. Because members contribute at a lesser rate, the relative importance is transferred to the reporting units since investment income has been holding at 34½% to 35% of all receipts for the past 10 years except for the year ended June 30, 1979. (Sixty years ago, for the fiscal year ended June 30, 1920, a 2.8% contribution rate was deducted from members' salaries for retirement contributions.)

ACTUARIAL

The actuarial evaluation method used to measure the financial requirements to support present and future demands upon the Fund is: Projected benefit method with level percentage entry age, normal cost, and an open-ended accrued liability. Actuarial gains and losses are reflected in the period remaining to liquidate the unfunded accrued liability.

The George B. Buck Consulting Actuaries, Inc. detailed report for the fiscal year ended June 30, 1978 is on page 25.

A reconciliation between the actuary's valuation balance sheet and the financial balance sheet appears on page 47. This reconciliation places the Public School Employees' Retirement System's assets in proper perspective with the required obligations projected by the George B. Buck Consulting Actuaries, Inc.

A planned funding of the unfunded accrued liability is being effectively pursued. A 25-year forward look of this fund's financial position indicates the accrued liability, as it presently exists, will be fully funded if present levels of receipts and benefits are maintained. The yearly actuarial valuations are being tracked with the 25-year projection.

ACCOUNTING

The asset valuation is measured by an accrual accounting system reflecting the amortized cost of bonds and mortgages, and the initial cost of stocks.

All income and expenses are recorded in the period earned or contracted regardless of when the cash is received or paid. This is in conformance with the accepted accounting principals.

For the first time in the 60-year history of this Retirement System, an outside audit was conducted of the financial records. The accounting firm of Peat, Marwick, Mitchell & Co. was chosen to conduct the audit. Their findings did not reveal any significant changes to the accounting system or to the reports herein issued. Their opinion letter is displayed on page 11.

Also for the first time, the financial balance sheet contains the market value of the investments as a memo figure only. Since the Fund derives approximately 55% of its income from fixed investments, which will presumably be held to maturity, the market value will not affect the value of the assets held by this Fund. The market value is listed in compliance with Board policy for full disclosure.

During the year ended June 30, 1979, the Board adopted rules and regulations to charge penalty interest on delinquent amounts due from the reporting units. This, coupled with the established procedure of deducting past-due contributions from the educational subsidies of the reporting units and the collection of a fifth payment from the Commonwealth of \$38 million, representing the fourth quarter payment of the 1977-78 fiscal year, greatly assisted in raising the level of employer contributions.

CONTRIBUTION STATEMENT

June 30

	<u>1979</u>	<u>1978</u>
Contributions from School Districts	\$191,247,002.00	\$175,527,430.00
Less: Refunded to School Districts	(161,944.00)	(626,405.00)
Plus: Miscellaneous	<u>15,683.00</u>	<u>0.00</u>
Subtotal	\$191,100,741.00	\$174,901,025.00
Contributions from Employees	\$146,731,519.00	\$137,716,455.00
Less: Refund Checks Returned to Cash	<u>(160,075.00)</u>	<u>(111,639.00)</u>
Subtotal	\$146,571,444.00	\$137,604,816.00
Installment Purchases	\$ 2,072,474.00	\$ 5,372,476.00
Contributions from Commonwealth	187,955,000.00	169,677,978.00
Transfers from State Employees' Retirement System	<u>2,212,864.00</u>	<u>2,599,881.00</u>
Total	<u>\$529,912,523.00</u>	<u>\$490,156,176.00</u>

STATEMENT OF PAYMENTS

June 30

	<u>1979</u>	<u>1978</u>
Annuities:		
Superannuation	\$294,787,966.00	\$281,618,836.00
Disability	9,663,156.00	8,770,084.00
Withdrawal	20,231,630.00	16,429,844.00
Refund Annuity	<u>759.00</u>	<u>894.00</u>
Subtotal	\$324,683,511.00	\$306,819,658.00
Death Benefits	\$ 22,033,411.00	\$ 13,413,889.00
Lump Sum Option 4	28,025,914.00	15,933,764.00
Plus: Replacement Checks Issued	19,850.00	26,376.00
Less: Outstanding Checks Returned to Cash	(191,167.00)	(139,771.00)
Annuity Checks Returned to Cash	(2,894,085.00)	(1,868,212.00)
Miscellaneous	<u>0.00</u>	<u>(7,076.00)</u>
Subtotal	\$ 46,993,923.00	\$ 27,358,970.00
Refunded Principal and Interest	\$ 19,117,156.00	\$ 17,956,616.00
Less: Refund Checks Returned to Cash	<u>(160,075.00)</u>	<u>(111,639.00)</u>
Subtotal	\$ 18,957,081.00	\$ 17,844,977.00
Transferred to State Employees' Retirement System	<u>\$ 8,133,297.00</u>	<u>\$ 11,211,862.00</u>
Total	<u><u>\$398,767,812.00</u></u>	<u><u>\$363,235,467.00</u></u>

SUMMARY OF INVESTMENT HOLDINGS

<u>AT PAR</u>	June 30	
	<u>1979</u>	<u>1978</u>
STATE AND MUNICIPALS	\$ 117,000.00	\$ 133,000.00
INT'L & INTER-AM. BANKS	100,045,000.00	90,568,000.00
POST OFFICE DEPARTMENT	4,856,070.50	5,108,142.95
UNIVERSITY OF PITTSBURGH	752,000.00	846,000.00
INDUSTRIAL AND COMMERCIAL	1,554,842,313.30	1,467,769,923.99
PUBLIC UTILITIES	724,706,419.60	772,328,712.43
FINANCE COMPANIES	273,553,000.00	189,211,000.00
RAILROADS - CORPORATE	4,958,000.00	5,958,000.00
RAILROADS - EQUIP. TRUSTS	12,344,351.41	15,776,313.32
SHORT TERM NOTES	103,108,861.77	89,382,979.97
U. S. TREASURY BILLS	79,558,134.33	36,645,503.32
REPUR. AGREEMENTS	57,550,000.00	7,650,000.00
PHILADELPHIA NATIONAL BANK BUILDING	15,774,117.04	15,934,099.72
FHA PROJECT MORTGAGES	183,703,673.36	150,806,448.83
CAPEHART MORTGAGES	18,656,164.17	20,710,304.34
PROJECT MORTGAGE DEBENTURES	4,662,050.00	915,400.00
FHA AND VA MORTGAGES	329,866,188.57	330,445,713.68
COMMON STOCK	786,787,229.39	638,756,895.47
PREFERRED STOCK (COST)	1,800,000.00	1,800,000.00
GNMA FIXED PAYMENT MORTGAGES	24,956,317.61	0.00
GNMA GRADUATED PAYMENT MORTGAGES	<u>70,000,000.00</u>	<u>0.00</u>
TOTAL PAR VALUE	<u>\$4,352,596,891.05</u>	<u>\$3,840,746,438.02</u>

INCOME STATEMENT

June 30

	<u>1979</u>	<u>1978</u>
Investment Income	\$260,411,056.56	\$230,153,492.41
Plus: Discounts, Gains & Misc. Rev.		
(Note 1)	18,486,615.31	15,088,678.52
Less: Deductions		
(Note 2)	<u>(23,260,827.97)</u>	<u>(20,996,606.05)</u>
Subtotal	\$255,636,843.90	\$224,245,564.88
Other Revenue	276,042.68	
Less: Administrative Expenses	<u>(3,716,986.76)</u>	<u>(3,351,122.96)</u>
Total Net Income	<u>\$252,195,899.82</u>	<u>\$220,894,441.92</u>

Distribution of Net Income:

State Accumulation Account	\$ 81,257,912.92	\$ 60,526,617.71
Members' Savings	53,831,961.63	49,145,049.23
Annuity Reserve	<u>117,106,025.27</u>	<u>111,222,774.98</u>
Total Distribution	<u>\$252,195,899.82</u>	<u>\$220,894,441.92</u>

Note 1:

Amortization of Discount	\$ 15,165,826.22	\$ 14,382,597.96
Amortization of Capitalized Gains	708,061.37	555,707.17
Gain on Sale	2,553,825.32	146,031.42
Miscellaneous Revenue	<u>58,902.40</u>	<u>4,341.97</u>
Total	<u>\$ 18,486,615.31</u>	<u>\$ 15,088,678.52</u>

Note 2:

Amortization of Premium	\$ 64,907.03	\$ 89,683.89
Amortization of Capitalized Losses	19,821,411.67	19,018,665.05
Loss on Sale	1,380,188.70	8,278.51
Service Fees	1,459,373.90	1,520,370.58
Investment Expense	507,206.38	359,602.02
Miscellaneous Expense	<u>27,740.29</u>	<u>6.00</u>
Total	<u>\$ 23,260,827.97</u>	<u>\$ 20,996,606.05</u>

AUDITOR'S REPORT

PEAT, MARWICK, MITCHELL & CO.

PEAT, MARWICK, MITCHELL & Co.
CERTIFIED PUBLIC ACCOUNTANTS
100 PINE STREET
HARRISBURG, PENNSYLVANIA 17101

The Board of Trustees
Commonwealth of Pennsylvania
Public School Employees' Retirement System:

We have examined the balance sheet of the Commonwealth of Pennsylvania Public School Employees' Retirement System as of June 30, 1979 and the related statement of revenues, expenses and changes in reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Commonwealth of Pennsylvania Public School Employees' Retirement System at June 30, 1979, and the results of its operations and the changes in its reserves for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The examination referred to above was directed primarily toward formulating an opinion on the financial statements of the Commonwealth of Pennsylvania Public School Employees' Retirement System, taken as a whole. The supplementary data included in Schedule 1 is presented for supplementary analysis purposes and is not necessary for a fair presentation of the financial position and results of operations of the Commonwealth of Pennsylvania Public School Employees' Retirement System. The supplementary data have been subjected to the auditing procedures applied in the examination of the basic financial statements, and, in our opinion, are stated fairly in all material respects only when considered in conjunction with the financial statements taken as a whole.

The accompanying balance sheet of the Commonwealth of Pennsylvania Public School Employees' Retirement System as of June 30, 1978 and the related statement of revenues, expenses and changes in reserves for the year then ended were not audited by us and, accordingly, we do not express an opinion on them.

Peat, Marwick, Mitchell & Co.

