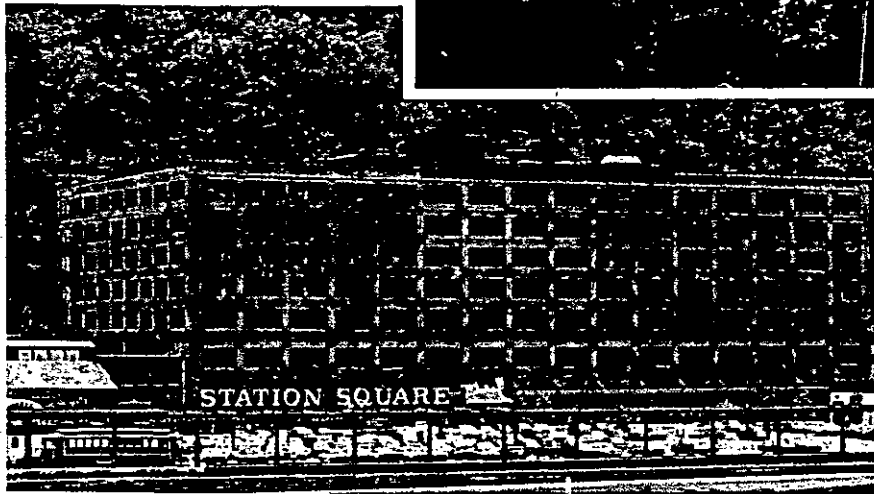
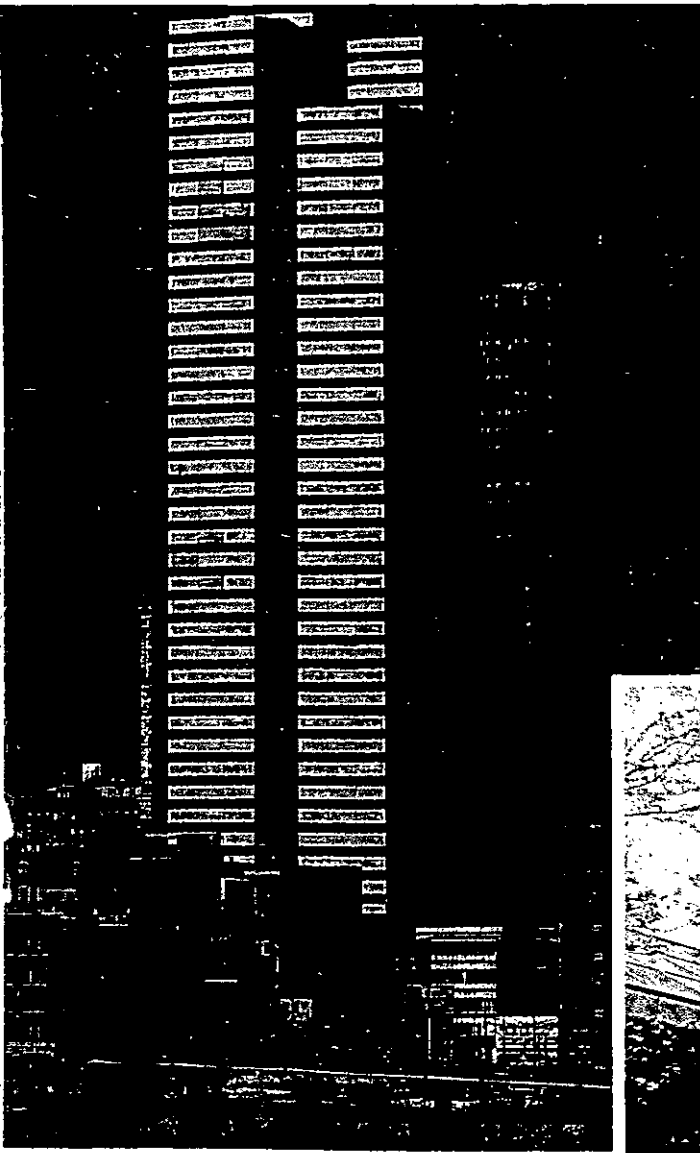


Pennsylvania Public School Employees' Retirement System



**Comprehensive
Annual Financial Report
1983**

One Oxford Centre
Pittsburgh, Pennsylvania

Focal point of Pittsburgh's Renaissance II revitalization program, One Oxford Centre is located at 301 Grant Street in the heart of the "Golden Triangle" business district. It is a combination retail-office center of forty-seven stories, financed cooperatively by six major pension funds. Investment by the Pennsylvania Public School Employees' Retirement System amounted to \$35 million.

Cover:
**A Glimpse at
Some of
PSERS' Real
Estate
Investments
in Pennsylvania**

Provincial Towers Apartments
Wilkes Barre, Pennsylvania

More than \$2.5 million was invested by the Pennsylvania Public School Employees' Retirement System in 1970 to build a combination retail-residential complex known as Provincial Towers in the heart of the state's anthracite coal region. The twelve-story building is a popular senior citizen residence.

Commerce Court-Station Square
Pittsburgh, Pennsylvania

The unique combination of converting a seven story warehouse facility to first class office, retail, restaurant and hotel use coupled with new construction within a historic landmark district in Pittsburgh makes Commerce Court-Station Square one of the Pennsylvania Public School Employees' Retirement System's most exciting investments. Located at the foot of the Smithfield Street Bridge adjacent to the Monongahela River, PSERS has invested \$21.5 million in the project.

*Hershey
Philadelphia
Hotel*

Philadelphia, Pennsylvania

Located in the prestigious downtown section of the "City of Brotherly Love" at Broad and Locust Streets, the twenty-five story Hershey Philadelphia Hotel is the first major hotel to open in the city's central business district in thirty-five years. The \$45 million project contains 450 guest rooms, meeting, and banquet facilities, and an indoor recreation complex. The Pennsylvania Public School Employees' Retirement System has provided more than \$36 million of the hotel's financing.

Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 1983**

Commonwealth of Pennsylvania Public School Employes' Retirement System

**301 Chestnut Street
Harrisburg, PA 17101**

**M. Andrew Sheffler
Executive Director**

**J. Henry Eisenhart, Jr.
Chairperson
Board of Trustees**

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Introductory Section

Letter of Transmittal



**COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

BOX 125
HARRISBURG, PENNSYLVANIA 17108

The Board of Trustees
Public School Employees' Retirement System
Harrisburg, PA 17101

The Comprehensive Annual Financial Report of the Public School Employees' Retirement System (PSERS) for the fiscal year ended June 30, 1983, is herewith submitted. The legal requirement for publication of this report is contained in an amendment to Title 24, Part IV, Retirement for School Employees' of the Pennsylvania Consolidated Statutes, Act 96 of October 2, 1975, Section 8502 - Administrative duties of the Board, paragraph (n): "The Board shall prepare and have published . . . a financial statement . . . showing the condition of the fund and the various accounts and setting forth such other facts, recommendations and data as may be of use in the advancement of knowledge concerning annuities and other benefits The Board shall submit said financial statement to the Governor and shall make copies available to the employers for the use of the school employes and the public."

Additionally, the requirement for an annual audit by a certified public accounting firm was created by the passage of Act 183 of 1982, an addendum to Act 96.

The Board is aware of the differing form, style, and content that the Financial Accounting Standards Board Statement 35 and the National Council on Governmental Accounting Statement 6 are suggesting for use in the financial statements of retirement systems. The Board decided to continue the format of presenting these financial statements under NCGA Statement 1 of 1979. FASB and NCGA differ markedly in the financial data they are requesting to be used in the financial statements. Both FASB and NCGA have delayed implementation of their respective declarations. Further, Act 96 of October 2, 1975, which codified PSERS, describes the reserve accounts that will be used in the accounting system employed by PSERS. Until FASB and NCGA can standardize the financial data required for compliance, the Board cannot develop an amendment changing Act 96 for accounting purposes.

The report consists of five sections: an *Introductory Section* which contains this letter of transmittal, the Chairperson's Report and identification of the administrative organization; the *Financial Section* which contains the opinion of the independent certified public accountant and the financial statements of the System; the *Actuarial Section* which contains the opinion of the independent actuarial firm and the results of their latest annual valuation; the fourth or *Statistical Section* which contains significant statistical data pertaining to PSERS; and the *Investment Section* which details PSERS' investments.

Accounting System and Reports

The Comprehensive Annual Financial Report has been prepared in accordance with generally accepted accounting and reporting principles (GAAP) promulgated by the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). This report will be submitted to the Municipal Finance Officers Association (MFOA) for its certificate of conformance annual review.

The accrual basis is the method of accounting used by PSERS to record the assets, liabilities, revenues, and expenses of the System. Revenues are taken into account when earned without regard to date of collection, and expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made. Fixed assets are recorded at cost; depreciation is taken on a straight-line basis over the estimated useful life of the assets of seven years. Bond premium and discount are amortized over the life of the security. The unfunded portion of the actuarial liability is disclosed in the footnotes to the financial statements.

Several accounting method changes were instituted by the Board of Trustees and are reflected in the 1983 figures. It was decided that the method of recording gains and losses on the exchange of bonds would be changed, beginning July 1, 1982, from the deferral and amortization method to the completed transaction method. It was the opinion of the Board that the deferral and amortization resulting from bond exchange gains/losses inflated the assets of the System by an amount that could result only in net losses in future accounting periods which have no direct ties to those periods. Additionally, the asset value of the portfolio of investments is more fairly stated on the balance sheet by not including the net deferred loss amount which is not a salable asset. This change resulted in a charge to the State Accumulation Account fund balance and a reduction to the corporate debenture investments section of the balance sheet of approximately \$548 million. The fiscal year ended June 30, 1983, reflects the completed transaction method for bond exchanges occurring in that fiscal year.

The calculation of amortization of premiums and accretion of discounts on bonds was changed from a straight-line method to the effective interest method. This change affected the amortized cost of all bonds held at year end, June 30, 1983, and resulted in a minor charge to the income for the fiscal year.

Another accounting change, effective for the year ended June 30, 1983, is the depreciation of fixed assets. A straight-line basis of depreciation was used over a seven-year life with the majority of the fixed assets comprised of data processing equipment. This change also resulted in a minor charge to income through the administrative expense.

Accumulated unused employee vacation and sick leave pay have been accrued in the administrative expense in the amount of \$253,532 and adheres to GAAP pronouncements.

The Board has, for the first time, listed the commissions and payments to brokers and consultants as a move toward full disclosure. This listing appears in the Financial Section, Schedule 4, of this report. However, the Board has not issued the details for salaries paid administrative officials of this System since all administrative salary scales are set by the State Civil Service Commission of the Commonwealth of Pennsylvania and are controlled through the established budget policies of the Commonwealth.

Revenues

Public employe retirement systems are established by law to pay retirement benefits and to accumulate the resources with which to pay such benefits. PSERS accumulates its resources through collection of members' and employers' contributions and from income earned on invested contributions. Contributions and investment income for 1983 totaled \$1,285.1 million. This represents an increase of 15.0 percent over 1982 revenues of \$1,117.5 million as shown below.

Revenue Source	1983 (Millions)	1982 (Millions)	Increase (Millions)	%
Member Contributions	\$ 184.6	\$ 180.6	\$ 4.0	2.2
Employer Contributions	541.2	501.0	40.2	8.0
Investment Income	559.3	435.9	123.4	28.3
Total	\$1,285.1	\$1,117.5	\$167.6	15.0

The increase in revenue resulted from the increase in salaries paid to the participating members upon which the members' and employers' contributions to this System are based. Further, the employer rate of contribution was raised by 1 percent to 16 percent. This rate is shared equally by the school districts and the Commonwealth of Pennsylvania and is based on the total salaries paid. The

increased investment income was attributable primarily to improved earnings on all investments except the short-term money and to the increase in the total investments available for earnings.