October 10, 1979

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM

Balance Sheet

June 30, 1979
(with comparative figures for 1978)

<u>Assets</u>	<u>1979</u>	<u>1978</u> <u>(unaudited)</u>
Cash	\$ 115,712	28,582
Receivables:		
Contributions:		
Members	19,265,391	22,130,012
Employers	76,658,121	78,509,005
Commonwealth of Pennsylvania:		
Current receivable	44,000,000	78,380,000
Deficit receivable (note 4)	71,995,000	82,540,000
Investments:		
Income receivable	57,677,753	54,599,787
Proceeds receivable	2,768,347	2,247,407
Other	298,062	552,548
Total receivables	<u>272,662,674</u>	<u>318,958,759</u>
Investments (note 5):		
Corporate and government debentures (market value of \$2,185,573,000 at June 30, 1979)	2,463,705,038	2,340,880,297
First mortgage loans (market value of \$533,079,000 at June 30, 1979)	613,204,953	498,252,059
Common and preferred stocks (market value of \$780,967,000 at June 30, 1979)	788,587,229	640,556,896
U. S. Government Treasury obligations	79,558,134	36,645,503
Other short-term investments	160,658,862	97,032,980
Unamortized yield adjustments	164,293,745	163,115,252
Total investments	<u>4,270,007,961</u>	<u>3,776,482,987</u>
Fixed assets	916,974	996,752
	<u>\$ 4,543,703,321</u>	<u>4,096,467,080</u>
<u>Liabilities and Reserves</u>		
Accounts payable	\$ 5,703,516	6,684,598
Investment purchases payable	69,465,870	4,589,157
Reserves (note 3):		
Members' savings accounts	1,433,024,329	1,314,216,828
State accumulation account	776,863,196	646,990,385
Annuity reserve account	2,258,646,410	2,123,986,112
Total reserves	<u>4,468,533,935</u>	<u>4,085,193,325</u>
	<u>\$ 4,543,703,321</u>	<u>4,096,467,080</u>

See accompanying notes to financial statements.

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Statement of Revenues, Expenses and Changes in Reserves

Year ended June 30, 1979
(with comparative figures for 1978)

	<u>Total</u>	<u>Year ended State Accumulation Account</u>
Revenue:		
Contributions:		
School districts	\$ 191,100,741	191,100,741
Employes	146,571,444	-
Installment purchases	2,072,474	-
Commonwealth of Pennsylvania	187,955,000	187,955,000
Transfers from State Employes' Retirement System	<u>2,212,864</u>	<u>-</u>
	529,912,523	379,055,741
Investment revenue, net of related expenses (note 5)	255,636,844	84,698,857
Other revenue	<u>276,043</u>	<u>276,043</u>
Total revenue	<u>785,825,410</u>	<u>464,030,641</u>
Expenses:		
Benefits	371,677,434	12,665,390
Refunds	18,957,081	-
Transfers to State Employes' Retirement System	8,133,297	7,506,242
Administrative expenses	<u>3,716,988</u>	<u>3,716,988</u>
Total expenses	<u>402,484,800</u>	<u>23,888,620</u>
Excess (deficiency) of revenues over expenses	383,340,610	440,142,021
Transfers between reserves for: (note 3)		
Retirements by members	-	(317,942,705)
Annuitants who returned to service	-	547,917
Actuarial requirements	-	7,125,578
Reserve balance at beginning of year	<u>4,085,193,325</u>	<u>646,990,385</u>
Reserve balance at end of year	<u>\$ 4,468,533,935</u>	<u>776,863,196</u>

See accompanying notes to financial statements.

June 30, 1979

Year ended June 30, 1978 (unaudited)

<u>Members'</u> <u>Savings</u>	<u>Annuity</u> <u>Reserve</u>	<u>Total</u>	State <u>Accumulation</u> <u>Account</u>	<u>Members'</u> <u>Savings</u>	<u>Annuity</u> <u>Reserve</u>
-	-	174,901,025	174,901,025	-	-
146,571,444	-	137,604,816	-	137,604,816	-
2,072,474	-	5,372,476	-	5,372,476	-
-	-	169,677,978	169,677,978	-	-
-	<u>2,212,864</u>	<u>2,599,881</u>	-	-	<u>2,599,881</u>
148,643,918	2,212,864	490,156,176	344,579,003	142,977,292	2,599,881
53,831,962	117,106,025	224,245,563	63,877,739	49,145,049	111,222,775
-	-	<u>91,951</u>	<u>91,951</u>	-	-
<u>202,475,880</u>	<u>119,318,889</u>	<u>714,493,690</u>	<u>408,548,693</u>	<u>192,122,341</u>	<u>113,822,656</u>
30,804,217	328,207,827	334,178,628	7,964,505	17,900,269	308,313,854
18,957,081	-	17,844,977	-	17,844,977	-
627,055	-	11,211,862	10,857,097	354,765	-
-	-	<u>3,351,123</u>	<u>3,351,123</u>	-	-
<u>50,388,353</u>	<u>328,207,827</u>	<u>366,586,590</u>	<u>22,172,725</u>	<u>36,100,011</u>	<u>308,313,854</u>
152,087,527	(208,888,938)	347,907,100	386,375,968	156,022,330	(194,491,198)
(33,365,820)	351,308,525	-	(254,694,478)	(32,726,847)	287,421,325
85,794	(633,711)	-	556,713	88,510	(645,223)
-	(7,125,578)	-	(81,541,745)	-	81,541,745
<u>1,314,216,828</u>	<u>2,123,986,112</u>	<u>3,737,286,225</u>	<u>596,293,927</u>	<u>1,190,832,835</u>	<u>1,950,159,463</u>
<u>1,433,024,329</u>	<u>2,258,646,410</u>	<u>4,085,193,325</u>	<u>646,990,385</u>	<u>1,314,216,828</u>	<u>2,123,986,112</u>

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 1979

(1) Organization and Description of the System

(a) Organization

The Commonwealth of Pennsylvania Public School Employees' Retirement System (the "System") was established as of July 18, 1917, under the provision of P.L. 1043, No. 343. The System's designated purpose is to provide retirement allowances and other benefits to members. Responsibility for the organization and administration of the System is vested in the Board of Trustees. Significant amendments to the System were made in 1975 as a result of legislative approval of Act 96. Membership in the System is mandatory for substantially all full-time public school employes in the Commonwealth.

(b) Benefits

Under the provisions of Act 96, members are eligible for monthly retirement benefits upon reaching (a) age 62; (b) age 60 and 30 or more years of service or; (c) 35 or more years of service. Such annuity is generally equal to 2% of the member's final average salary (as defined) multiplied by the number of his years of credited service. Early retirement resulting in reduced benefits may be elected after completion of 10 years of service. Under certain features of the System, participants may purchase credit for previous types of educational or military service on a lump-sum or installment purchase basis.

In addition to regular retirement benefits, the System also provides for disability retirement benefits and death benefits. Participants are eligible for disability retirement benefits after completion of 10 years of eligible service. Death benefits are payable upon the death of an active member who has reached age 62 or who has at least 10 years of eligible service.

Members with credited service in the State Employees' Retirement System may elect to transfer such service to the Public School Employees Retirement System upon commencement of employment in the public school system. Similarly, a member with credited service in the System may transfer such service to the State Employees Retirement System upon becoming a member of that system.

Upon termination of a member's employment in the public school sector, the member's accumulated contributions plus interest are refundable from the Members' Savings Account.

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM

Notes to Financial Statements

(c) Contributions

The contribution policy is set by Act 96 and requires contributions by active members, employers and the Commonwealth. The rate of contribution for most active members is set by law at five and one-quarter per cent of the member's compensation. The contributions required of employers and the Commonwealth are based upon an actuarial valuation computed as a percentage of the total compensation of all active members during the period for which the amount is determined. For the years ended June 30, 1979 and 1978 the combined amount required from the employers and Commonwealth was 13.31% of active member payroll. The employer and the Commonwealth share such cost equally.

(d) Actuarial Valuation

The contribution policy requires employers and the Commonwealth to make a normal contribution and a past service contribution as determined by a qualified actuary. The System's actuary uses the "entry age normal" method to determine normal costs. As of June 30, 1978, the date of the most recent actuarial report, the actuary computed that, utilizing the present method of funding, the actuarial liability of the employers and Commonwealth for prior service of \$2,824,823,000 should be funded in approximately 27 years. Such liability includes \$37,842,144 related to unaccrued interest receivable on Commonwealth contributions which were not paid on a timely basis (note 4).

Significant assumptions underlying the actuarial computations include: (a) assumed rate of return on investments of 5-1/2%; (b) assumed rate of salary increases ranging from 6.99% at age 25 to 1.89% at age 69; (c) assets valued at cost or amortized costs; and (d) mortality, vesting, retirement age and withdrawal estimates based on tables furnished by the actuary.

(2) Summary of Significant Accounting Policies

The financial statements of the System are prepared on the accrual basis of accounting and conform to generally accepted accounting principles as applicable to public retirement funds. In order to assist the reader in understanding the accompanying financial statements, a summary of the more significant accounting policies is presented below:

(a) Investments

Corporate and government debentures with fixed maturities are reported at cost as of the trade date of the transaction adjusted for amortization of premiums and accretion of discounts, both computed on a straight-line basis to the maturity date of the investment. Unamortized yield adjustments represent the deferral of losses incurred when corporate bonds are exchanged for similar bonds in order to achieve a higher yield. Losses incurred in such transactions are amortized over the life of the bond exchanged.

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

Investments in first mortgage loans are carried at the amount of the unpaid principal balance of the loan, adjusted for accretion of discounts. Such discounts are amortized on a straight-line basis to the maturity date of the loan, for large project loans, or over the average twelve-year life of the portfolio for single family mortgages. Income on mortgages is recognized on a monthly basis as it is earned.

Investments in common and preferred stocks are carried at cost. Gains and losses on stock sales are recognized on the basis of the average cost of the stocks sold. Dividend income is recognized as dividends are declared.

Investments in short-term obligations, principally commercial paper, U. S. Treasury obligations and bank repurchase agreements are carried at cost, which approximates market value.

(b) Fixed Assets

Fixed assets consist of data processing equipment which are carried at cost. Other fixed assets are expensed when they are purchased. The System does not depreciate fixed assets.

(c) Federal Income Tax Status

During the years ended June 30, 1979 and 1978 the System qualified under the provisions of the Internal Revenue Code and was exempt from Federal income taxes.