Expenses

The largest single factor of expense relates to the purpose for which the Retirement System was created: payment of benefits. These payments, coupled with the expense to administer the plan, constitute the total expenses of the plan.

Expenses by type for 1983 and 1982 are shown for comparative purposes.

Expenses	1983	1982	Increase/(Decrease)	
	(Millions)	(Millions)	(Millions)	%
Benefits	\$480.2	\$450.9	\$29.3	6.5
Refunds	15.0	19.2	(4.2)	(21.9)
Disabilities	17.6	18.8	(1.2)	(6.4)
Lump Sum	85.5	53.2	32.3	60.7
Administrative	8.2	5.9	2.3	39.0
Other	6.6	5.0	1.6	32.0
Total	\$613.1	\$553.0	\$60.1	10.9

The increase in benefit payments resulted from an increase in the number of annuitants receiving payments and an increase in the average benefit paid. In addition, lump sum payments at the time of retirement increased significantly. The average annual benefit paid for retirement, disabilities and withdrawals increased from \$6,159.19 in 1982 to \$6,162.42 in 1983. The ten-year trend in expense by type is presented in the *Statistical Section* of this report.

Administrative expenses amounted to \$8,218,853 for the 1982-83 fiscal year. The administrative budget as established must be approved in legislative bill form by both the State Senate and House of Representatives Appropriation Committees each fiscal year. The actual expenditures are compared in detail with the approved administrative budget. A detailed breakdown of these expenses appears in the *Financial Section* (Schedule 1).

Funding

Full funding of a retirement system would require the accumulated assets to equal the actuarial liabilities. Revenue would have to exceed expenses each year by the amount of pension benefits accrued for the accumulated service of the membership. It is rare for a retirement plan to be fully funded since the actuarial liabilities are projected approximately 20-25 years in advance. Therefore, the difference between the accumulated assets and the actuarial liabilities is the unfunded obligation, which at June 30, 1982, amounted to \$5.5 billion for PSERS. A systematic planned approach to fund this obligation has been incorporated in the employer rate of contribution. A table in the *Actuarial Section* indicates the funding ratios for the last ten years.

The following summary shows the distribution of the total fund balance to the net assets:

Assets	1983	1982	Increase
	(Millions)	(Millions)	(Decrease) (Millions)
Cash & Short Term Investments	\$1,370.8	\$ 961.3	\$409.5
Receivables	511.2	318.7	192.5
Investments	4,378.8	4,621.9	(243.1)
Fixed Assets	1.6	1.2	.4
Total Gross Assets	\$6,262.4	\$5,903.1	\$359.3
Less Payables	244.9	9.4	235.5
Total Net Assets	\$6,017.5	\$5,893.7	\$123.8

Fund Balances—	1983	1982	Increase
	(Millions)	(Millions)	(Decrease)
			(Millions)
Members' Savings	\$1,919.9	\$1,868.0	\$ 51.9
Reserve for Retirement	3,129.7	2,466.6	663.1
Reserve for Disabilities	111.3	143.7	(32.4)
State Accumulation	856.6	1,415.4	(558.8)
Total Fund Balance	\$6,017.5	\$5,893.7	\$123.8

Members' Savings increased \$51.9 million after collecting \$184.6 million from the active members and allocating \$70.4 million from investment income to satisfy the 4 percent interest requirement to each member's account. Refunds in the amount of \$15.0 million were made to the active members who left the System and who requested the return of their contributions plus interest. Six hundred thousand dollars was transferred to the State Employees' Retirement System for multiple service members. Further, \$107.2 million was transferred to the retirement reserve for those active members choosing retirement and \$3.5 million for death benefits. The amount of \$2.7 million was transferred to the disability reserve for active members granted disability allowances. A total of \$74.1 million was transferred to the State Accumulation, representing a one-time reclassification for prior years estimated interest liability.

The Reserve for Retirements increased by \$663.1 million after transferring \$357.8 million from the State Accumulation Account, which represents the actuarially determined amount necessary to pay benefits to retiring members and beneficiaries of deceased members. Employee contributions of \$110.7 million, employer contributions of \$600.9 million and allocated investment earnings of \$159.4 million also increased the Reserve for Retirements. Retirement benefits paid of \$547.1 million and death benefits of \$18.6 million were charged to this reserve.

The Reserve for Disabilities decreased by \$32.3 million, resulting mainly from a transfer to the State Accumulation Account for an actuarial adjustment of \$42.9 million. Disability benefits paid in the amount of \$17.6 million were charged to this reserve. Increases to the reserve were \$19.8 million from the State Accumulation Account and \$2.7 million from the Members' Savings for payment of new disability allowances. Allocated investment earnings of \$5.7 million also increased the account.

A team of doctors under contract with PSERS examines the medical records submitted on each disability request and makes an evaluation on each case to the Board, and recommends eligibility for disability. A hearing on the recommendations can be requested by the member, in which case the Appeals Committee of the Board reviews the data and makes a final decision.

The State Accumulation Account decreased by \$558.8 million. The Commonwealth of Pennsylvania and the school districts contribute equally as employers to this account. Their combined contributions for the 1982-83 fiscal year were \$541.1 million. This account was credited with the 5½ percent valuation interest of \$47.3 million from the investment earnings. After satisfying the requirements established by state law to credit the reserve accounts for their appropriate portion of investment income, the remaining earnings of \$268.4 million were retained in the State Accumulation Account to assist in reducing the unfunded liability. In addition, \$74.1 million was transferred from Members' Savings for all years prior to June 30, 1980, representing the reclassification of the estimated interest liability for prior years. The major decreases to the account resulted from the transfer to the reserves of \$585.9 million for current retirements of active members, \$15.1 million for death benefits and \$19.8 million for disability allowances. Transfers to the State Employees' Retirement System also reduced this account by \$5.9 million. The amount of \$314.8 million, representing the actuarial liabilities required to fund benefits, was transferred to the reserves. A major accounting change to record bond exchanges on the completed transaction method resulted in a charge to the State Accumulation Account of \$548.2 million.

Although PSERS is not fully funded in the sense that the financial assets cover the total actuarial liabilities, full funding is the goal of this System. A 30-year plan to be fully funded by 2012 has been established.

Actuarial

The unfunded accrued liabilities for the ten-year period (1973 through 1982) increased by approximately \$4.2 billion or 3.25 times, while the net assets increased by \$3.0 billion or 1.8 times. This increase in the unfunded liability amount is a contributing factor for the increase in the employer rate of contribution in this 10-year period, from the 1973 rate of 10.66 percent of payroll to the 1983 rate of 16.0 percent of payroll. A further increase in the employer rate will be effective July 1, 1983, when the employer rate will be 17.06 percent.

The "History of Active Membership Data", Schedule D of the *Actuarial Section*, shows that active membership in the System is decreasing after a peak in 1977 while the total annual payroll has increased over the ten-year period 1973-82. When projected into the future, an increase in the employer rate as a percentage of active member payroll must coincide with the anticipated increase in future retirement allowances.

"The History of Annuitant and Beneficiary Data", Schedule E of the *Actuarial Section*, shows that the annual annuities paid are increasing, and the number of annuitants on the roll is also increasing. When coupled with Schedule D, this contrast of an increasing number of annuitants and benefits paid with a decreasing number of active contributing members indicates that PSERS is a maturing retirement system.

The "Relationship Between Accrued Liabilities and Assets", Schedule F of the *Actuarial Section*, reveals that the maximum immediate liability to meet the cost of retirant and beneficiary benefits is covered by the assets. As the active members become annuitants, provisions are made to cover their present value of retirement. The long range plan includes a provision for reserves to be set aside for the present value of active members.

Investments

Investment income represents a major source of revenue to the System. This income amounted to \$559.4 million in the 1982-83 fiscal year, or 43.5 percent of total revenue received. After deducting \$8.2 million of administrative expenses, \$551.2 million was distributed to the reserve accounts.

The \$559.4 million investment income was \$123.5 million higher than the \$435.9 million earned for the 1981-82 fiscal year. The value of proper funding and improved investment yields tends to be self-evident with this increase.

At market value, approximately \$4.5 billion or 77 percent of the investment portfolio is in long-term investments of stocks, bonds and mortgages. The remaining \$1.4 billion, or 23 percent, is in short-term cash equivalents.

The total time-weighted return at market value for the fiscal year ended June 30, 1983, was 37.3 percent. This compares to a 7.4 percent return for the fiscal year ended June 30, 1982, and represents an improvement of more than 400 percent. A more detailed summary covering five years of time-weighted returns appears in the last section of this report, the *Investment Portfolio Section*.

In all instances, the performance measurement of this System followed the national market indices of vastly improved returns for the fiscal year ended June 30, 1983.

The investment policy of the Board stipulates that earnings are to be optimized while also maximizing the quality of the investment portfolio. As an achievement toward this end, the Legislature of the Commonwealth has approved a broad spectrum of investments heretofore unavailable to this Board which will assist greatly in maximizing earnings while maintaining the quality of the portfolio in the future.

To minimize the capital losses, avoid excessive volatility and maintain liquidity, a decrease in the corporate bond holdings and an increase in U.S. Treasury notes and bonds were transacted.

To illustrate the quality of investments, 92.1 percent of the bonds held were rated AAA and 7.9 percent were rated at A using the Moody's Bond Rankings.

The Standard and Poor's Earnings and Dividend Rankings would place the PSERS common stocks in the rank of A to A - , with A + being the highest rating.

Individual investments held at June 30, 1983, on a trade date basis are listed in the last section of this report with illustrative charts plotting investment income for the ten-year period ended June 30, 1983, a ten-year chart covering the changes in the composition of the Fund, and a chart displaying the portfolio distribution of investment. Sources of income are also plotted graphically in this section.

Statistics

Additional statistics are supplied to assist in judging the overall performance of the Fund's activities. They go beyond the collection of revenue and payment of benefits and provide different insights. The most significant and probably the most helpful of these statistics follow.

Schedule Title	Schedule Number
Revenues by Source — Ten Years	1
Expenses by Type — Ten Years	2
Average Benefit Payments by Type — Five Years	3
Cash Flow Graph — Fiscal Year 1982-83	4
List of Employers	5

Total revenue for the ten-year period of 1974 through 1983 increased by \$763 million as indicated in the *Statistical Section* (Schedule 1). In the same section, the "Expenses by Type" (Schedule 2) are displayed, and the increase in all expenses for this period was \$378 million. The net increase in revenues over expenses available for investment and the funding of the accrued liability for ten years was \$385 million.

The "Average Benefit Payments by Type" (Schedule 3), reveals an increase in the withdrawal category, which indicates that more active members are opting to leave the system by retiring early despite the early retirement reduction factors used in the benefit calculation.

As in the past, "Cash Flow" (Schedule 4) is positive for the fiscal year ended June 30, 1983, and indicates a strong net cash position, tempered somewhat by the declining trend of the net receipts retained.

The "List of Employers" (Schedule 5) is an alphabetical listing of all local school districts, intermediate units, state colleges, and other state related educational institutions. These Reporting Units and the Commonwealth of Pennsylvania share equally in the payment of the employer contributions to PSERS.

Professional Services

Professional consultants are appointed by the Board of Trustees to perform services essential in the operation of PSERS. Statements of certification are provided by the certified public accountant and the actuary. Investment guidelines and managers' performance evaluations are supplied by a professional investment consultant. A complete listing of these consultants is supplied in this *Introductory Section*.

Future Developments

A new process for automated transmittals of revenue and voucher transmittals is currently being designed to facilitate the increased daily investment transaction activity by the ten money managers.

PSERS was directly involved in the evaluation of the proposals and in the contract development for the new Treasury automated Security Movement and Control System (SMAC) and for the depository for investment securities, both of which will improve investment settlements and control procedures.

A new cash collection process was designed utilizing the Automated Clearing House Debit Service. Scheduled for September 1983 implementation, this new procedure will benefit the System by providing less costly collections and enable more timely investment of contributions.

Miscellaneous

PSERS is an independent agency reporting directly to the Governor of the Commonwealth of Pennsylvania. However, PSERS must cooperate directly with other state agencies and departments, some of which are empowered to audit various payments and prepare the checks for this System. Other agencies perform an after-the-fact audit for compliance with the pension code and other funding restrictions. Budgets and appropriation requests must be routed through the Governor's Budget Office and are ultimately approved by the Legislature.

Data

Newsletters have been sent to the active and retired members of PSERS, legislators and school districts on a periodic basis throughout the fiscal year to give them information about the Retirement System. A plan summary has been mailed to each member at his home address.

Conclusion

The preparation of this report reflects the combined efforts of the PSERS staff under the leadership of the Board of Trustees and the Executive Director. The report provides financial and actuarial data for the benefit of the membership and general public.

Respectfully submitted,



M. Andrew Sheffler
Executive Director

Administrative Organization

PSERS Board of Trustees



Secretary of Education of the Commonwealth of Pennsylvania (ex officio)

Honorable Robert C. Wilburn

Treasurer of the Commonwealth of Pennsylvania (ex officio)

Honorable R. Budd Dwyer

Executive Secretary of the Pennsylvania School Boards Association, Inc. (ex officio)

Mr. Joseph V. Oravitz

Two Members Appointed by the Governor of the Commonwealth of Pennsylvania

Mr. Albert Fondy (term expires Jan. 1, 1985)

Mr. Samuel A. McCullough (term expires Feb. 14, 1986)

Three Members Elected from Among the Contributors of the System for a Term of Three Years

Mr. Jacque D. Angle (term expires Jan. 1, 1986)

Mr. J. Henry Eisenhart, Jr., Chairman (term expires Jan. 1, 1984)

Mr. John Yarnovic (term expires Jan. 1, 1985)

One Member of the Annuitant Group of the System Elected from Among their Number for a term of Three Years

Mr. Alfred R. Webb (term expires Jan. 1, 1984)

One Member Elected from Among Nonprofessional Contributors of the System for a Term of Three Years

Mr. James McCann (term expires Jan. 1, 1986)

One Member Elected by Members of Pennsylvania Public School Boards from Among their Number for a Term of Three Years

Mr. Richard C. Harris, Vice Chairman (term expires Jan. 1, 1985)

Two Members (nonvoting) Appointed by the Speaker of the House from the Pennsylvania House of Representatives, One Representing the Majority Party and One Representing the Minority Party.

Honorable Nicholas B. Moehlmann

Honorable Max Pievsky

Two Members (nonvoting) Appointed by the President Pro Tempore of the Pennsylvania Senate, One Representing the Majority Party and One Representing the Minority Party.

Honorable Edward L. Howard

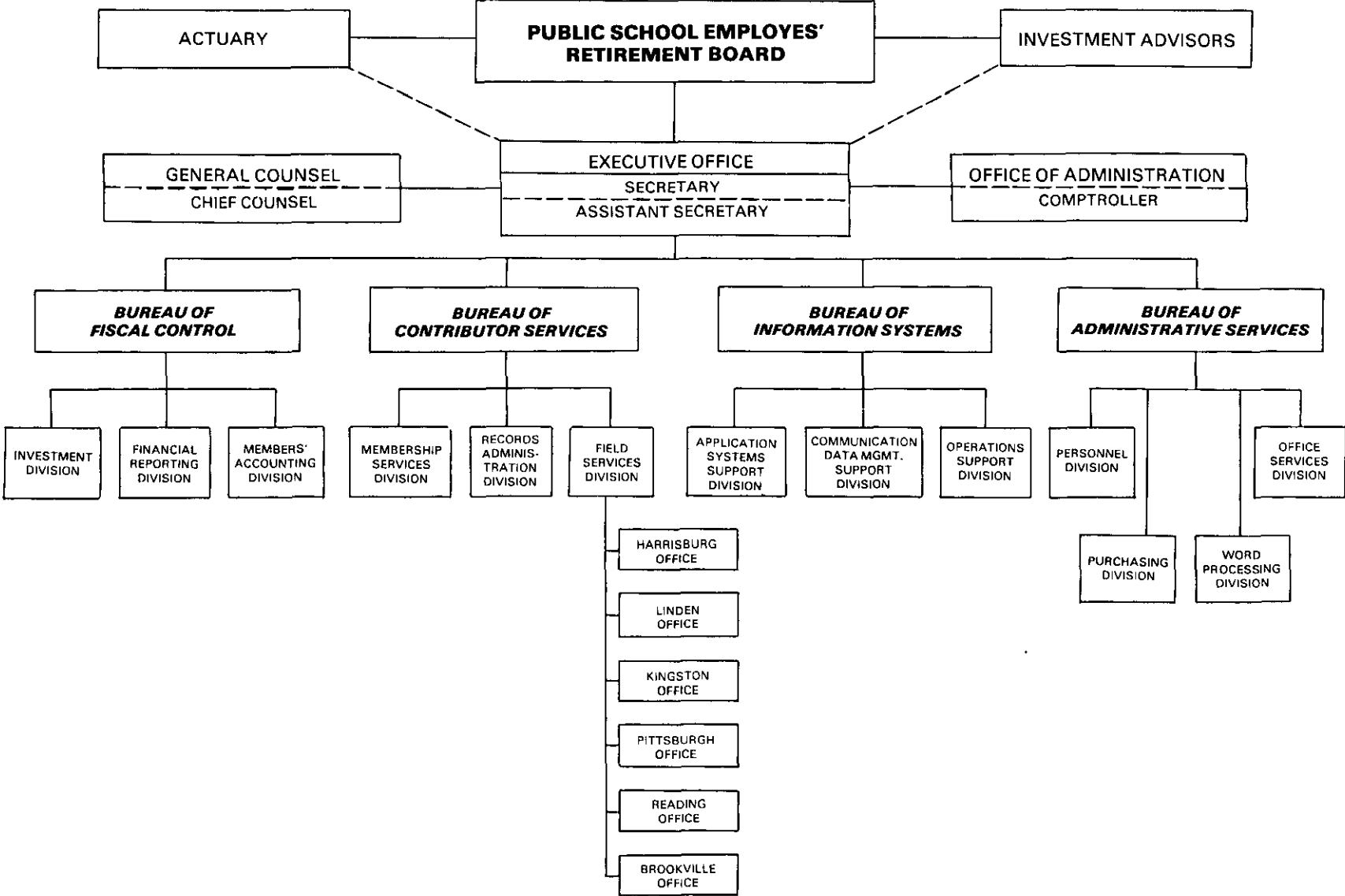
Honorable M. Joseph Rocks



Photo by Martin Ginter, Commonwealth Photographic Services

Front row, left to right: Mr. Paul Lawrence, representative of R. Budd Dwyer, State Treasurer; Mr. Harris, Mr. Eisenhart, and Mr. McCann. Back row, left to right: Mr. Oravitz, Mr. Webb, Mr. Fondy, Mr. McCullough, Mr. Angle, and Mr. Yarnovic. Not shown: Representatives Moehlmann and Pievsky, Senators Howard and Rocks, and Secretary of Education Robert C. Wilburn.

Organizational Chart



Administrative Staff

M. Andrew Sheffler
Executive Director

James A. Perry
Assistant Executive Director

Herbert C. Goldstein
Chief Counsel

Edward T. Durkin
Comptroller

Bureau Directors
Richard J. McElroy
Fiscal Control

Dale Houck
Information Systems

Linda Weidner
Contributor Services

Thomas Yagel
Administrative Services

Professional Consultants

INVESTMENT ADVISORS

Fixed and Equity Manager	Mellon Bank, N.A. Pittsburgh, PA
Mortgage Manager	The Fidelity Bank Philadelphia, PA
Equity Managers	State Street Research & Management Company Boston, MA Oppenheimer Capital Corp. New York, NY Provident Capital Management Inc. Philadelphia, PA Mackay-Shields New York, NY
Fixed Income Managers	Loomis Sayles & Company, Inc. Boston, MA Pittsburgh National Bank Pittsburgh, PA Manufacturers Hanover Trust Company New York, NY
Real Estate Manager	Jones Lang Wootton Realty Advisors New York, NY

INVESTMENT EVALUATOR

Evaluation Associates, Inc.
Westport, CT

ACTUARY

George B. Buck Consulting Actuaries, Inc.
New York, NY

AUDITOR

Peat, Marwick, Mitchell and Co.
Harrisburg, PA

Chairperson's Report



**COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

BOX 125

HARRISBURG, PENNSYLVANIA 17108

October 12, 1983

Honorable Dick Thornburgh,
Governor of Pennsylvania,

Members of the Legislature,
and
Members of the Retirement System

Dear Governor Thornburgh, Legislators, and Members:

The responsibility and the obligation of the Board of Trustees of the Public School Employees' Retirement System (PSERS) to the membership and the general public has always been fully recognized by the Board, and has found full expression in the Board's management policies.

One of the responsibilities of the Board of Trustees is to prepare annually this financial report which is assembled by the PSERS staff, enabling the participants of PSERS and the general public to obtain a better understanding of the financial and actuarial conditions of the System and the various factors affecting its operation. Each participating member of PSERS is furnished a summary of this report, and additional copies of this entire report may be furnished to any member or interested person upon request.

Other important responsibilities of the Board of Trustees include the investment of assets of this System, the review of disability benefit requests, and the selection of advisors and consultants to discharge these and other responsibilities of the Board.

In the fiscal year ended June 30, 1983, by enactment of Act 183, four legislators were placed on the Board of Trustees as non-voting members appointed from each of the legislative branches of government. Two senators are appointed by the President pro tempore, one representing the majority party and one representing the minority party. Two representatives are appointed by the Speaker of the House, one from the majority party and one from the minority party. The complement of the Board with these additions is fifteen members.

I am cognizant of my responsibilities as chairperson of the Board of Trustees to the membership and general public in assisting the staff and the Board in their continued effort to strengthen and improve PSERS. Since my term as chairperson expires on January 1, 1984, I will take this opportunity to thank the staff, advisors, and participants who consistently strive to maintain PSERS in the forefront among public employee retirement systems in the nation. Serious challenges lie ahead, and with everyone's assistance, these challenges will be met.

We seek your continued support in maintaining a financially secure retirement future for the active and retired members of PSERS.

A handwritten signature in cursive script, reading 'J. Henry Eisenhart, Jr.'.

J. Henry Eisenhart, Jr.
Chairperson

Financial Section

Auditor's Opinion Letter



Peat, Marwick, Mitchell & Co.
Certified Public Accountants
100 Pine Street
Harrisburg, Pennsylvania 17101

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

We have examined the balance sheets of the Commonwealth of Pennsylvania Public School Employes' Retirement System as of June 30, 1983 and 1982 and the related statements of revenues, expenses and changes in fund balance and changes in financial position for the years then ended. Our examinations were 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 Employes' Retirement System at June 30, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis except for the change, with which we concur, in the method of accounting for exchanges of fixed-income securities as described in note 5 to the financial statements.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements.

Peat, Marwick, Mitchell & Co.