(3) Description of Reserves

Act 96 defines the following reserve accounts to be maintained by the System:

(a) Members' Savings Account

The Members' Savings Account is credited with all contributions made by active members of the System. Interest is added to the member's individual account at an annual rate of 4%.

Upon death or retirement of a member the accumulated contributions plus interest are transferred to the Annuity Reserve Account for subsequent payment of benefits.

(b) State Accumulation Account

The State Accumulation Account is credited with the contributions of the Commonwealth and the school districts ("employers"). Additionally, interest earnings of the System (after crediting the Members' Saving Account with aforementioned 4% credit and the annuity reserve

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

account with a 5-1/2% credit) are credited to this account. Each year, the amounts necessary as determined by the actuary for the payment of retirement and death benefits are transferred from the State Accumulation Account to the Annuity Reserve Account. All administrative expenditures necessary for the operation of the System are paid from the State Accumulation Account.

(c) Annuity Reserve Account

The Annuity Reserve Account represents the amounts transferred from the Members' Savings and State Accumulation accounts, plus additional contributions made by the Commonwealth for the payment of supplemental annuities and cost-of-living increases. All death, disability and retirement benefits are paid from this account. Annual interest of 5-1/2% is credited to the Annuity Reserve Account.

(4) Deficit Commonwealth Contributions Receivable

Deficit Commonwealth contributions receivable represent amounts determined by the System's actuary to be necessary to fund current and prospective annuities as defined by Act 96, but which have not been appropriated by the legislature. Such deficits represent underfunding of Commonwealth contributions for fiscal years ended June 30, 1970 to 1973, and amounts withheld by the Commonwealth relating to employers contributions for Federally-funded salaries. At June 30, 1979 and 1978, no interest was recorded on this receivable.

(5) Investments

The Board of Trustees has the responsibility to invest and reinvest available funds of the System, in accordance with the guidelines and limitations outlined by Act 96. Under these guidelines, the Board may make investments in common and preferred stocks, first mortgage loans and corporate and government obligations in such a manner as to maximize return while maintaining a sound portfolio with minimum risk. By law, investments in common stock are limited to 25% of the total assets of the fund. Additionally, the amount invested in common stock of any one entity may not exceed 2% of the book value of the assets of the System or 5% of the total issued and outstanding common stock of that entity at the date of purchase. A maximum of 5% of the total assets of the fund may be invested in common stocks during any one year.

A summary of investment securities as of June 30, 1979 and 1978 and the income received for the years then ended follows:

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

	Investments		Investment Revenue	
	June 30,	1978	Year ended June 30,	1978
	<u>1979</u>	<u>(unaudited)</u>	<u>1979</u>	<u>(unaudited)</u>
Corporate and government debentures:				
Municipal bonds	\$ 117,000	133,000	3,076	6,254
U. S. Post Office debentures	4,856,070	5,108,143	243,659	255,737
University of Pittsburgh debentures	752,000	846,000	32,587	36,240
International bank bonds	100,045,000	90,568,000	6,618,377	5,082,278
Corporate bonds	1,554,842,313	1,467,769,924	104,267,183	96,510,948
Utility bonds	724,706,420	772,328,713	45,637,224	50,108,347
Finance company bonds	273,553,000	189,211,000	14,592,362	13,063,664
Railroad debentures	4,958,000	5,958,000	215,605	326,683
Railroad equipment trusts	12,344,351	15,776,313	1,150,030	1,422,398
FHA debentures	4,662,050	915,400	344,434	64,890
	<u>2,680,836,204</u>	<u>2,548,614,493</u>	<u>173,104,537</u>	<u>166,877,439</u>
Less unamortized discount (net of premium)	<u>(217,131,166)</u>	<u>(207,734,196)</u>		
	2,463,705,038	2,340,880,297		
First mortgage loans:				
FHA guaranteed project mortgages	183,703,673	150,806,449	10,579,984	8,027,342
FHA/VA guaranteed single-family mortgages	329,866,189	330,445,714	23,843,441	23,088,677
Capehart mortgages	18,656,164	20,710,304	872,746	962,037
GNMA-backed graduated payment mortgages	70,000,000	-	-	-
GNMA-backed fixed payment mortgages	24,956,318	-	418,812	-
Other mortgages	15,774,117	15,934,100	1,565,063	1,580,171
	<u>642,956,461</u>	<u>517,896,567</u>	<u>37,280,046</u>	<u>33,658,227</u>
Less unamortized discount	<u>(29,751,508)</u>	<u>(19,644,508)</u>		
	613,204,953	498,252,059		
Carried forward	<u>3,076,909,991</u>	<u>2,839,132,356</u>	<u>210,384,583</u>	<u>200,535,666</u>

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

	Investments		Investment Revenue	
	June 30,		Year ended June 30,	
	1979	1978 (unaudited)	1979	1978 (unaudited)
Brought forward	\$ <u>3,076,909,991</u>	<u>2,839,132,356</u>	<u>210,384,583</u>	<u>200,535,666</u>
Common and preferred stocks:				
Common stocks	786,787,229	638,756,896	31,550,368	21,437,879
Preferred stocks	<u>1,800,000</u>	<u>1,800,000</u>	<u>100,800</u>	<u>100,800</u>
	788,587,229	640,556,896	31,651,168	21,538,679
U. S. Treasury obli- gations	79,558,134	36,645,503	5,567,708	2,899,582
Other short-term obligations:				
Commercial paper	103,108,862	89,382,980	7,067,410	3,981,685
Bank repurchase agreements	<u>57,550,000</u>	<u>7,650,000</u>	<u>5,740,188</u>	<u>1,197,880</u>
	<u>160,658,862</u>	<u>97,032,980</u>	<u>12,807,598</u>	<u>5,179,565</u>
Unamortized yield adjustments	<u>164,293,745</u>	<u>163,115,252</u>		
Total investments	\$ <u>4,270,007,961</u>	<u>3,776,482,987</u>		
Accretion of discount, net of premium amortization			15,100,919	14,292,914
Net gain on sales of investments			1,173,636	137,752
Less amortization of yield adjustments			<u>(19,113,351)</u>	<u>(18,462,958)</u>
Total investment revenue before investment expenses			257,572,261	226,121,200
Investment expenses			<u>(1,935,417)</u>	<u>(1,875,637)</u>
Net investment revenue			<u>\$ 255,636,844</u>	<u>224,245,563</u>

(6) Relationships With Other Commonwealth Agencies

The Treasurer of the Commonwealth of Pennsylvania is designated under Act 96 as the custodian of all cash and investment securities of the System. The Treasurer of the Commonwealth or his designate also serves as a member of the Board of Trustees.

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM

Notes to Financial Statements

(7) Litigation and Contingencies

The System is subject to various threatened and pending lawsuits which deal with the question of benefit eligibility. Management does not anticipate that the ultimate liability arising from such litigation and threats of litigation will have a material effect on the financial statements of the System.

In addition, the System is a defendant in a class action lawsuit brought by the school districts of the Commonwealth. This litigation deals with the eligibility of members to purchase previous part-time service rendered before July 1, 1975, the date when the legislature authorized, for the first time, membership for these employment categories. Prior to the suit and upon the advice of the Department of Justice, which is defending the action, part-time service credit applications were processed, accepted, and, in certain instances, benefits were paid based thereon. Processing of these applications has been halted pending a judicial determination. If the buyback authority is upheld, the assets of the System and its liability for prior service costs would be increased by an indeterminable amount.

(8) Pending Legislation

The legislature of the Commonwealth is presently considering increasing the benefits to the System's members by amounts ranging from 5 to 31 per cent. Such an increase would result in an estimated increase in the annual contributions from the employers and the Commonwealth of approximately \$55,000,000 each and would substantially increase the actuarial liability for prior service cost.

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM

Schedule of Administrative Expenses

Year ended June 30, 1979

	Year ended June 30, <u>1979</u>
Personnel costs:	
Salaries and wages	\$ 1,716,032
Social security contributions	95,658
Retirement contributions	198,881
Employees' insurance contributions	169,061
Other employe benefits	<u>16,403</u>
Total personnel costs	<u>2,196,035</u>
Operating costs:	
Auditor General services	111,734
Treasury services	174,908
Civil Service Commission services	6,762
Classification and pay services	1,938
Purchasing services	5,000
Data processing services	8,754
Consultant fees	19,204
Legal fees	17,628
Specialized services	147,634
Contracted personnel services	18,455
Printing	67,286
Postage	293,007
Telephone and telegraph	63,376
Dues and subscriptions	1,683
Insurance	860
Electricity	29,818
Motorized equipment supplies and repairs	4,192
Travel	32,439
Contracted maintenance services	141,874
Rent of real estate	193,243
Rent of equipment	27,476
Office supplies	57,713
Miscellaneous expenses and supplies	<u>2,498</u>
Total operating expenses	<u>1,427,482</u>
Fixed charges:	
Motor vehicles	2,870
Equipment and machinery	70,332
Furniture and furnishings	13,085
Buildings and structures	<u>7,184</u>
Total fixed charges	<u>93,471</u>
Total administrative expenses	<u>\$ 3,716,988</u>

ACTUARY'S REPORT

GEORGE B. BUCK CONSULTING ACTUARIES, INC.

REPORT ON AN ACTUARIAL VALUATION OF
THE ASSETS AND LIABILITIES OF THE
PUBLIC SCHOOL EMPLOYEES'
RETIREMENT SYSTEM OF PENNSYLVANIA
AS OF JUNE 30, 1978

George B. Buck Consulting Actuaries, Inc.
Two Pennsylvania Plaza, New York, New York 10001
Telephone 212 | 279 4400

October 8, 1979

To the Retirement Board
Public School Employees' Retirement
System of Pennsylvania
P.O. Box 125
Harrisburg, Pennsylvania 17108

BUCK
CONSULTANTS

Ladies and Gentlemen:

We have now completed the June 30, 1978 valuation of the Public School Employees' Retirement System of Pennsylvania. The valuation was prepared on the basis of the data supplied by the Retirement System office, and reflects the benefits in effect as of the valuation date under Act 96.

The actuarial assumptions used in the valuation are, in the aggregate, reasonable. The actuarial cost method utilized is the entry age normal method with open-end accrued liability, as specified in the statutes. The current assets applicable to the System were supplied by the Retirement System office and were taken at book value.

Based on the valuation results it is recommended that the total employer contribution rate, which is shared equally between the Commonwealth and School Districts, be continued at 13.31 per cent of the payroll of all members.