September 27, 1983

Balance Sheets

June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Assets		
Investments, at cost (note 6):		
Corporate and government debentures (market value \$667,946,167 in 1983 and \$1,329,812,337 in 1982)	\$ 718,533,911	\$2,424,162,670
Long-term U.S. Treasury obligations (market value \$1,279,797,691 in 1983 and \$414,619,337 in 1982)	1,282,052,326	431,452,119
First mortgage loans (market value \$924,562,682 in 1983 and \$638,372,710 in 1982)	1,002,842,160	902,379,755
Common and preferred stocks (market value \$1,681,322,967 in 1983 and \$877,073,806 in 1982)	1,375,250,749	863,842,876
U.S. Treasury bills (market value \$401,227,270 in 1983 and \$91,762,125 in 1982)	401,431,645	90,942,510
Other short-term investments (market value \$969,233,274 in 1983 and \$878,484,773 in 1982)	969,411,340	870,342,592
Total investments	<u>5,749,572,131</u>	<u>5,583,122,522</u>
Receivables:		
Contributions:		
Members	28,772,540	29,434,167
Employers	100,689,920	98,140,517
Commonwealth of Pennsylvania:		
Current receivable	134,276,500	61,651,713
Deficit receivable (note 4)	24,388,000	29,840,610
Investments:		
Income receivable	73,554,522	74,513,504
Proceeds receivable	149,024,844	24,576,573
Other	451,428	503,418
Total receivables	<u>511,157,754</u>	<u>318,680,502</u>
Cash	20,996	70,473
Fixed assets (net of accumulated deprecia- tion of \$300,435 in 1983)	1,600,922	1,241,635
Total assets	<u>69,262,351,803</u>	<u>65,903,095,132</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable and accrued expenses	\$ 12,413,556	\$ 7,472,892
Investment purchases payable	232,438,487	1,962,658
Total liabilities	<u>244,852,043</u>	<u>9,435,550</u>
Fund balance (note 3):		
State accumulation account	856,634,487	1,415,449,192
Members' savings account	1,919,861,233	1,868,011,828
Reserve for retirement	3,129,674,719	2,466,539,053
Reserve for disabilities	111,329,316	143,659,509
Total fund balance	<u>6,017,499,760</u>	<u>5,893,659,582</u>
Total liabilities and fund balance	<u>69,262,351,803</u>	<u>65,903,095,132</u>

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Fund Balance

Years ended June 30, 1983 and 1982

Year ended June 30, 1983

	<u>Total</u>	<u>State Accumulation Account</u>	<u>Members' Savings Account</u>	<u>Reserve for Retirement</u>	<u>Reserve for Disabilities</u>
Revenue:					
Contributions:					
School districts	\$ 271,258,093	\$ 271,258,093	\$ -	\$ -	\$ -
Employes	184,639,026	-	184,639,026	-	-
Commonwealth of Pennsylvania (note 4)	269,850,390	269,850,390	-	-	-
<i>Total Contributions</i>	<u>725,747,509</u>	<u>541,108,483</u>	<u>184,639,026</u>	<u>-</u>	<u>-</u>
Investment revenue, net of related expenses (note 6)	659,355,281	323,947,861	70,377,284	159,353,501	5,676,635
Total revenue	<u>1,285,102,790</u>	<u>865,056,344</u>	<u>255,016,310</u>	<u>159,353,501</u>	<u>5,676,635</u>
Expenses:					
Benefits	553,294,834	-	-	565,730,848	17,563,986
Refunds	14,933,718	-	14,933,718	-	-
Net transfers to (from) State Employees' Retirement System	6,578,715	5,916,100	662,615	-	-
Administrative expenses	8,218,853	8,218,853	-	-	-
Total expenses	<u>613,076,120</u>	<u>14,134,953</u>	<u>15,648,333</u>	<u>565,730,848</u>	<u>17,563,986</u>
Excess (deficiency) of revenues over expenses before cumulative effect of a change in accounting principle	672,026,670	850,921,391	239,369,977	(406,377,347)	(11,887,351)
Cumulative effect on prior years (to June 30, 1982) of a change in accounting principle (note 5)	(548,186,492)	(548,186,492)	-	-	-
Excess (deficiency) of revenues over expenses	<u>123,840,178</u>	<u>302,734,899</u>	<u>239,369,977</u>	<u>(406,377,347)</u>	<u>(11,887,351)</u>
Transfers between reserves for: (note 3)					
Retirements by members	-	(622,064,096)	(113,554,912)	712,605,232	23,013,776
Annuitants who returned to service	-	1,331,999	140,277	(904,713)	(567,563)
Actuarial requirements	-	(314,923,439)	-	357,812,494	(42,889,055)
Other reclassification	-	74,105,932	(74,105,932)	-	-
Fund balance at beginning of year	<u>6,893,659,582</u>	<u>1,415,449,192</u>	<u>1,868,011,828</u>	<u>2,466,539,053</u>	<u>143,659,509</u>
Fund balance at end of year	<u>\$6,017,499,780</u>	<u>\$ 856,634,487</u>	<u>\$1,919,881,238</u>	<u>\$3,129,674,719</u>	<u>\$111,329,316</u>

See accompanying notes to financial statements.

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Year ended June 30, 1982

<u>Total</u>	<u>State Accumulation Account</u>	<u>Members Savings Account</u>	<u>Reserve for Retirement</u>	<u>Reserve for Disabilities</u>
\$ 250,964,336	\$ 250,964,336	\$ -	\$ -	\$ -
180,551,458	-	180,551,458	-	-
250,061,000	250,061,000	-	-	-
<u>681,576,794</u>	<u>501,025,336</u>	<u>180,551,458</u>	<u>-</u>	<u>-</u>
435,888,135	232,451,986	65,967,574	130,164,133	7,304,442
<u>1,117,464,929</u>	<u>733,477,322</u>	<u>246,519,032</u>	<u>130,164,133</u>	<u>7,304,442</u>
<u>522,856,422</u>	<u>-</u>	<u>-</u>	<u>504,061,234</u>	<u>18,795,188</u>
19,195,664	-	19,195,664	-	-
5,051,885	4,551,841	500,044	-	-
5,892,417	5,892,417	-	-	-
<u>552,996,388</u>	<u>10,444,258</u>	<u>19,695,708</u>	<u>504,061,234</u>	<u>18,795,188</u>
<u>564,468,541</u>	<u>723,033,064</u>	<u>226,823,324</u>	<u>(373,897,101)</u>	<u>(11,490,746)</u>
-	-	-	-	-
<u>564,468,541</u>	<u>723,033,064</u>	<u>226,823,324</u>	<u>(373,897,101)</u>	<u>(11,490,746)</u>
-	(394,342,768)	(76,687,750)	444,594,926	26,435,592
-	1,433,976	137,380	(1,025,018)	(546,338)
-	(62,582,600)	-	62,582,600	-
-	-	-	-	-
<u>5,329,191,041</u>	<u>1,147,907,520</u>	<u>1,717,738,874</u>	<u>2,334,283,646</u>	<u>129,261,001</u>
<u>\$5,893,659,582</u>	<u>\$1,415,449,192</u>	<u>\$1,868,011,828</u>	<u>\$2,468,539,053</u>	<u>\$143,659,509</u>

Statements of Changes in Financial Position

Years ended June 30, 1983 and 1982

Resources provided by:

Excess of revenues over expenses before cumulative effect of a change in accounting principle
 Cumulative effect on prior years (to June 30, 1982) of a change in accounting principle

Excess of revenues over expenses

Sales and maturities of long-term investments

Items not requiring (providing) resources currently:

Net (gain) loss from sales of long-term investments

Net amortized premium (discount)

Depreciation

Cumulative effect on prior years (to June 30, 1982) of a change in accounting principle

Total resources provided

Resources used by:

Purchases of long-term investments

Net increase in working capital

Deferred yield adjustments

Acquisition of equipment

Total resources used

	1983	1982
	\$ 672,026,670	\$564,468,541
	(543,186,492)	—
	<u>128,840,178</u>	<u>564,468,541</u>
	3,382,607,783	1,047,294,389
	(59,122,845)	2,624,570
	(29,764,437)	15,780,804
	1,016,171	—
	<u>543,186,492</u>	<u>—</u>
	<u>\$ 3,966,763,297</u>	<u>\$1,630,168,304</u>
	\$ 3,598,798,675	\$993,448,146
	366,589,165	416,702,410
	—	219,846,181
	1,375,457	171,567
	<u>\$ 3,966,763,297</u>	<u>\$1,630,168,304</u>

**Elements of Net Increase (Decrease) in Working Capital
 Years ended June 30, 1983 and 1982**

Current Assets:

Cash
 U.S Treasury bills
 Other short-term investments
 Contributions receivable
 Income receivable
 Investment proceeds and other receivables

Net increase in current assets

Current liabilities:

Accounts payable and accrued expenses
 Investment purchases payable

Net increase (decrease) in current liabilities

Increase in working capital

	1983	1982
	\$ (49,477)	\$ 55,522
	310,489,135	25,492,570
	99,068,748	367,991,016
	69,059,953	(3,682,232)
	(953,932)	(297,505)
	124,396,281	20,439,483
	<u>602,005,658</u>	<u>409,998,854</u>
	4,940,664	3,327,229
	230,475,829	(10,030,785)
	<u>235,416,493</u>	<u>(6,703,556)</u>
	<u>\$ 366,589,165</u>	<u>\$ 416,702,410</u>

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 1983

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(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. Membership in the System is mandatory for substantially all full-time public school employes in the Commonwealth. Responsibility for the organization and administration of the System is vested in the Board of Trustees.

(b) Benefits

Significant amendments to the System were made in 1975 as a result of legislative approval of Act 96. 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. Another recent amendment was made in accordance with Act 152 (effective June 1, 1982) which permitted teachers age 55 with 25 years service to retire with full benefits provided they would retire before September 1, 1982. Such benefits are generally equal to 2 percent of the member's final average salary (as defined) multiplied by the number of 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 5 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.

(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 was set by law at 5¼ percent of the member's compensation. As is more fully discussed in Note 8 concerning litigation, the rate of contribution has been changed to 6¼ percent effective July 22, 1983. 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, 1983 and 1982, the combined amounts required from the employers and Commonwealth were 16 percent and 15 percent, respectively, of active member payroll. The employer and the Commonwealth share such cost equally. Effective July 1, 1983, the combined contribution rate was increased to 17.06 percent.

(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, 1982, the date of the most recent actuarial report, the actuary computed that, utilizing the present method of funding, the unfunded actuarial liability of the employers and Commonwealth for prior service of \$5,471,000,000 (\$5,307,000,000 as of June 30, 1981) should be funded in approximately 22 years. Such liability includes \$83,459,000 (\$69,818,000 as of June 30, 1981) 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 5½ percent; (b) assumed rate of salary increases ranging from 6.99 percent at age 25 to 1.89 percent at age 69; (c) assets valued at cost or amortized cost; 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. 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 an effective interest basis to the maturity date of the investment.

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 accreted 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 as 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 certificates of deposit, commercial paper, U.S. Treasury bills and bank repurchase agreements are carried at cost, which approximates market value. Income on these investments is recognized when earned.

(b) Fixed Assets

Fixed assets, consisting primarily of data processing equipment, are carried at cost. The System depreciates fixed assets by the straight-line method over an estimated useful life of seven years.

(c) Federal Income Tax Status

During the years ended June 30, 1983 and 1982, the System qualified under the provisions of the Internal Revenue Code and was exempt from Federal income taxes.

(d) Compensated Absences

The system records a liability for employees' vacation and sick pay as earned.

(e) Comparability

Certain amounts have been reclassified to conform to classifications adopted in 1983.

(3) Description of Funds

Act 96 defines the following funds 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 percent.

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

A \$74.1 million reclassification was made transferring an amount from the Members' Savings Account to the State Accumulation Account. This reclassification was made to revise previous interest allocations between the two accounts.

(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' Savings Account with the aforementioned 4 percent credit and the reserves for retirement and disabilities with a 5½ percent 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 Reserve for Retirement and Reserve for Disabilities. All administrative expenditures necessary for the operation of the System are paid from the State Accumulation Account.

(c) Reserve for Retirement

The Reserve for Retirement 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 and retirement benefits are paid from this account. Annual interest of 5½ percent is credited to the Reserve for Retirement.

(d) Reserve for Disabilities

The Reserve for Disabilities 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 disability benefits are paid from this account. Annual interest of 5½ percent is credited to the Reserve for Disabilities.

(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. The Commonwealth has agreed to make annual payments of \$9 million in order to satisfy this obligation. At June 30, 1983 and 1982, no interest was recorded on this receivable.

Additionally, an amount of \$5,730,000 represents the amount of contributions receivable from the Commonwealth for the year ended June 30, 1983 for which no appropriation has been made by the Legislature. The 1983-84 budget of the Commonwealth includes an appropriation of \$285.4 million. According to unaudited projections by the System, the Commonwealth's contribution should be approximately \$321 million.

(5) Accounting Changes

As of July 1, 1982, the System changed its method of accounting for gains and losses from exchanges of fixed-income securities from the deferral and amortization method to the completed transaction method. The System believes the completed transaction method is preferable to the method previously used because the resulting asset values are more fairly presented on the balance sheet by not including a "deferred loss" which is not a saleable asset. Additionally, the decision to take a loss on an investment to obtain a better future yield is more clearly reflected under the completed transaction method. This change decreased the excess of revenues over expenses for the year ended June 30, 1983 by \$548,186,492 because of the cumulative effect of this change on prior years (including an effect of \$166,232,667 on the year ended

June 30, 1982). Pro-forma amounts, assuming the completed transaction method is applied retroactively, are as follows:

1983	
Investment revenue, net of related expenses	
1983	1982
<u>\$ 559,355,281</u>	<u>\$ 269,655,468</u>
Excess (deficiency) of revenues over expenses	
1983	1982
<u>\$ 672,026,670</u>	<u>\$ 398,235,874</u>

During the current fiscal year, the system made two other accounting changes. One was the change in the method of accretion of discounts and amortization of premiums from the straight-line method to the effective interest method for corporate and government debentures. The other change was to begin depreciation on its fixed assets. The effect of these changes is not material.

(6) 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 50 percent of the total assets of the System. Additionally, the amount invested in common stock of any one entity may not exceed 2 percent of the book value of the assets of the System or 5 percent of the total issued and outstanding common stock of that entity at the date of purchase.

A summary of investment securities as of June 30, 1983 and 1982, and the approximate market values follows:

	1983		1982	
	Book Value	Market Value	Book Value	Market Value
Corporate and government debentures:				
Corporate bonds	\$ 316,690,445	\$ 287,606,624	\$1,340,039,433	\$ 736,410,457
Utility bonds	159,854,000	119,991,286	346,363,450	179,224,672
Financial institution bonds	221,133,000	178,143,818	585,655,000	351,237,373
International bank bonds	96,912,000	81,378,850	105,424,000	58,354,905
Railroad equipment trusts & debentures	533,333	515,893	6,149,887	4,177,098
Municipal bonds	53,000	41,696	69,000	51,032
University of Pittsburgh debentures	335,000	268,000	446,000	356,800
Plus unamortized yield adjustments	—	—	548,186,492	—
Less unamortized discount (net of premium)	(76,926,867)	—	(508,170,592)	—
Total bonds	718,583,911	667,948,167	2,424,162,670	1,329,812,337
Long-term U.S. Treasury obligations:				
Treasury notes and bonds	1,299,549,741	1,279,797,691	445,329,000	414,619,337
Less unamortized discount	(17,497,415)	—	(13,876,881)	—
Total Treasury obligations	1,282,052,326	1,279,797,691	431,452,119	414,619,337
First mortgage loans:				
FHA guaranteed project mortgages	364,422,514	280,605,336	369,122,729	205,785,921
FHA/VA guaranteed single-family mortgages	314,911,238	248,780,664	334,803,643	204,281,635
FHA debentures	101,350	101,350	1,746,150	1,746,150
GNMA-backed graduated payment mortgages	175,689,720	153,042,938	176,310,916	124,496,821
GNMA-backed fixed payment mortgages	71,857,781	68,540,550	76,010,159	60,486,077
Equity real estate mortgages	158,123,367	158,123,367	30,873,171	30,873,171
Other mortgages	15,368,477	15,368,477	15,640,237	10,702,935
Less unamortized discount	(97,632,287)	—	(102,127,250)	—
Total mortgages	1,002,842,160	924,562,682	902,379,755	638,372,710
Common and preferred stocks:				
Common stocks	1,369,836,541	1,674,594,529	856,846,238	871,466,806
Preferred stocks	5,414,208	6,728,438	6,996,638	5,607,000
Total stocks	1,375,250,749	1,681,322,967	863,842,876	877,073,806
U.S. Treasury bills	401,431,645	401,227,270	90,942,510	91,762,125
Other short-term investments:				
Certificates of deposit	30,927,499	30,917,493	37,810,000	38,327,647
Commercial paper	625,111,630	624,983,742	478,550,842	482,376,621
Bank repurchase agreements	269,000,000	269,000,000	353,981,750	357,780,505
Federal Farm Credit Bank	16,000,000	15,963,125	—	—
Bankers acceptances	28,372,211	28,368,914	—	—
Total short-term investments	969,411,340	969,233,274	870,342,592	878,484,773
Total investments	\$ 5,749,572,131	\$ 5,924,090,051	\$ 5,583,122,522	\$ 4,230,125,088

The major components of investment revenue for the years ended June 30, 1983 and 1982 are as follows:

	1983	1982
Corporate and government debentures	\$ 144,723,103	\$ 179,690,688
First mortgage loans	88,157,723	85,168,982
Common and preferred stocks	61,866,833	46,928,621
Long-term U.S. Treasury obligations	92,537,575	42,828,862
U.S. Treasury bills	16,397,016	8,439,400
Other short-term investments	69,531,722	95,295,973
Gross investment revenue	473,213,972	458,352,526
Net amortized discount (premium)	29,764,487	37,832,709
Net gain (loss) on investment transactions	59,258,518	(4,062,084)
Amortization of yield adjustments	-	(53,613,513)
Total investment revenue before investment expenses	562,236,977	438,509,638
Investment expenses	(2,881,696)	(2,621,503)
Net investment revenue	\$ 559,355,281	\$ 435,888,135

(7) 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 designee also serves as a member of the Board of Trustees.

(8) 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.

The System is a defendant in lawsuits brought by the Pennsylvania State Education Association and the Pennsylvania Federation of Teachers challenging the increased contribution rate referred to in Note 1(c). On September 20, 1983, a preliminary injunction was granted which prevents the System from continuing to collect the higher contribution rate. The ruling also requires the System to reimburse the members for the

additional 1 percent of salary which had been contributed to the System beginning July 22, 1983. The Governor's Office of General Counsel is appealing this injunction.

The System is also a defendant in a lawsuit brought by the Pennsylvania Congress of School Administrators concerning the issue of unisex benefit payments. Based upon a recent Supreme Court decision, an unfavorable outcome is anticipated which will result in an increase in required employer contributions approximating \$16.6 million annually.

In both instances, management does not anticipate that the ultimate liability arising from the litigation will have a material effect on the financial statements of the System.

(9) Commitments

The System has commitments to fund conventional mortgage loans and other investments which amounted to \$390 million at June 30, 1983. This amount represents the total amount of loan commitments approved by the Board, but for which funding has not yet been required.

Investment Summary

Year Ended June 30, 1983

Schedule 1

Type of Investment	Book 7/1/82	Market 7/1/82	Purchases	Sales
Corporate and Government debentures:	(000)	(000)	(000)	(000)
Long-term US Treas. oblig.	\$ 431,452	\$ 414,619	\$ 1,565,182	\$ 744,117
Corporate & municipal bonds	1,844,216	1,303,658	456,789	1,447,702
Corp. loans & leaseholds	4,427	3,482	—	464
Convertible bonds	27,336	22,672	12,757	26,515
Total bonds	\$2,307,431	\$1,744,431	\$ 2,034,728	\$ 2,218,798
First mortgage loans:				
FHA/VA residential mtgs.	\$ 329,128	\$ 204,282	\$ —	\$ 19,892
FHA project mtgs.	279,763	205,786	—	4,699
GNMA's	244,929	184,983	—	4,774
Equity real estate mtgs.	31,172	30,873	127,472	146
Project mtg. debenture	1,746	1,746	—	1,645
Other mortgages	15,640	10,703	—	272
Total mortgages	\$ 902,378	\$ 638,373	\$ 127,472	\$ 31,428
Common stock:				
Financial/international	\$ 52,328	\$ 48,847	\$ —	\$ —
Utilities/transportation	52,929	54,649	—	—
Consumer goods/services	296,212	334,230	—	—
Capital goods	206,647	208,652	—	—
Basic materials	248,730	225,089	—	—
Total common stock	\$ 856,846	\$ 871,467	\$ 1,430,183	\$ 1,125,103
Preferred stock	\$ 6,997	\$ 5,607	\$ 6,415	\$ 7,279
U.S. Treasury bills	\$ 90,943	\$ 91,762	\$ 918,232	\$ 607,879
Other short term investments:				
Repurchase agreements	\$ 353,982	\$ 357,780	\$ 4,148,535	\$ 4,233,517
Commercial paper	478,550	482,377	2,995,494	2,848,932
Certificates of deposit	37,810	38,328	195,427	202,310
Federal farm credit bank	—	—	31,000	15,000
Bankers acceptances	—	—	126,301	97,929
Total other short term investments	\$ 870,342	\$ 878,485	\$ 7,496,757	\$ 7,397,688
Unamortized yield adjustment	\$ 548,186	\$ —	\$ —	\$ —
Total investments	\$5,583,123	\$4,230,125	\$12,013,787	\$11,388,175

Gain/ (Loss) on Sales	Amor- tized Discount Net of (Premium)	Book 6/30/83	Market 6/30/83	%Market 6/30/83
(000)	(000)	(000)	(000)	
\$ 28,968	\$ 567	\$1,282,052	\$1,279,798	21.6%
(177,544)	25,835	701,594	649,144	11.0
—	—	3,963	3,527	—
(433)	(118)	13,027	15,275	.3
<u>\$(149,009)</u>	<u>\$26,284</u>	<u>\$2,000,636</u>	<u>\$1,947,744</u>	<u>32.9%</u>
\$ 271	\$ 447	\$ 309,954	\$ 248,781	4.2%
522	2,446	278,032	280,605	4.7
147	590	240,892	221,585	3.7
—	(3)	158,495	158,123	2.7
—	—	101	101	—
—	—	15,368	15,368	.3
<u>\$ 940</u>	<u>\$ 3,480</u>	<u>\$1,002,842</u>	<u>\$ 924,563</u>	<u>15.6%</u>
\$ —	\$ —	\$ 158,740	\$ 196,168	3.3%
—	—	180,236	197,008	3.3
—	—	586,193	734,323	12.4
—	—	224,242	280,928	4.8
—	—	220,426	266,168	4.5
<u>\$ 207,911</u>	<u>\$ —</u>	<u>\$1,369,837</u>	<u>\$1,674,595</u>	<u>28.3%</u>
\$ (719)	\$ —	\$ 6,414	\$ 6,728	.1%
\$ 138	\$ —	\$ 401,432	\$ 401,227	6.8%
\$ —	\$ —	\$ 269,000	\$ 269,000	4.5%
—	—	625,112	624,984	10.5
—	—	30,927	30,917	.5
—	—	16,000	15,963	.3
—	—	28,372	28,369	.5
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 969,411</u>	<u>\$ 969,233</u>	<u>16.3%</u>
<u>\$(548,186)</u>				
<u>\$(488,927)</u>	<u>\$29,764</u>	<u>\$5,749,572</u>	<u>\$5,924,090</u>	<u>100.0%</u>