The results of the valuation indicate that the current rates of contribution, 13.31 per cent of payroll for employers and 5-1/4 per cent of payroll for members, together with the assets currently available are adequate to fund the actuarial liabilities on account of all benefits under the System. The liquidation periods for the three portions of the unfunded accrued liability range from 15 to 27 years from June 30, 1978.

Respectfully submitted,

GEORGE B. BUCK CONSULTING ACTUARIES, INC.



Hugh Gillespie
Consulting Actuary

REPORT ON AN ACTUARIAL VALUATION OF THE
ASSETS AND LIABILITIES OF THE PUBLIC SCHOOL EMPLOYEES'
RETIREMENT SYSTEM OF PENNSYLVANIA
AS OF JUNE 30, 1978

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. This report presents the results of an actuarial valuation of the assets and liabilities of the Public School Employees' Retirement System of Pennsylvania, prepared as of June 30, 1978. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized on the next page. Since there have been no changes in the benefit provisions of the System nor in the actuarial assumptions the results for the two years are directly comparable. Therefore the differences in the expected and actual periods of liquidation of the unfunded accrued liabilities as of June 30, 1978 are the result of the experience during the valuation year.

TABLE I
SUMMARY OF PRINCIPAL RESULTS
(Dollar Amounts in Thousands)

VALUATION DATE	6/30/78	6/30/77
Active members included in valuation		
Number	208,079*	213,719**
Annual payroll	\$ 2,472,188	\$ 2,350,904
Number of accounts not updated or in delinquent School Districts	12,893	9,095
Total adjusted active membership		
Number	220,972	222,814
Annual payroll	\$ 2,621,600	\$ 2,466,000
Number of inactive and vested accounts	43,978	39,282
Retired membership		
Number	57,665	54,319
Annual annuities	\$ 304,710	\$ 288,286
Assets (book value)	\$ 4,123,035	\$ 3,764,902
Accounts receivable included in assets		
From State:		
Principal amount	\$ 160,920	\$ 147,600
Interest	37,842	30,184
From School Districts	78,509	79,075
From Members	22,130	29,640
Total	\$ 299,401	\$ 286,499
Total employer contribution rate		
Normal	6.93%	6.93%
Accrued liability	4.83	4.83
Supplemental annuity	1.55	1.55
Total	13.31%	13.31%
Unfunded accrued liability:		
Before consideration of Act No. 96	\$ 1,849,058	\$ 1,611,995
Increase on account of Act No. 96	382,097	378,619
Total	\$ 2,231,155	\$ 1,990,614
Accrued liability funding period:		
Established prior to Act No. 96	20 years	19 years
Established on account of Act No. 96	27 years	29 years
Unfunded supplemental annuity liability	\$ 555,826	\$ 565,464
Supplemental annuity liability funding period	15 years	17 years

*Included in the above membership are 18,173 part-time employees with salaries of \$65,684,815.

**Included in the above membership are 17,826 part-time employees with salaries of \$59,256,968.

2. The valuation balance sheet showing the results of the valuation is given in Section III.
3. Comments on the valuation results are given in Section IV and comments on the experience during the valuation year are given in Section V.
4. Schedule A of this report outlines the full set of actuarial assumptions and methods employed. Schedule B gives a summary of the benefit and contribution provisions of the System.

SECTION II - MEMBERSHIP DATA

Data regarding the membership of the System for use as a basis for the valuation were furnished by the System's office. The following tables summarize the membership of the System as of June 30, 1978 upon which the valuation was based. Detailed tabulations of the data are given in Schedule C.

TABLE II
ACTIVE MEMBERSHIP OF SYSTEM
AS OF JUNE 30, 1978

GROUP	:	NUMBER	:	SALARIES
Included in Valuation:	:		:	
Men	:	78,227	:	\$ 1,150,925,838
Women	:	129,852	:	1,321,262,381
Total	:	208,079	:	\$ 2,472,188,219
Total to Which Adjusted	:	220,972	:	\$ 2,621,600,000
	:		:	

In addition to the above 43,978 inactive members and vestees were included in the valuation.

TABLE III

ANNUITANTS AND SURVIVOR ANNUITANTS OF THE SYSTEM
ON JUNE 30, 1978

CLASS	NUMBER	ANNUAL ANNUITIES
Retired on account of superannuation and those in receipt of withdrawal annuities:		
Men	14,227	\$ 78,124,737
Women	38,885	212,981,762
Total	53,112	\$ 291,106,499
Retired on account of disability:		
Men	798	\$ 2,989,021
Women	1,546	5,527,995
Total	2,344	\$ 8,517,016
Survivor annuitants in receipt of benefits:		
Men	329	\$ 767,543
Women	1,873	4,317,924
Total	2,202	\$ 5,085,467
Annuities in lieu of return of accumulated deductions:		
Men		
Women	7	\$ 895
Total	7	\$ 895
Grand Total	57,665	\$ 304,709,877

SECTION III - VALUATION BALANCE SHEET

The valuation balance sheet shown on the following pages takes into account the contingent assets and liabilities of the Public School Employees' Retirement System of Pennsylvania as well as the funds in hand and shows the financial condition of the System as of June 30, 1978. The present assets shown on the balance sheet are based on a statement furnished by the System's office.

The following amounts have been included as contributions receivable as of the valuation date:

	<u>Amount Receivable As of Valuation Date</u>
Members	\$ 22,130,011
School Districts	78,509,005
Commonwealth	
Principal amount	160,920,000
Interest	<u>37,842,144*</u>
Grand Total	\$ 299,401,160

*Calculated on the basis of interest rates applicable to new money investments during appropriate period.

TABLE IV
 VALUATION BALANCE SHEET
 SHOWING FINANCIAL CONDITION OF THE
 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OF PENNSYLVANIA
 AS OF JUNE 30, 1978
 (amounts in thousands)

ASSETS		:
Present assets:		:
Members' Savings Account	\$1,314,217	:
Annuity Reserve Account (Including Supplemental Retirement Allowance Account):		:
Credited to account	\$2,123,986	:
Add amount transferable from State Accumulation Account	<u>46,493</u>	:
	2,170,479	:
State Accumulation Account:		:
Credited to account	\$ 684,832	:
Subtract amount transferable to Annuity Reserve Account	<u>46,493</u>	:
	<u>638,339</u>	:
Total Present Assets		:
		\$ 4,123,035
Present value of future contributions by members		:
		1,414,610
Present value of prospective contributions payable to State Accumulation Account:		:
Normal contributions	\$1,889,302	:
Accrued liability contributions	<u>2,231,155</u>	:
Total prospective contributions payable to State Accumulation Account		:
		4,120,457
Present value of prospective accrued liability contributions payable to the Annuity Reserve Account on account of supplemental annuities		:
		:
		:
		:
Total Assets		:
		\$10,213,928

SECTION IV - COMMENTS ON VALUATION

The valuation balance sheet brings out the following facts regarding the accounts of the System.

1. Members' Savings Account

The Members' Savings Account is the account to which are credited all members' contributions with interest and from which are paid all contributions to members leaving service without annuities. The balance sheet shows that assets credited to the account as of June 30, 1978 are equal to \$1,314,217 thousand and that future contributions by members have a present value of \$1,414,610 thousand. The total past and future contributions of members therefore have a present value of \$2,728,827 thousand. The liabilities of this account are shown to be equal to this amount since members will receive benefits on account of their contributions equal in value to their contributions.

2. Annuity Reserve Account (Including Supplemental Retirement Allowance Account)

The Annuity Reserve Account is the account which holds the reserves for the payment of annuities and death benefits on account of annuities and to which are credited the employer contributions for the payment of supplemental annuities. The liabilities on account of annuitants and survivor annuitants were \$2,726,305 thousand as of June 30, 1978 and the assets, after taking into account the amount transferable from the State Accumulation Account, were equal to \$2,170,479 thousand. The difference between the liabilities and present assets, or \$555,826 thousand, is the present value of future accrued liability contributions payable on account of supplemental annuities which have been granted to date. It is recommended that contributions to fund supplemental annuities be continued at 1.55 per cent of total payroll. Contributions at this rate are expected to liquidate the unfunded liability within 15 years.

3. State Accumulation Account

The State Accumulation Account is the account to which are credited all contributions of the State and School Districts other than contributions for supplemental annuities. The liabilities of the account are shown on the balance sheet to be \$4,758,796 thousand and the assets, after taking into account the amounts transferable from the account, are \$638,339 thousand as of June 30, 1978. Therefore, to balance the uncovered liabilities, future contributions are payable by the State and School Districts having a value equal to \$4,120,457 thousand.

The law provides that the employers make a normal contribution and an accrued liability contribution. The normal contribution rate is defined as the percentage of the compensation of the average new active member which, if contributed on the basis of his prospective compensation, would be sufficient to provide any benefit payable to him or on his account in excess of that funded by his prospective member contributions.

On the basis of the valuation it is recommended that the normal contribution rate be continued at 6.93 per cent of compensation. Future normal contributions at a rate of 6.93 per cent have a present value of \$1,889,302 thousand. If this amount is subtracted from \$4,120,457 thousand, the present value of future contributions payable by the employer, there remains \$2,231,155 thousand as the present value of accrued liability contributions. Of this amount, \$382,097 thousand is the unfunded portion of the increase in past service liability on account of the passage of Act No. 96. On the basis of contributions of .66 per cent of payroll, with each payment 4 per cent greater than the previous one, this unfunded liability will be liquidated in about 27 years from the valuation date.

The remainder of the unfunded accrued liability, or \$1,849,058 thousand, is attributable to the System prior to the passage of Act No. 96. It is recommended that accrued liability contributions be continued at the rate of 4.17 per cent of payroll with each payment at least 4 per cent greater than the previous in order to liquidate this amount. Contributions at this rate are expected to liquidate the unfunded accrued liability of \$1,849,058 thousand within 20 years from June 30, 1978, which compares with a period of 19 years determined in the previous valuation.

The total accrued liability rate is therefore equal to 4.83 per cent of payroll.

SECTION V - COMMENTS ON EXPERIENCE

On the basis of the valuation a rate of 13.31 per cent is recommended as the total rate payable by School Districts and the State. This is the same rate as was recommended on the basis of the June 30, 1977 valuation. The retirement and salary experience under the System continues to be financially unfavorable. This is reflected in the increase in the period over which it is expected that the unfunded accrued liability will be liquidated. A comparison of the valuation results with the projections prepared on the basis of the data submitted for the June 30, 1977 valuation indicates that the payroll and unfunded accrued liability as of June 30, 1978 are very close to those determined on the basis of 7% wage inflation and retirement experience following the rates which prevailed during the four year period ended June 30, 1975.