Schedule 2

*Comparative Two-Year
Schedule of Administrative Expenses*

	June 30, 1983		June 30, 1982	
	Actual	Budgeted	Actual	Budgeted
Personnel costs:				
Salaries and wages	\$3,031,489	\$3,027,049	\$2,655,332	\$2,745,189
Social Security contributions	212,264	211,041	179,404	184,000
Retirement contributions	570,350	505,967	387,404	396,000
Employees' insurance contributions	436,571	427,380	351,302	396,000
Other employe benefits	14,239	62,970	46,706	52,090
Accrued leave payable	253,532	0	0	0
Total personnel costs	\$4,568,445	\$4,234,407	\$3,620,148	\$3,773,279
Operating costs:				
Auditor General services	\$ 62,277	\$ 95,000	\$ 40,289	\$ 88,642
Treasury services	604,727	524,293	156,506	105,622
Civil Service Commission services	14,270	12,500	11,443	11,200
Classification and pay services	2,765	2,300	2,413	2,000
Purchasing services	1,945	1,983	2,134	4,550
Data processing services	14,314	14,500	18,247	17,540
Consultant fees	46,006	33,100	78,930	17,281
Legal fees	6,332	2,731	4,292	(38,221)
Specialized services	295,007	350,960	320,509	392,683
Contracted personnel services	53,737	100,154	10,988	11,305
Printing	57,662	81,479	142,177	149,620
Postage	349,702	411,153	361,497	463,659
Telephone and telegraph	167,899	167,490	166,082	122,760
Dues and subscriptions	6,429	5,300	4,574	4,350
Insurance	385	500	714	700
Electricity	70,456	27,590	58,114	39,653
Motorized equipment supplies and repairs	6,277	11,756	6,215	5,589
Travel	60,295	63,170	54,213	46,869
Contracted maintenance services	219,339	203,123	197,230	219,488
Rent of real estate	227,243	223,383	331,040	333,518
Rent of equipment	161,227	101,763	203,002	210,499
Office supplies	70,920	77,847	53,116	62,386
Miscellaneous expenses and supplies	28,161	5,134	4,544	781
Total operating expenses	\$2,527,475	\$2,522,234	\$2,228,269	\$2,272,474
Fixed charges:				
Equipment and machinery	\$ (12,757)	\$ 51,864	\$ 39,672	\$ 53,432
Furniture and furnishings	119,519	160,636	4,328	(56,870)
Total fixed charges	\$ 106,762	\$ 212,550	\$ 44,000	\$ (3,438)
Depreciation expense	\$1,016,171	\$ 0	\$ 0	\$ 0
Total administrative expenses	\$3,218,853	\$3,969,191	\$5,892,417	\$6,042,315

Schedule 3

Summary Schedule of Cash Receipts and Disbursements Years ended June 30, 1983 and 1982

	1983	1982
Cash balance at beginning of year	\$ 70,473	14,941
Add cash receipts:		
Investment sales and maturities:	11,263,603,672	5,063,711,456
Contributions:		
School districts	268,101,813	242,216,090
Employes'	185,908,293	178,074,248
Commonwealth of Pennsylvania	202,678,213	264,960,677
Interest and dividends	477,170,283	457,414,285
Transfers from State Employees' Retirement System	2,874,195	1,911,320
Refund of expenditures	2,650,972	3,004,910
Other receipts	2,091,984	1,283,206
Total cash receipts	12,405,079,430	6,212,576,192
Less cash disbursements:		
Investment purchases	11,737,611,126	5,653,989,412
Benefit payments	585,689,449	525,698,489
Refunds	13,154,342	18,642,273
Transfers to State Employees' Retirement System	8,397,990	6,837,970
Administrative expenses	7,011,714	6,127,444
Other disbursements	3,264,286	1,225,072
Total cash disbursements	12,405,128,907	6,212,520,660
Cash balance at end of year	\$ 20,996	70,473

Schedule 4

Summary Schedule of Commissions Paid to Brokers

Broker Name	Commission Paid		
ABD Securities	\$ 280.00	Legg Mason Wood Walker	25,470.00
Abel Moser Corp.	4,839.00	Lehman Bros.	133,083.00
Alex Brown & Son	20,147.00	Lewco	4,698.00
Authurs Lestranger & Short	10,990.00	Lynch Jones	756.00
Autranet Inc.	15,610.00	Mabon Nugent & Co.	7,371.00
Bear Stearns & Co.	337,589.00	A. E. Masten Inc.	2,500.00
A. G. Becker Inc.	48,704.00	Merrill Lynch White Weld	198,757.08
Sanford C. Bernstein & Co.	108.00	Mesirow	20,692.00
Bache Halsey Shields Inc.	78,772.00	McDonald	3,978.00
Becker Securities Corp.	52,127.00	Montgomery Securities	49,216.00
Bernstein Sanford & Co.	9,167.00	Morgan Stanley & Co.	280,015.00
Boulston Research	371.00	Neuberger & Berman	15,044.00
Brimberg Lewco	1,400.00	W.H. Newbold's	4,400.00
Brandt & Co.	10,716.50	Newhard Cook	21.00
Butcher Singer	12,500.00	Oppenheimer & Co.	116,921.00
Cantor Fitzgerald & Co.	75,098.00	Persaling & Co.	560.00
Conning & Co.	8,812.00	Paine Webber Mitchell Hutchins	224,200.00
Cowen & Co.	83,538.00	Parker Hunter	10,250.00
Dean Witter Reynolds Organization	179,815.00	Penn Group	3,283.00
Dillon Read Corp.	22,763.00	Prescott, Bell & Troben	45,293.00
Donaldson Lufkin & Jenrette	177,751.00	Prudential Bache	21,530.00
Drexel Burnham & Co.	73,756.00	W.H. Reeves	22,880.00
J. P. Dunlevy	8,700.00	Robertson Colman	1,320.00
F. Eberstadt & Co.	57,822.00	Rotan Mosle Inc.	38,470.31
A.G. Edwards	3,000.00	L.F. Rothchild & Co.	72,850.00
The First Boston Corp.	295,380.00	Salomon Bros.	748,894.20
First Manhattan	7,848.00	Sanford Bernstein	11,830.00
Furman Selz	11,135.00	Seligman Securities	49.00
Goldman Sachs & Co.	342,020.00	Shearson American Express	120,414.50
Grumman/Cowen	6,340.60	Shearson Hayden	500.00
Hembrecht & Quist	3,500.00	Shearson Loeb Rhoads Inc.	15,830.00
Hoening & Co.	1,939.00	Stuart Frankel	1,190.00
E. F. Hutton & Co.	131,943.00	Smith Barney Harris	152,921.00
International Advisory Assoc.	497.00	Thomas & McKinnon Auchincloss Koh	32,539.00
Jeffries & Co.	86,664.00	Tucker Anthony & B. L. Day	17,652.00
L. F. Rothchild	1,400.00	Wagner Stott & Co.	1,126.00
Johnson Lane Smith	3,105.00	Weedon & Co.	92,190.00
Jones Assoc.	1,905.00	Walsh, Greenwood, Wish	1,022.00
Keefe Bruette & Woods Inc.	21,030.00	Wertheim & Co.	146,471.50
Kidder Peabody & Co.	226,397.00	Warren W. York	2,500.00
Cyrus J. Lawrence Inc.	58,910.00		
		Total	<u><u>\$5,143,078.69</u></u>

Summary Schedule of Investment Managers Consultant Fees

Manager/Consultant	Fees Paid		
State Street Research	\$ 221,778.00	Manufacturers Hanover Trust	13,333.33
Oppenheimer Capital Corp.	316,888.60	Mellon Bank, N.A.	450,000.00
Provident Capital Management	134,366.93	The Fidelity Bank	311,752.67
MacKay-Shields Financial Corp.	133,098.00	Jones Lang Wootton	37,500.00
Loomis-Sayles	256,234.00	Evaluation Associates Inc.	85,000.00
Pittsburgh National Bank	18,750.00		
		Total	<u><u>\$1,978,701.53</u></u>

Actuarial Section

Actuary's Certification Letter

George B. Buck Consulting Actuaries, Inc.
Xerox Centre
55 West Monroe, Chicago, Illinois 60603
Telephone 312 | 332-2285

July 13, 1983

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

**BUCK
CONSULTANTS**

Ladies and Gentlemen:

We have now completed the June 30, 1982 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 the actuarial assumptions adopted by the Retirement Board, and reflects the benefits in effect on the valuation date.

Employers' Contribution Rate

On the basis of the valuation the total contribution rate payable by the employers is equal to 19.04 percent of payroll. If the phase-in is to be continued the total contribution rate payable by employers for the year commencing July 1, 1984 should be set equal to 18.06 percent of payroll. This phase-in rate of 18.06% includes the additional rate of .06% on account of the temporary early retirement option in effect during the period June 1, 1982 to August 31, 1982.

Assets and Participant Data

The valuation assets again include an item representing the interest on the State's deficiency. It is our understanding that the Funding Review Committee is looking into the problem of loss of interest not only on the deficiency but also on current contributions. It is hoped that this issue will be resolved before the next valuation.

The individual data for members in the System as of the valuation date were reported to the actuary by the Retirement System's staff. While the actuary did not verify the data at their source, he did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation. The outside auditor of the System has also made an examination of the data.

Actuarial Assumptions and Methods

The rates of separation, salary increase and mortality after retirement used in the valuation were those adopted by the Retirement Board upon the recommendation of the actuary. An interest rate of 5½% was used in the valuation, as specified by the Statutes of the Commonwealth pertaining to the System. In our opinion, the actuarial assumptions used in the valuation are, in the aggregate, reasonable.

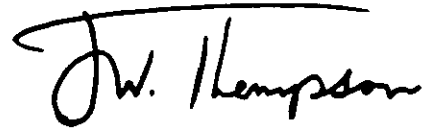
The actuarial cost method utilized is the entry age normal method with open-end accrued liability, as specified in the statutes. The application of the method produces a rate of employer contribution which should remain a level percentage of membership payroll. The rate of contribution determined under the method covers both the normal costs of the System on account of currently accruing benefits and the amortization of the total accrued liability of the System over specified liquidation periods. The current assets applicable to the System were supplied by the Retirement System office and were taken at book value.

In determining the rate of amortization of the accrued liability of the System, it was assumed that each annual payment is 4% greater than the previous payment, as specified by the statutes of the Commonwealth.

Funding Adequacy

The results of the valuation indicate that the rates of contribution payable by members and employers together with scheduled increases and the assets currently available are adequate to fund the actuarial liabilities on account of all benefits under the System. The liquidation periods for the five portions of the accrued liability range from 10 ½ to 30 years.

Respectfully submitted,
GEORGE B. BUCK CONSULTING ACTUARIES, INC.

A handwritten signature in black ink, reading "J.W. Thompson". The signature is written in a cursive style with a large, sweeping initial "J" and "W".

John W. Thompson
Consulting Actuary

Actuarial Valuation of Assets and Liabilities

June 30, 1982

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, 1982. For convenience of reference, a comparison of membership statistics for the years ended June 30, 1982 and 1981, and a summary of the principal results of the valuation including a comparison with the preceding year's results are presented in the next two tables. The valuation was based on the actuarial assumptions which were formally adopted by the Retirement Board in January 1982. They were also used as a basis for the June 30, 1981 valuation.

Table I
Comparison of Membership Statistics
(Dollar Amounts in Thousands)

Valuation Date	6/30/82	6/30/81
Active members included in valuation		
Number	200,491	206,423
Annual payroll	\$ 3,073,129	\$ 2,996,660
Number of accounts not updated	8,719	8,015
Total adjusted active membership		
Number	209,210	214,438
Annual payroll	\$ 3,249,799	\$ 3,152,967
Number of inactive and vested accounts	24,437	24,145
Retired membership		
Number	71,245	67,450
Annual annuities	\$ 438,812	\$ 421,012

Table II
SUMMARY OF PRINCIPAL RESULTS
(Dollar Amounts in Thousands)

Valuation Date	6/30/82	6/30/81
Assets (book value)	\$ 5,977,119	\$ 5,399,010
Accounts receivable included in assets		
From State:		
Principal amount	\$ 91,492	\$ 106,392
Interest	83,459	69,819
From School Districts	98,141	89,814
From Members	29,434	26,543
Total	\$ 302,526	\$ 292,568
Total employer contribution rate		
Normal	8.75%	8.75%
Accrued liability	7.05	6.99
Supplemental annuity (excluding 7/1/79 Increase)	1.55	1.55
Supplemental annuity (7/1/79 Increase)	1.69	1.69
Total	19.04% ^o	18.98% ^{**}
Unfunded accrued liability		
Before consideration of Act 96	\$ 3,621,277	\$ 3,475,625
Increase on account of Act 96	613,620	611,110
Increase on account of "Early Retirement Window"	46,612	—
Total	\$ 4,281,509	\$ 4,086,735
Unfunded supplemental annuity liability		
Excluding July 1, 1979, increases	\$ 477,302	\$ 501,478
July 1, 1979, increases	628,752	648,967
Total	\$ 1,106,054	\$ 1,150,445
Total unfunded accrued liability and supplemental annuity liability	\$ 5,387,563	\$ 5,237,180
Accrued liability funding period		
Established prior to Act 96	22 years	22 years
Established on account of Act 96	24 years	24 ½ years
Established on account of "Early Retirement Window"	30 years	—
Supplemental annuity liability funding period		
Established prior to July 1, 1979	10 ½ years	11 ½ years
July 1, 1979, increases	18 years	19 years

^oIf the phase-in is continued the total employer rate payable for the 1984-85 fiscal year would be 18.06 percent which includes an additional rate of .06 percent on account of the implementation of the early retirement option during the period of June 1, 1982 to August 31, 1982.

^{**}The total employer rate payable for the 1983-84 fiscal year was set at 17.06 percent as part of the phase-in, which includes an additional rate of .06 percent on account of the implementation of the early retirement option during the period June 1, 1982, to August 31, 1982.

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, 1982, upon which the valuation was based. Detailed tabulations of the data are given in Schedule C.

Table III
Active Membership of System
as of June 30, 1982

Group	Number	Annual Salaries
Included in Valuation		
Men	73,999	\$ 1,415,529,109
Women	126,492	1,657,600,281
Total	200,491	\$ 3,073,129,390
Total to Which Adjusted	209,210	\$ 3,249,799,000

In addition to the above, 24,437 inactive members and vestees were included in the valuation.

Table IV
Annuitants and Survivor Annuitants of the System
on June 30, 1982

Class	Number	Annual Annuities
Retired on account of superannuation and those in receipt of withdrawal annuities		
Men	19,032	\$120,883,850
Women	46,299	295,248,000
Total	65,331	\$416,131,850
Retired on account of disability		
Men	1,111	\$ 5,600,077
Women	1,950	8,571,187
Total	3,061	\$ 14,171,264
Survivor annuitants in receipt of benefits		
Men	510	\$ 1,395,262
Women	2,339	7,113,055
Total	2,849	\$ 8,508,317
Annuities in lieu of return of accumulated deductions		
Men	—	—
Women	4	\$ 507
Total	4	\$ 507
Grand Total	71,245	\$438,811,938

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 on hand and shows the financial condition of the System as of June 30, 1982. 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:

	Amount Receivable As of Valuation Date
Members	\$ 29,434,167
School Districts	98,140,517
Commonwealth	
Principal amount	91,492,323
Interest	83,459,286*
Grand Total	<u>\$302,526,293</u>

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

Table V
Valuation Balance Sheet
as of June 30, 1982
(amounts in thousands)

Assets		
Present assets		
Members' Savings Account	\$ 1,868,012	
Annuity Reserve Account (including Supplemental Retirement Allowance Account)		
Credited to account	\$ 2,610,199	
Add amount transferable from State Accumulation Account	314,923	2,925,122
State Accumulation Account		
Credited to account	\$ 1,498,908	
Subtract amount transferable to Annuity Reserve Account	314,923	1,183,985
Total Present Assets		\$ 5,977,119
Present value of future contributions by members		2,141,426
Present value of prospective contributions payable to State Accumulation Account		
Normal contributions	\$ 3,627,451	
Accrued liability contributions	4,281,509	
Total prospective contributions payable to State Accumulation Account		7,908,960
Present value of prospective accrued liability contributions payable to the Annuity Reserve Account on account of supplemental annuities		1,106,054
Total Assets		\$17,133,559

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Liabilities

Present value of benefits on account of past and future contributions by members to the Members' Savings Account	\$ 4,009,438
Present value of annuities now payable to annuitants and survivor annuitants from the Annuity Reserve Account	4,031,176
Present value of prospective annuities payable to members or their beneficiaries from reserves created in the State Accumulation Account as the result of contributions payable by the State and School Districts	9,092,945
Total Liabilities	\$17,133,559

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, 1982, are equal to \$1,868,012,000 and that future contributions by members have a present value of \$2,141,426,000. The total past and future contributions of members therefore have a present value of \$4,009,438,000. 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 \$4,031,176,000 as of June 30, 1982, and the assets, after taking into account the amount transferable from the State Accumulation Account, were equal to \$2,925,122,000. The difference between the liabilities and present assets of \$1,106,054,000 is the present value of future accrued liability contributions payable on account of supplemental annuities which have been granted through July 1, 1979, of which \$477,302,000 is on account of supplemental annuities granted prior to July 1, 1979. It is recommended that contributions to fund supplemental annuities granted prior to July 1, 1979, be continued at 1.55 percent of total payroll. Contributions at this rate are expected to liquidate the unfunded liability in 10½ years. The liability on account of the increases in annuities effective as of July 1, 1979, is to be funded by level annual payments of \$55 million, which is 1.69 percent of the payroll, over the balance of the 20-year period commencing July 1, 1980, or 18 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 \$9,092,945,000 and the assets, after taking into account the amounts

transferable from the account, are \$1,183,985,000 as of June 30, 1982. Therefore, to balance the uncovered liabilities, future contributions are payable by the State and school districts having a value equal to \$7,908,960,000.

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 set at 8.75 percent of compensation. Future normal contributions at a rate of 8.75 percent have a present value of \$3,627,451,000. If this amount is subtracted from \$7,908,960,000, the present value of future contributions payable by the employer, there remains \$4,281,509,000 as the present value of accrued liability contributions. Of this amount, \$613,620,000 is the unfunded portion of the increase in past service liability on account of the passage of Act 96. It is recommended that contributions of .96 percent of payroll be made, with each payment 4 percent greater than the previous one. On this basis the unfunded liability will be liquidated in about 24 years from the valuation date. The portion of the unfunded accrued liability due to the early retirement window is \$46,612,000. It is recommended that this liability be liquidated by contributions of .06 percent of payroll, for a 30 year period, with each payment 4 percent greater than the previous one.

The remainder of the unfunded accrued liability, or \$3,621,277,000, is attributable to the System prior to the passage of Act 96. It is recommended that accrued liability contributions be made at the rate of 6.03 percent of payroll with each payment at least 4 percent greater than the previous in order to liquidate this amount. Contributions at this rate are expected to liquidate the unfunded accrued liability of \$3,621,277,000 in about 22 years from June 30, 1982, which is the same expected period determined in the previous valuation. This expected period assumes that full contributions will be made during the three years ending June 30, 1985. Since during the period of the phase-in there will be a shortage in contributions, the liquidation period may extend about 1½ years beyond the 22 years indicated above.

The total accrued liability rate is therefore equal to 7.05 percent of payroll.

The total contribution rate payable to the State Accumulation Account is therefore equal to 15.80 percent of payroll.

Section V — Rate of Contribution Payable by Employers

On the basis of the valuation the total contribution rate payable by employers is 19.04 percent. If the increase in rate of 3.98 percent of payroll resulting from the use of revised actuarial assumptions is to be phased in over a period of years, the employer contribution rate for the year commencing July 1, 1984, would be 18.06 percent of payroll.

Section VI — Comments on Experience

The salary and retirement experience under the System continued to be financially unfavorable. The interest surplus was sufficient to offset about seventy-five percent of the loss from the salary and separation experience. The introduction of the early retirement window added \$46.6 million to the unfunded accrued liability.

On the basis of the June 30, 1982 valuation the periods of liquidation of the unfunded accrued liabilities of the State Accumulation Account remained about the same.

A reconciliation of the increase in the unfunded accrued liability during the valuation year is as follows:

Table VI
Reconciliation of Unfunded Accrued Liability

State Accumulation Account		In Millions of Dollars
(1) Unfunded accrued liability 6/30/81		\$ 4,086.7
(2) Interest at 5 ½ % for 1 year		224.8
(3) Accrued liability contribution with ½ year interest		123.7
(4) Expected unfunded accrued liability 6/30/82 = (1) + (2) - (3)		4,187.8
(5) Actual unfunded accrued liability 6/30/82		4,281.5
(6) Increase above expected		\$ 93.7
<hr/>		
(7) Explanation of increase:		
(a) Early retirement window		\$ 46.6
(b) Pensioners' mortality experience		5.2
(c) Interest surplus		- 133.2
(d) Experience among active members		
(i) Salary increases above expected	\$ 164.5	
(ii) Retirements and other separations	10.6	175.1
		<hr/>
Total		\$ 93.7

Schedule A

Outline of Actuarial Assumptions and Methods

Interest Rate: 5½ percent per annum, compounded annually, by statute. (4 percent used in determining actuarial equivalent benefits.)

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:						
	With- drawal	Death	Disa- bility	Vesting & Early Retirement		Super Annuation Retirement	Salary Increase
				Less Than 25 Yrs. of Ser.	25 or More Yrs. of Ser.		
Men							
25	7.70%	.05%	.01%	1.52%			6.99%
30	5.40	.06	.01	1.52			6.32
35	4.52	.06	.02	1.47			5.23
40	4.03	.10	.08	1.10	.12%		4.14
45	3.73	.19	.15	1.00	.14		3.27
50	3.52	.33	.34	1.30	.27	21.00%	2.60
55	3.40	.52	.65	2.30	3.00	15.90	2.13
60	3.36	.72	1.34	3.26	3.60	16.30	1.91
65		.92				35.80	1.90
69		1.08				15.00	1.89
Women							
25	8.30%	.03%	.01%	7.20%			6.99%
30	7.52	.03	.02	4.40			6.32
35	6.60	.04	.05	2.10			5.23
40	5.52	.06	.07	1.40	1.20%		4.14
45	4.75	.11	.10	1.50	1.20		3.27
50	4.23	.16	.23	2.05	.78	20.80%	2.60
55	4.00	.20	.45	3.00	4.25	14.30	2.13
60	3.95	.25	.79	5.15	7.00	19.35	1.91
65		.34				32.65	1.90
69		.42				22.00	1.89

Death After Retirement: 1979 George B. Buck Mortality Tables for service retirements and dependent beneficiaries. A special mortality table was used for disability retirements. (1963 George B. Buck Mortality Tables used in determining actuarial equivalent benefits.)

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.

Miscellaneous: The valuation was based on members of the System as of June 30, 1982, and does not take into account future new members. In determining the rate of amortization of the accrued liability of the System, it was assumed that each annual payment is 4 percent greater than the previous payment, as specified by the statutes of the Commonwealth.

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 employe 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 employes 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 percent of the member's final average salary multiplied by the number of his years of credited service.

The minimum superannuation annuity 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 percent of the primary insurance amount of his Social Security, provided that the reduction in annuity cannot exceed 1 percent 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 Contributions 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 retire-

ment 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 by one quarter of one percent for each month by which withdrawal precedes the aforementioned superannuation age.

A member who had attained age 55 and completed 25 years of credited service was eligible to retire during the period June 1, 1982, through August 31, 1982, with no reduction in his immediate annuity.