A rough reconciliation of the unfunded accrued liability follows:

TABLE V
ROUGH RECONCILIATION OF UNFUNDED ACCRUED LIABILITY

<u>State Accumulation Account</u>	<u>In Millions of Dollars</u>
(1) Unfunded accrued liability 6/30/77	\$ 1,990.6
(2) Interest at 5-1/2% for 1 year	109.5
(3) Accrued liability contribution with 1/2 year interest	138.4
(4) Expected unfunded accrued liability 6/30/78 = (1) + (2) - (3)	1,961.7
(5) Actual unfunded accrued liability 6/30/78	2,231.2
(6) Increase above expected	269.5
(7) Explanation of increase:	
(a) Pensioners' mortality experience	\$ 16.1
(b) Interest surplus	-11.4
(c) Experience among active members	
(i) Salary increases above expected	\$ 216.4
(ii) New Members	-3.0
(iii) Retirements and other separations	51.4
	264.8
Total	\$ 269.5

SCHEDULE A

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

INTEREST RATE: 5-1/2% per annum, compounded annually.

SEPARATIONS FROM SERVICE AND SALARY INCREASE: Representative values of the assumed annual rates of separation and annual rates of salary increases are as follows:

AGE	ANNUAL RATE OF:					
	Withdrawal and Vesting	Death	Disability	Early Retirement	Super-annuation Retirement	Salary Increase
				<u>Men</u>		
25	8.46%					
30	6.64	.07%	.01%			
35	5.47	.08	.02			6.99%
40	4.74	.13	.03			6.32
45	4.11	.18	.06			5.23
50	3.50	.29	.11	.80%		4.14
55	3.30	.45	.20	.80		3.27
60	3.28	.67	.34	.84	3.36%	2.60
65		.93	.59	2.50	3.58	2.13
69		1.37		2.65	5.12	1.91
		1.83			15.75	1.90
					29.93	1.89
				<u>Women</u>		
25	16.79%					
30	11.48	.03%	.03%			
35	8.15	.06	.04			6.99%
40	6.12	.08	.04			6.32
45	4.91	.11	.07			5.23
50	4.10	.15	.12	.90%		4.14
55	3.62	.21	.20	.90		3.27
60	3.42	.31	.35	1.00	2.31%	2.60
65		.42	.63	2.50	3.85	2.13
69		.57		6.95	8.40	1.91
		.72			22.50	1.90
					37.00	1.89

DEATH AFTER RETIREMENT: 1963 George B. Buck Mortality Tables for service retirements and dependent beneficiaries and a special mortality table for disability retirements.

VALUATION METHOD: Projected benefit method with level percentage entry age normal cost and open-end unfunded accrued liability. Gains and losses are reflected in the period remaining to liquidate the unfunded accrued liability.

ASSET VALUATION METHOD: Amortized cost on bonds, initial cost on stocks and amortized value of mortgages.

SCHEDULE B

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

A summary of the main benefit and contribution provisions of the System, as interpreted for the valuation, is presented in the following digest. Although there are three classes of membership, Class T-A, Class T-B and Class T-C, for purposes of the valuation, all employees are considered to be members of Class T-C, and the summary contains the benefit and contribution provisions applicable to that class. "Final average salary" is used to mean the highest average annual salary for any three years of service preceding retirement.

A joint coverage member is a school employee who became a member prior to January 1, 1966 but subsequent to May 28, 1957 or who having become a member on or prior to that date elected Social Security coverage. Primary insurance amount of Social Security is the amount computed in accordance with the Federal Social Security Act based on compensation for services covered by the Retirement System. Under Act 525 of 1963 any joint coverage member may become a member of the dual coverage group by filing an election to make contributions and to receive benefits without the reduction on account of Social Security coverage. Such a member must also make up the difference between his accumulated deductions and what they would have been had he not been a joint coverage member. All school employees who become members on and after January 1, 1966 are members of the dual coverage group.

BENEFITS

Superannuation Annuity

Condition for Annuity

Any member who has attained age 62 or has attained age 60 and completed 30 or more years of credited service, or has completed 35 years of credited service, may retire upon his own request on a superannuation annuity.

Amount of Annuity

The superannuation annuity is equal to 2% of the member's final average salary multiplied by the number of his years of credited service.

The minimum superannuation annuity including any cost-of-living increases is equal to \$100 for each year of credited service.

After the age at which Social Security benefits become payable, the annuity of a joint coverage member is reduced by an amount equal to 40 per cent of the primary insurance amount of his Social Security provided that the reduction in annuity cannot exceed 1% of his final average salary for each year of credited service multiplied by the ratio of the sum of three years of highest taxable wages under the Federal Insurance Contribution Act to an amount equal to three times the final average salary and by the ratio of years of credited service after December 31, 1955 to total years of credited service.

Withdrawal Annuity

A member separating from service after completing 10 years of credited service may elect to leave his money in the System and receive an immediate annuity which is actuarially equivalent in value to an annuity beginning at the superannuation retirement age at which the member would have qualified for retirement had he remained in service, based on the final average salary and years of service at date of withdrawal. In the case of a member who separates from service after attaining age 55 and completing 25 years of credited service the annuity is equal to the annuity beginning at the superannuation retirement age at which the member would have qualified for retirement had he remained in service, based on the final average salary and years of service at date of withdrawal, reduced 1/4% for each month by which withdrawal precedes the aforementioned superannuation age.

After the age at which Social Security benefits become payable, the annuity of a joint coverage member is reduced by an amount equal to 40 per cent of the primary insurance amount of his Social Security, subject to the same limitations as are applicable to the superannuation retirement annuity.

Disability Annuity

Condition for Annuity

Any member who is under superannuation retirement age and is mentally or physically incapacitated for service after 5 years of credited service is eligible for a disability annuity.

Amount of Annuity

The disability annuity is equal to 2% of the member's final average salary multiplied by the number of his years of credited service, but not less than 33-1/3% of such final average salary, except that such annuity shall not exceed the rate of annuity to which the member might have been entitled at superannuation retirement age had he remained in service until such age. The minimum disability annuity including any cost-of-living increases is \$100 for each year of credited service.

Vesting Annuity

Condition for Annuity

Upon separation from service, a member who has completed 10 or more years of credited service may elect to have his accumulated deductions remain in the System to earn interest, and receive an annuity commencing at superannuation retirement age.

Amount of Annuity

The annuity is calculated as a superannuation annuity based upon the member's final average salary and years of credited service to the date of separation from service.

Optional Benefits

Upon retirement with 10 or more years of credited service a member may elect to convert his annuity to one of the following equivalent benefits:

Option 1. A reduced benefit with the provision that if he dies before he receives in payments the present value of the benefit as it was at the time of his retirement, the balance if less than \$5,000 shall be paid in a lump sum to his designated beneficiary or if the balance is \$5,000 or more the beneficiary may elect to receive the payment of the balance as a lump sum payment, an annuity having a present value equal to the balance payable or a lump sum payment and an annuity.

Option 2. A reduced benefit with the provision that at his death such benefit shall be continued throughout the life of such other person as he shall have designated at the time of his retirement.

Option 3. A reduced benefit with the provision that at his death one-half of such benefit shall be continued throughout the life of such other person as he shall have designated at the time of his retirement.

Option 4. Such other benefit as shall be certified by the actuary to be of equivalent actuarial value to his regular benefit.

Death Benefit

Any active member or vestee who dies and was eligible for an annuity is considered as having applied for an annuity to become effective the day before his death and in the event he has not elected any option it is assumed that he elected Option 1.

Return of Contributions

Upon separation from service where no other benefit is payable, the member's accumulated deductions are returned to him.

Upon death in service where no other benefit is payable, the member's accumulated deductions are paid to his designated beneficiary or estate.

Upon the death of an annuitant who has elected the maximum annuity, other than a disability annuitant who has 10 years of credited service, the excess of his accumulated deductions at retirement over the annuity payments made is paid to his designated beneficiary or legal representative. Upon the death of a disability annuitant who has 10 years of credited

service and who has elected the maximum annuity the excess of the present value of his annuity on his retirement date over payments received is paid to his designated beneficiary.

CONTRIBUTIONS

By Members

The rate of contribution for each Class T-C member of the single or dual coverage group is five and one-quarter per cent of his compensation.

In the case of joint coverage members the amount of contribution determined at the basic rate is reduced by 40% of his Social Security tax exclusive of that portion attributable to disability and medical coverage. A joint coverage member who applies for a superannuation or withdrawal annuity may elect to receive such allowance without the reduction on account of Social Security coverage by paying a lump sum equal to the difference between the amount of accumulated deductions to his credit and the amount which would have been to his credit if contributions had been made without the reduction on account of Social Security coverage.

By State*

The State contributes a percentage of the total compensation of all members known as the normal contribution, an additional percentage of such compensation known as the accrued liability contribution and a percentage of such compensation known as the supplemental annuity contribution in order to accumulate the required reserves to provide the benefits payable.

*The State is reimbursed by School Districts to the extent of one-half of the contributions.

**STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 1978**

Financial reserves available for:

The first obligation against the assets to be considered is the active contributing members' savings accounts with 4% interest added. \$ 1.314 billion

The next obligation against the assets are the annuities payable to the present retirees in the future developed by using an actuarial projection based on life expectancies of the retirees, earnings of the fund, and what would be owed to their beneficiaries. \$ 2.170 billion

Balance of the assets available for current contributing members retiring in the future. \$.601 billion

A. Total of Money in Reserves \$ 4.085 billion

Liabilities on account of:

Present value of past contributions. \$ 1.314 billion

Present value of future contributions by state and school districts to cover employer's share of benefits. \$ 1.415 billion

Present value of annuities payable to present retirees, beneficiaries and their survivors. \$ 2.726 billion

Present value of annuities that will be required from state and school districts to pay annuities to active contributing members when they retire. \$ 4.759 billion

B. Total Liabilities \$ 10.214 billion

Uncovered Liabilities (A-B): \$ 6.129 billion

Less: Money planned to be received for service rendered after June 30, 1978:

By contributing members. \$ 1.415 billion

By state and school districts. \$ 1.889 billion

C. Total to be received from members, state, and school districts \$ 3.304 billion

Less: Interest on Commonwealth Deficit not counted in the financial reserves: \$.038 billion

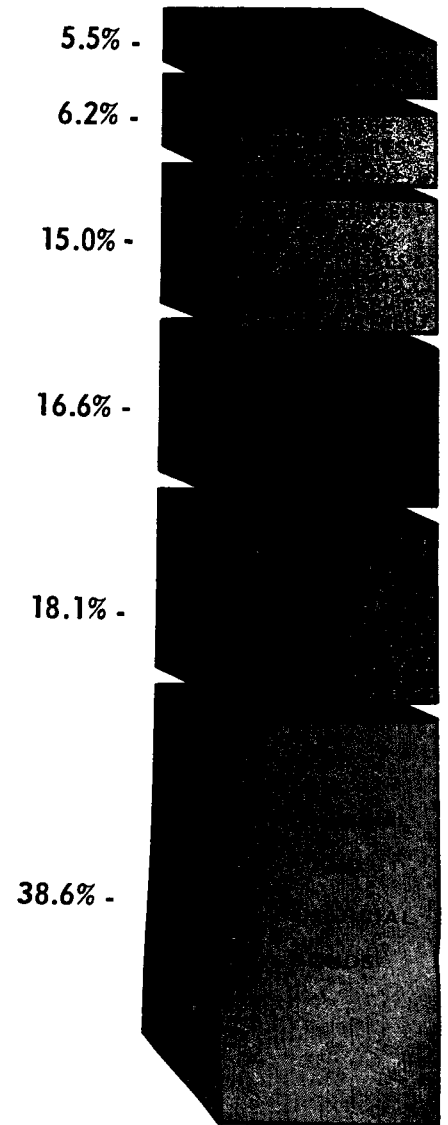
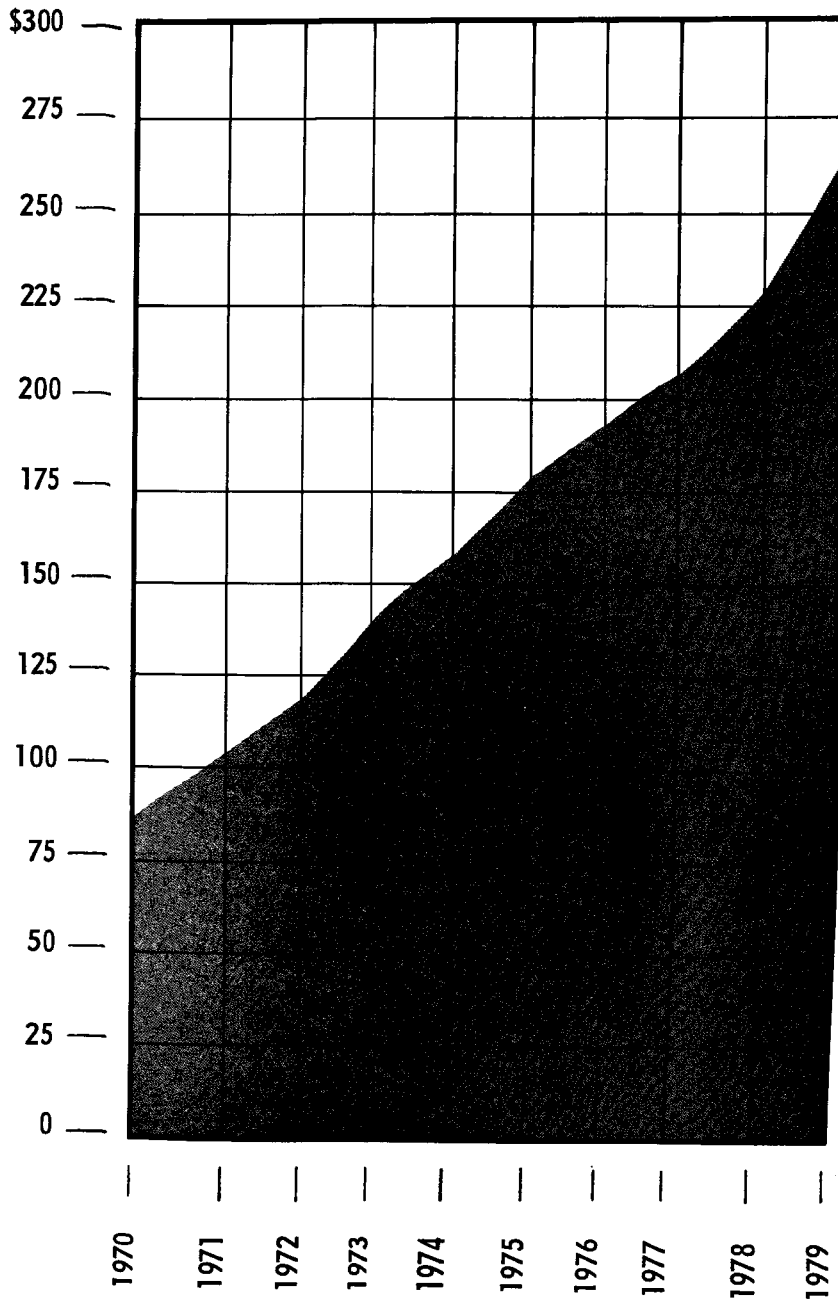
Unfunded Accrued Liabilities: \$ 2.787 billion

GRAPHICS

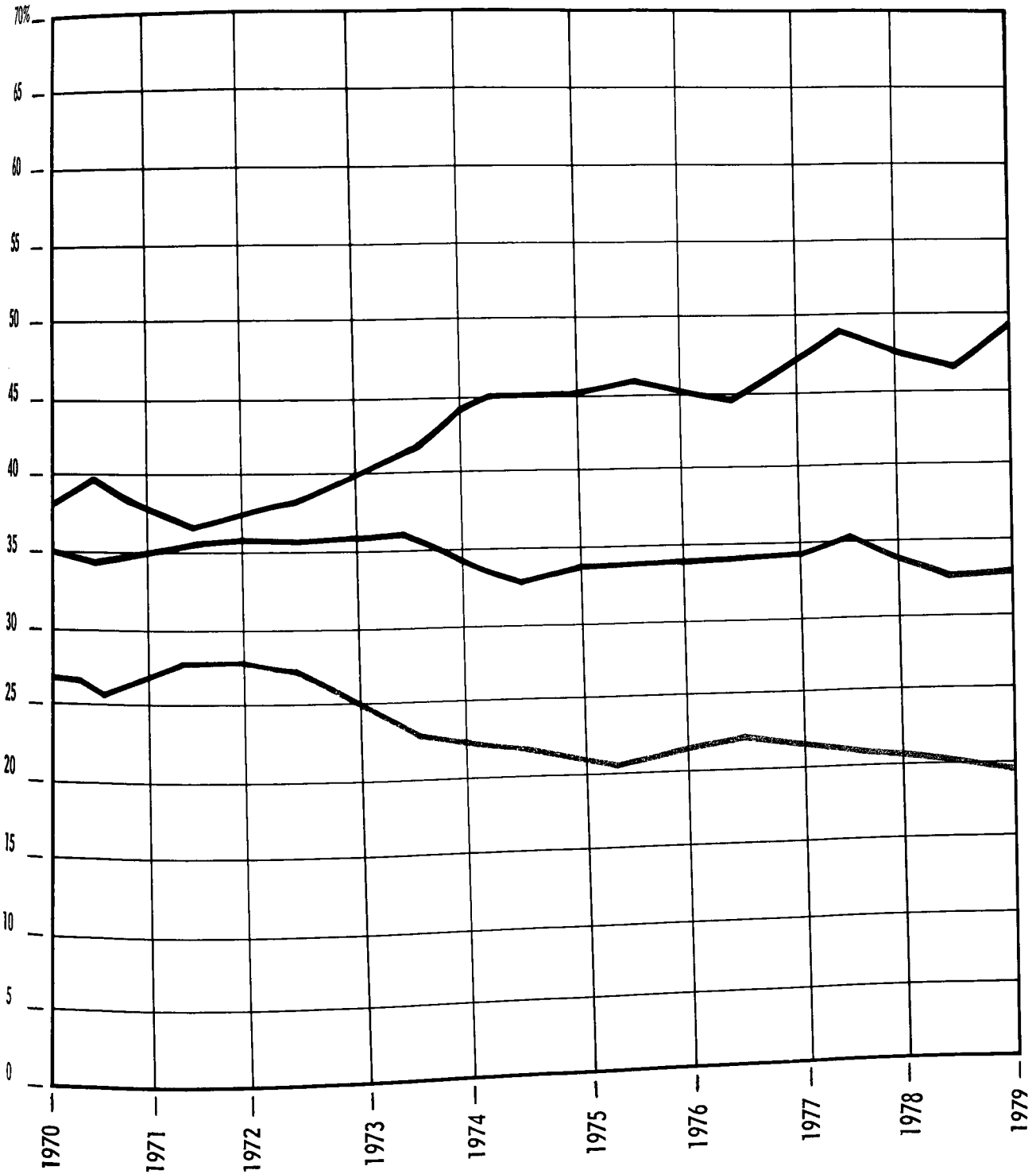
**10 YEAR
INVESTMENT INCOME GROWTH**

**INVESTMENT DISTRIBUTION
AT PAR VALUE**

Millions



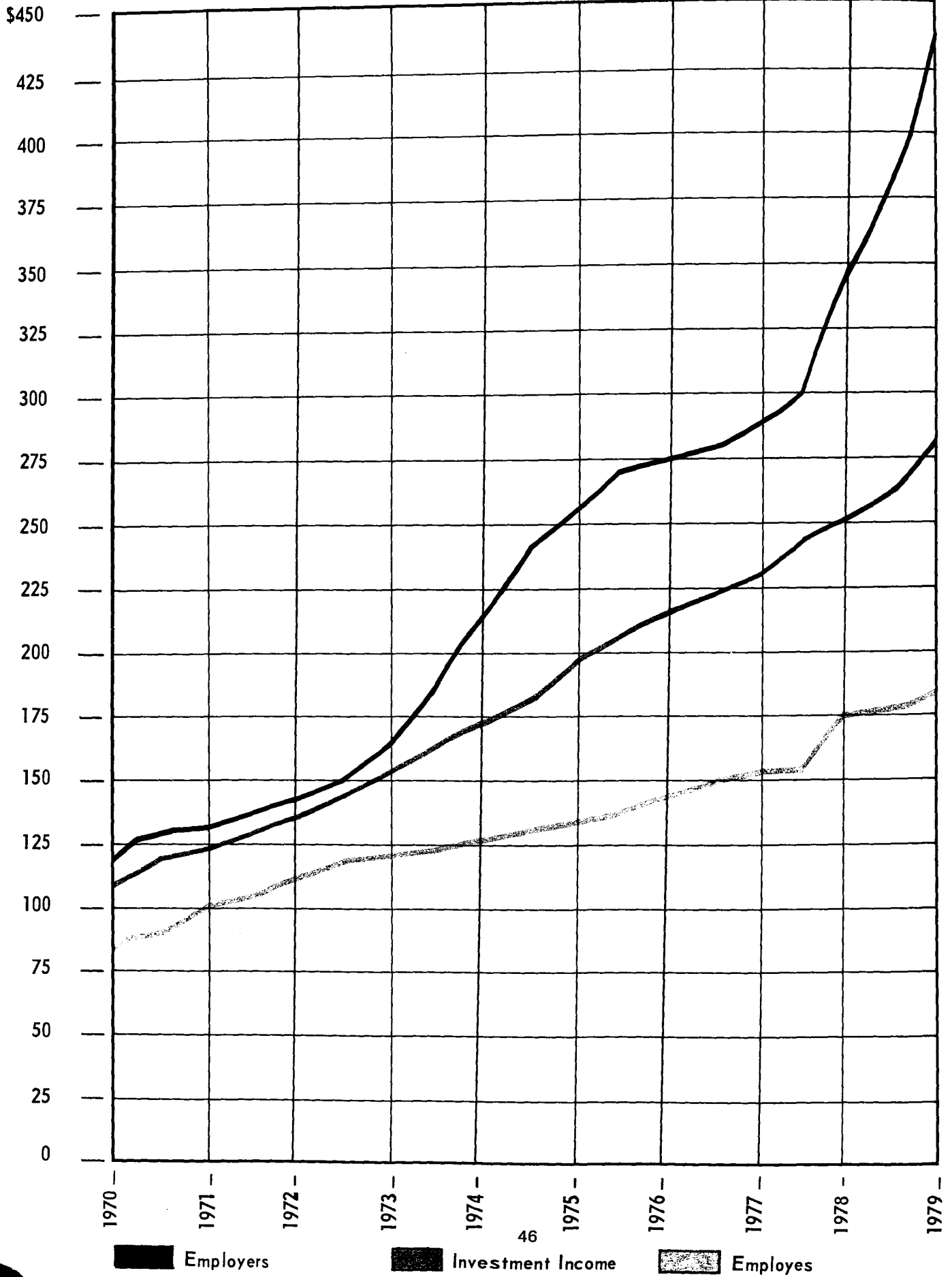
**PERCENTAGE OF RECEIPTS
REPRESENTED BY
EMPLOYERS, EMPLOYES AND INVESTMENT INCOME**



EMPLOYERS
 INVESTMENTS
 EMPLOYEES

REVENUE SOURCES
1970-1979

Millions



STATISTICS

SCHEDULE C

TABLE 1

THE NUMBER AND ANNUAL SALARIES
OF MEMBERS IN ACTIVE SERVICE
DISTRIBUTED BY AGE AS OF JUNE 30, 1978

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
18	27	\$ 84,306	29	\$ 178,724
19	113	426,342	191	692,069
20	216	1,084,905	301	1,279,921
21	273	1,605,053	447	2,121,768
22	357	2,175,091	681	3,494,895
23	762	5,133,915	2,217	14,527,876
24	1,174	9,342,161	3,018	23,411,443
25	1,479	13,457,266	3,806	34,095,797
26	1,918	19,421,309	4,679	45,897,858
27	2,286	25,147,070	5,096	53,162,037
28	2,507	29,390,845	4,876	52,843,013
29	2,788	34,349,306	4,597	51,129,521
30	3,070	39,285,514	4,506	49,613,151
31	3,763	51,202,089	4,641	52,254,810
32	3,169	45,168,677	3,608	41,471,261
33	2,612	39,035,864	2,817	32,637,979
34	2,514	38,542,052	2,851	32,460,435
35	2,615	41,709,968	3,050	33,561,132
36	2,635	43,097,074	3,028	32,733,656
37	2,038	33,520,817	2,782	28,196,802
38	1,827	30,941,876	2,726	27,389,695
39	1,677	27,898,865	2,705	26,838,443
40	1,709	29,236,640	2,869	27,987,107
41	1,688	29,318,891	2,792	26,725,675
42	1,676	29,050,709	2,800	26,966,286
43	1,591	27,417,522	2,773	26,236,330
44	1,596	27,705,922	2,730	26,291,305
45	1,611	28,228,430	2,630	25,794,866
46	1,685	29,889,409	2,890	28,868,543
47	1,724	30,529,431	2,989	30,039,837
48	1,664	29,045,544	3,056	30,908,015
49	1,565	27,100,017	2,967	29,431,314
50	1,623	28,147,244	3,152	32,041,190
51	1,690	28,443,187	3,095	31,870,905
52	1,588	27,014,132	2,989	31,145,249
53	1,658	27,952,838	2,873	28,953,648
54	1,626	26,146,263	2,926	29,364,337
55	1,526	24,405,915	2,670	27,214,102

TABLE 1

THE NUMBER AND ANNUAL SALARIES
OF MEMBERS IN ACTIVE SERVICE
DISTRIBUTED BY AGE AS OF JUNE 30, 1978

CONTINUED

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
56	1,421	\$ 22,151,794	2,645	\$ 27,009,159
57	1,349	20,305,493	2,740	28,511,732
58	1,438	21,522,374	2,632	27,379,499
59	1,207	17,523,872	2,253	23,715,874
60	1,301	18,524,142	2,432	26,253,946
61	1,203	16,371,835	2,176	23,522,029
62	1,110	15,070,476	1,896	20,600,052
63	936	12,008,884	1,374	14,770,860
64	774	9,965,851	1,187	12,525,708
65	647	8,135,769	865	9,851,367
66	307	3,607,494	418	4,583,628
67	145	1,507,267	129	1,172,427
68	90	835,974	79	522,155
69	78	667,263	52	368,318
70	181	1,074,891	121	644,632
TOTAL	78,227	\$1150,925,838	129,852	\$1321,262,381

TABLE 2

THE NUMBER AND ANNUAL SALARIES
OF MEMBERS IN ACTIVE SERVICE
DISTRIBUTED BY YEARS OF CREDITED SERVICE
AS OF JUNE 30, 1978

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	787	\$ 1,574,834	2,364	\$ 4,055,876
1	5,007	30,636,774	16,157	70,371,641
2	4,527	40,326,151	13,063	82,081,145
3	3,793	40,476,913	8,913	74,429,800
4	4,645	53,667,478	10,015	90,748,569
5	4,606	56,773,638	9,135	89,296,071
6	4,469	57,879,077	8,601	88,261,897
7	3,876	51,484,168	7,419	78,953,146
8	4,000	56,716,162	7,030	81,116,914
9	4,012	59,405,681	5,948	69,891,262
10	3,863	58,551,721	5,179	62,090,393
11	3,559	57,192,887	5,019	60,850,324
12	3,047	49,865,466	4,552	58,705,642
13	2,617	43,938,118	3,145	43,264,483
14	2,279	39,739,800	2,477	34,390,716
15	2,112	37,039,127	2,367	33,566,498
16	1,812	32,330,934	2,170	31,358,331
17	1,765	32,019,291	1,740	26,613,448
18	1,643	30,316,082	1,698	25,332,375
19	1,655	30,973,898	1,539	23,416,363
20	1,561	29,281,586	1,442	21,859,477
21	1,403	26,942,430	1,300	20,580,419
22	1,350	26,093,367	1,078	17,759,012
23	1,215	24,034,795	945	15,569,383
24	986	20,190,484	761	13,245,113
25	957	19,567,958	770	13,488,332
26	832	17,132,697	608	10,585,521
27	777	15,983,075	560	9,978,210
28	783	16,637,715	495	8,805,222
29	702	15,069,260	479	8,570,151
30	666	14,337,794	416	7,577,163
31	614	13,291,256	347	6,230,860
32	499	10,766,857	318	5,748,956
33	360	7,997,663	280	4,982,326
34	340	7,572,728	296	5,346,459
35	332	7,406,057	288	5,300,416

TABLE 2

THE NUMBER AND ANNUAL SALARIES
OF MEMBERS IN ACTIVE SERVICE
DISTRIBUTED BY YEARS OF CREDITED SERVICE
AS OF JUNE 30, 1978

CONTINUED

YEARS OF SERVICE	NUMBER	AMOUNT	NUMBER	AMOUNT
36	233	\$ 5,203,781	255	\$ 4,544,050
37	170	3,785,140	173	3,144,353
38	87	2,029,448	129	2,385,979
39	79	1,816,042	92	1,635,016
40	64	1,495,635	76	1,342,780
41	57	1,289,473	68	1,213,274
42	45	1,031,255	58	1,037,459
43	23	619,270	42	762,118
44	14	345,622	21	399,778
45	3	84,637	16	259,111
46			1	14,853
47	1	11,613	4	67,628
49			2	22,350
50			1	11,718
TOTAL	78,227	\$1150,925,838	129,852	\$1321,262,381

TABLE 3

THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 1978 CLASSIFIED BY AGE

RETIRED ON ACCOUNT OF SUPERANNUATION AND
THOSE IN RECEIPT OF WITHDRAWAL ANNUITIES

AGE	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
29			2	\$ 487
31			3	821
32			3	856
33	7	\$ 2,895	4	1,535
34	9	3,714	8	3,095
35	10	4,629	8	4,117
36	11	6,985	13	7,758
37	6	3,973	8	6,350
38	6	3,892	6	5,557
39	4	3,167	6	6,314
40	6	2,659	3	1,578
41	4	5,033	6	6,142
42	6	5,323	5	6,487
43	6	9,484	5	6,943
44	6	3,620	6	6,308
45	6	14,101	8	12,504
46	6	5,944	3	5,570
47	4	8,233	8	15,160
48	4	12,671	11	16,885
49	5	16,401	14	27,297
50	7	14,369	14	21,807
51	15	40,210	24	68,360
52	18	80,131	24	52,999
53	15	76,199	30	94,479
54	21	90,700	41	150,592
55	11	57,660	44	145,423
56	33	259,645	84	357,534
57	41	327,514	107	595,960
58	51	401,539	139	793,227
59	48	402,045	200	1,216,338
60	106	1,029,198	290	2,080,362
61	153	1,568,957	364	2,600,384
62	221	1,824,612	485	3,376,770
63	420	2,917,988	1,072	5,943,775
64	567	3,611,375	1,413	8,009,193
65	669	4,299,816	1,571	8,823,990

TABLE 3

THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 1978 CLASSIFIED BY AGE

RETIRED ON ACCOUNT OF SUPERANNUATION AND
THOSE IN RECEIPT OF WITHDRAWAL ANNUITIES

CONTINUED

AGE	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
66	962	\$ 5,062,354	2,176	\$ 12,269,993
67	1,045	5,337,290	2,408	13,563,810
68	997	5,421,728	2,597	14,531,094
69	1,015	5,467,880	2,555	14,501,060
70	1,012	5,395,480	2,800	16,036,213
71	919	5,014,507	2,602	14,589,959
72	826	4,352,461	2,414	13,364,650
73	758	4,012,396	2,137	11,646,601
74	670	3,578,783	1,836	9,963,798
75	568	2,854,655	1,618	8,561,708
76	489	2,607,424	1,420	7,544,804
77	375	1,792,707	1,131	5,771,492
78	319	1,462,437	1,075	5,553,482
79	306	1,553,022	835	4,355,499
80	249	1,194,965	822	4,099,942
81	233	1,164,691	742	3,804,686
82	165	863,738	681	3,471,822
83	180	890,454	559	2,788,492
84	131	607,357	492	2,458,433
85	103	516,660	405	2,021,884
86	84	441,026	320	1,575,822
87	73	356,733	267	1,335,993
88	66	312,571	233	1,109,597
89	48	180,191	156	760,725
90	40	175,186	146	733,868
91	21	100,489	95	465,106
92	25	100,727	78	377,112
93	22	92,928	73	371,207
94	10	41,162	46	220,860
95	6	23,804	48	242,458
96	1	5,184	32	156,663
97	3	12,263	19	97,044
98	1	5,518	14	62,350
99			4	17,891
100	2	9,217	4	21,954

TABLE 3

THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 1978 CLASSIFIED BY AGE

RETIRED ON ACCOUNT OF SUPERANNUATION AND
THOSE IN RECEIPT OF WITHDRAWAL ANNUITIES

CONTINUED

AGE	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
101			5	\$ 27,430
102	1	\$ 2,067	2	11,258
103			2	9,054
104			2	6,551
105			1	5,159
106			1	1,281
TOTAL	14,227	\$ 78,124,737	38,885	\$212,981,762

SUMMARY

NO OPTION	7,371	\$ 34,059,669	32,900	\$180,630,297
OPTION 1	2,017	11,042,238	3,669	18,654,094
OPTION 2	1,252	5,392,098	782	3,797,309
OPTION 3	3,297	24,768,305	1,413	9,058,874
OPTION 4	290	2,862,427	121	841,188

TABLE 4

THE NUMBER AND ANNUAL ANNUITIES
OF SURVIVOR ANNUITANTS AS OF JUNE 30, 1978
CLASSIFIED BY AGE

AGE	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
8	1	\$ 404		
9	1	232	1	\$ 359
10	1	881		
11	1	534	2	1,010
12			2	1,020
13			2	1,318
15			1	966
16	1	456		
19			1	2,405
30			1	2,753
33	1	600		
35			1	1,841
36	1	4,820	1	537
37	1	517		
38			2	1,441
39	1	2,089	1	11,109
40	1	2,145		
41			1	6,736
42	2	3,511		
43	1	2,423		
44	3	4,560	1	5,220
45			1	396
46			1	1,221
47			3	2,988
48			2	8,395
49	2	1,503	3	2,076
50	1	303	4	10,545
51			4	13,915
52	1	2,654	3	9,148
53	2	3,094	3	13,241
54			6	19,345
55	1	6,924	4	10,582
56	2	3,598	10	22,677
57			9	41,138
58	1	2,340	14	57,958
59	1	2,587	12	32,979
60	1	556	23	70,798
61			20	60,801
62	2	5,958	25	72,063
63	5	18,883	38	135,749
64	5	17,551	41	121,900
65	9	27,678	42	141,250

TABLE 4
 THE NUMBER AND ANNUAL ANNUITIES
 OF SURVIVOR ANNUITANTS AS OF JUNE 30, 1978
 CLASSIFIED BY AGE

CONTINUED

AGE	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
66	10	\$ 47,690	50	\$ 142,144
67	6	19,053	52	142,534
68	8	22,639	57	173,259
69	9	33,065	58	186,134
70	10	35,009	83	233,321
71	13	40,171	69	209,356
72	13	38,236	61	172,321
73	12	29,494	81	219,907
74	11	33,855	73	173,853
75	14	28,977	54	126,150
76	8	15,589	78	177,003
77	13	30,247	72	153,462
78	4	5,633	41	73,335
79	8	14,209	51	108,179
80	9	17,875	63	105,488
81	9	31,144	66	120,401
82	8	9,789	51	80,074
83	8	12,971	52	82,221
84	2	2,017	52	75,602
85	8	12,217	44	60,722
86	8	10,723	37	38,868
87	8	9,542	27	42,428
88	8	10,200	33	35,804
89	4	5,990	24	27,847
90	1	1,270	35	41,898
91	2	1,900	18	18,715
92	2	1,567	14	9,050
93	5	3,943	20	24,507
94	1	781	8	4,650
95	2	3,224	13	8,909
96			11	6,768
97	4	2,250	9	8,863
98	3	2,503	2	1,687
99	4	2,975	3	1,969
100	1	534	7	6,236
101	3	1,474	6	4,811
102	5	1,494	7	6,490
103	1	736	5	4,793
104			1	523
105	1	888	5	4,063
106	1	550	2	1,629
TOTAL	296	\$ 659,225	1,780	\$ 4,001,854

TABLE 5

THE NUMBER AND ANNUAL ANNUITIES
OF SURVIVOR ANNUITANTS AS OF JUNE 30, 1978
CLASSIFIED BY YEARS OF UNEXPIRED PERIOD

YEARS	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
1	4 \$	10,816	10 \$	22,208
2	5	11,808	7	17,779
3	2	6,136	9	23,377
4	1	575	8	16,423
5	4	16,603	11	29,801
6	5	25,804	8	36,883
7	2	3,527	9	37,873
8	4	14,420	19	79,069
9	6	18,629	10	43,188
10			2	9,469
TOTAL	33 \$	108,318	93 \$	316,070

TABLE 6

THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 1978 CLASSIFIED BY AGE

RETIRED ON ACCOUNT OF DISABILITY

AGE	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
26	1	\$ 3,896		
28			1	\$ 3,803
29			1	3,259
30			1	4,354
31			1	2,919
32	2	5,451	5	17,695
33	1	4,624	2	6,603
34			2	8,637
35			2	7,522
36			3	12,156
37	1	3,199	5	18,091
38	1	3,220	2	9,064
39	3	13,512	2	7,046
40	4	17,720	3	11,798
41	5	18,432	6	25,521
42	7	31,256	4	13,129
43	6	20,626	5	20,222
44	5	21,918	5	13,476
45	7	30,524	3	12,746
46	6	27,310	7	27,319
47	6	23,121	13	50,828
48	8	24,289	9	23,948
49	16	86,325	13	45,710
50	14	66,833	15	58,833
51	17	98,361	12	54,390
52	16	75,598	28	133,329
53	32	127,717	28	129,416
54	26	118,040	28	117,879
55	19	73,742	36	137,972
56	36	164,780	45	154,306
57	31	145,449	46	202,606
58	38	158,682	69	304,776
59	55	236,591	69	272,990
60	49	177,557	80	319,008
61	61	227,020	83	312,444
62	52	171,066	80	281,185
63	44	144,920	93	330,167
64	46	165,711	85	263,217
65	33	97,337	90	331,228
66	19	45,061	43	165,677
67	26	69,322	49	175,437
68	22	65,273	56	187,091
69	14	40,734	46	146,664
70	10	25,205	57	169,363

TABLE 6

THE NUMBER AND ANNUAL ANNUITIES
OF ANNUITANTS ON THE RETIRED LIST
AS OF JUNE 30, 1978 CLASSIFIED BY AGE

RETIRED ON ACCOUNT OF DISABILITY

CONTINUED

AGE	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
71	11 \$	32,550	52 \$	164,494
72	3	6,737	34	106,022
73	7	17,825	26	82,289
74	5	12,447	17	45,900
75	7	16,228	28	72,788
76	1	1,538	23	67,292
77	5	13,093	15	38,810
78	3	8,660	10	24,869
79	3	7,880	15	36,485
80			10	28,445
81	3	8,298	5	12,793
82			10	31,312
83			9	27,201
84	1	3,575	7	23,750
85	2	4,803	6	19,431
86	1	4,134	9	25,263
87	3	10,094	10	32,130
88	1	1,901	5	16,704
89	1	3,987	4	11,746
90			5	21,367
91	1	2,769	2	8,372
92	1	2,080	2	4,593
93			3	11,384
94			1	3,874
95			1	3,250
96			1	4,767
97			1	3,900
101			1	2,730
102			1	2,210
TOTAL	798 \$	2,989,021	1,546 \$	5,527,995

SUMMARY

NO OPTION	626 \$	2,351,490	1,461 \$	5,198,117
OPTION 1	44	148,910	54	197,271
OPTION 2	82	282,835	25	102,685
OPTION 3	46	205,786	6	29,922

TABLE 7

THE NUMBER AND ANNUAL ANNUITIES
 OF ANNUITANTS ON THE RETIRED LIST
 AS OF JUNE 30, 1978 CLASSIFIED BY AGE
 RECEIVING ANNUITIES AT WITHDRAWAL

AGE	MEN		WOMEN	
	NUMBER	TOTAL ANNUITIES	NUMBER	TOTAL ANNUITIES
68			1 \$	39
80			1	95
85			1	75
86			1	162
87			1	44
90			1	182
91			1	298
TOTAL			7 \$	895

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1978/79



A000007530579

LB2842.P3301 1978/79
PENNSYLVANIA. PUBLIC SCHOOL
EMPLOYES' RETIREMENT SYSTEM.
ANNUAL REPORT OF THE
PENNSYLVANIA PUBLIC SCHOOL
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