A member who had attained age 50, but not age 55, and completed 25 years of credited service, was eligible to retire during the period June 1, 1982, through August 31, 1982, and receive an immediate annuity with a reduction of one quarter of one percent for each month by which his retirement preceded age 55.

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 percent 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 percent of the member's final average salary multiplied by the number of his years of credited service, but not less than 33 $\frac{1}{3}$ percent 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 percent of his compensation.

In the case of joint coverage members the amount of contribution determined at the basic rate is reduced by 40 percent 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.

Detailed Tabulations of Certain Member Data Schedule C

Table 1

**Number and Annual Salaries
of Members in Active Service
Distributed by Age as of June 30, 1982**

Age	Men		Women	
	Number	Amount	Number	Amount
17	4	\$6,513	1	\$2,149
18	12	46,615	16	45,124
19	67	299,843	70	326,987
20	143	949,563	147	830,162
21	189	1,432,609	210	1,356,530
22	255	2,098,990	284	1,885,089
23	472	4,097,217	949	7,300,624
24	717	7,095,794	1,455	13,218,653
25	864	9,484,133	1,980	20,526,290
26	973	11,667,631	2,256	24,637,987
27	1,096	13,446,992	2,515	29,393,719
28	1,313	17,516,379	2,924	35,207,234
29	1,570	22,179,612	3,462	43,774,294
30	1,889	28,570,592	4,013	53,946,084
31	2,320	36,981,166	4,470	61,800,783
32	2,402	40,255,602	4,310	61,879,916
33	2,677	47,082,058	4,249	62,215,368
34	2,901	53,241,849	4,361	65,329,119
35	3,552	68,184,950	4,847	71,932,378
36	2,975	59,407,583	3,849	57,067,475
37	2,491	50,767,293	3,223	46,388,599
38	2,355	49,026,584	3,237	45,417,794
39	2,536	54,319,085	3,604	48,902,222
40	2,562	55,162,136	3,545	48,237,738
41	2,024	43,442,267	3,286	43,006,421
42	1,831	40,238,405	3,068	40,600,472
43	1,675	36,154,479	3,028	39,058,622
44	1,686	37,574,194	3,103	39,868,223
45	1,715	38,139,848	3,021	37,887,904
46	1,668	37,500,754	2,951	37,425,935
47	1,587	35,095,809	2,949	36,280,389
48	1,573	34,799,761	2,783	35,662,637
49	1,630	36,150,912	2,730	34,400,786
50	1,666	37,203,142	2,984	38,625,694
51	1,723	38,923,699	3,040	40,012,078
52	1,653	36,387,415	2,985	39,769,349
53	1,559	33,767,732	2,929	37,891,749
54	1,608	34,456,994	3,099	40,886,411
55	1,694	35,651,616	2,977	39,941,818
56	1,553	32,859,900	2,798	37,418,586
57	1,580	32,320,068	2,689	35,107,511
58	1,486	29,144,338	2,676	34,104,808
59	1,427	27,801,562	2,352	30,235,329
60	1,290	23,389,183	2,189	28,017,003
61	1,159	20,715,094	2,119	26,995,514
62	1,114	19,311,772	1,969	24,954,732
63	644	11,161,107	1,234	15,918,554
64	633	10,383,782	1,119	14,264,857
65	513	7,906,655	894	11,245,468
66	246	3,667,435	547	6,395,582
67	243	3,209,526	369	4,199,976

Table 1
(Continued)

Age	Men		Women	
	Number	Amount	Number	Amount
68	156	1,943,639	298	3,148,841
69	109	1,075,383	132	1,337,205
70	72	710,908	87	696,088
71	46	386,081	43	238,016
72	26	154,638	14	74,048
73	25	217,101	13	62,612
74	22	149,229	14	53,777
75	12	90,966	12	79,684
76	7	51,855	7	40,256
77	9	71,071	7	71,028
Total	73,999	\$1,415,529,109	126,492	\$1,657,600,281

Table 2
Number and Annual Salaries
of Members in Active Service
Distributed by Years of Credited Service
as of June 30, 1982

Years of Service	Men		Women	
	Number	Amount	Number	Amount
0	748	\$2,048,719	1,698	\$4,504,549
1	3,565	28,692,414	8,890	52,530,085
2	2,983	34,323,213	8,215	62,010,488
3	3,092	38,259,759	9,496	80,001,288
4	2,828	37,284,540	8,744	78,711,535
5	2,594	36,115,653	7,477	75,265,681
6	2,740	40,632,543	7,241	81,056,437
7	2,764	44,094,853	6,452	78,992,972
8	3,491	58,763,341	7,269	94,641,858
9	3,487	61,773,160	6,785	94,746,887
10	3,655	67,021,208	6,658	97,285,568
11	3,194	60,509,080	5,871	90,721,203
12	3,388	67,504,604	5,729	93,798,136
13	3,466	71,865,778	4,963	82,625,928
14	3,299	69,504,916	4,291	71,805,028
15	3,070	66,232,034	4,018	67,678,434
16	2,603	57,531,214	3,733	64,569,220
17	2,303	52,134,236	2,585	47,867,498
18	1,966	45,974,659	2,099	39,780,942
19	1,863	43,472,530	1,919	36,508,541
20	1,611	38,239,681	1,721	34,289,059
21	1,569	37,580,002	1,378	28,360,894
22	1,461	35,656,830	1,362	27,374,916
23	1,461	36,065,174	1,135	23,714,569
24	1,355	33,411,521	1,024	20,859,089
25	1,274	31,992,073	902	18,925,568
26	1,149	28,996,018	757	16,306,105
27	1,074	27,666,728	665	14,491,152
28	884	23,475,144	532	11,981,836
29	826	21,851,078	498	11,345,623

Table 2
(Continued)

Years of Service	Men		Women	
	Number	Amount	Number	Amount
30	686	18,468,824	395	9,179,521
31	643	17,207,634	364	8,365,986
32	615	16,827,976	287	6,634,896
33	566	15,606,259	273	6,291,980
34	507	13,989,992	231	5,246,261
35	416	11,464,597	178	4,155,072
36	283	8,008,153	137	3,145,388
37	179	5,242,079	109	2,502,895
38	133	3,867,075	96	2,193,038
39	80	2,292,536	80	1,854,645
40	58	1,656,022	78	1,696,147
41	32	975,418	51	1,221,208
42	11	329,470	37	855,470
43	8	278,269	20	450,244
44	7	206,126	12	260,605
45	5	207,262	10	218,722
46	3	93,117	15	310,548
47	—	—	6	138,385
48	4	135,597	1	26,946
49	—	—	5	101,235
Total	73,999	\$1,415,529,109	126,492	\$1,657,600,281

Table 3

**Number and Annual Annuities
of Annuitants on the Retired List
as of June 30, 1982, 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			4	1,530
30	1	\$501	5	2,330
31	4	1,933	8	2,848
32	1	373	15	6,016
33	10	5,284	37	18,202
34	48	24,686	52	28,019
35	121	59,714	96	54,815
36	112	61,613	122	72,548
37	105	62,045	105	71,931
38	107	67,658	84	57,895
39	91	68,688	68	56,971
40	100	86,303	83	68,286
41	62	54,878	54	55,091
42	52	81,772	44	54,506
43	48	52,556	62	70,115
44	55	72,301	34	40,387
45	52	66,794	43	50,611
46	58	101,081	56	75,106
47	36	71,520	46	68,797

Table 3
(Continued)

Age	Men		Women	
	Number	Total Annuities	Number	Total Annuities
48	47	84,557	50	50,096
49	31	79,877	67	105,790
50	49	94,390	49	93,025
51	36	105,605	80	140,902
52	33	107,210	109	160,806
53	43	128,525	100	196,575
54	52	203,227	99	189,828
55	57	206,330	114	331,096
56	78	559,230	182	679,853
57	124	1,169,686	202	814,204
58	156	1,692,281	245	1,375,145
59	158	1,529,080	317	1,773,810
60	198	2,019,291	399	2,374,271
61	230	2,507,676	563	3,699,966
62	339	3,468,031	657	4,328,330
63	535	3,991,890	1,147	6,454,364
64	753	5,455,039	1,564	9,201,441
65	801	5,495,898	1,648	9,473,021
66	1,034	6,309,055	1,920	10,897,281
67	1,048	6,190,016	2,042	12,046,734
68	1,114	6,641,380	2,265	13,402,087
69	1,110	6,904,013	2,271	13,950,006
70	1,083	6,239,349	2,418	15,769,531
71	1,024	6,119,555	2,395	16,112,015
72	936	6,158,675	2,511	17,338,776
73	934	6,101,523	2,470	17,675,731
74	888	6,037,869	2,619	19,316,101
75	809	5,701,634	2,422	17,659,999
76	687	4,666,209	2,172	15,714,587
77	623	4,327,467	1,924	13,618,494
78	554	3,842,334	1,618	11,514,838
79	447	2,917,993	1,421	9,872,467
80	371	2,666,043	1,229	8,487,611
81	293	1,822,972	965	6,459,915
82	230	1,425,171	877	5,897,260
83	216	1,433,178	682	4,623,021
84	167	1,087,603	634	4,139,799
85	144	908,906	552	3,652,225
86	103	705,328	508	3,394,452
87	117	767,192	402	2,608,567
88	79	528,139	333	2,207,247
89	58	398,459	260	1,649,770
90	38	297,406	181	1,167,996
91	38	249,593	159	1,001,506
92	36	240,925	134	819,806
93	22	111,309	80	511,534
94	16	81,131	78	499,941
95	10	62,260	42	263,977
96	8	40,580	30	197,775
97	6	26,586	25	159,230
98	2	14,659	16	96,954
99	3	13,828	17	113,679
100	—	—	10	62,041
101	—	—	2	15,264
102	—	—	4	24,484
104	1	7,987	—	—
105	—	—	1	6,772
Total	19,032	\$120,883,850	46,299	\$295,248,000

Table 3
(Continued)

Age	Men		Women	
	Number	Total Annuities	Number	Total Annuities
Summary				
No Option	9,891	\$51,720,491	38,715	\$247,360,559
Option 1	270	1,806,637	843	5,762,853
Option 2	129	818,179	282	1,742,913
Option 3	2,114	12,818,685	3,201	17,888,571
Option 4	2,176	10,947,464	1,220	6,614,443
Option 5	4,196	39,584,017	1,917	14,877,270
Option 6	255	3,187,422	118	980,819
Option 7	1	955	3	20,572

Table 4
Number and Annual Annuities
of Survivor Annuitants as of June 30, 1982
Classified by Age

Age	Men		Women	
	Number	Total Annuities	Number	Total Annuities
6	2	\$1,150		
9	—	—	1	\$ 1,599
10	—	—	1	1,150
12	—	—	1	1,311
13	—	—	1	4,147
15	1	1,173	—	—
21	—	—	2	3,930
23	—	—	1	2,405
27	1	934	—	—
29	1	518	—	—
30	1	4,876	1	1,540
32	—	—	2	2,853
33	1	4,416	2	7,030
34	1	4,776	2	4,257
35	2	4,470	—	—
37	—	—	3	4,358
38	1	7,209	—	—
39	2	2,315	2	3,948
40	4	14,638	2	1,937
41	1	517	2	3,406
42	—	—	5	5,571
43	3	6,583	2	13,430
44	2	2,865	2	4,173
45	1	1,347	7	20,570
46	3	4,387	4	11,223
47	1	2,423	4	12,264
48	4	9,932	3	10,606
49	—	—	3	8,624
50	1	1,608	6	11,365
51	1	585	7	12,114
52	1	1,537	5	12,898
53	2	1,503	9	37,554
54	4	3,872	16	50,828
55	1	361	7	35,633
56	4	12,975	15	56,120

Table 4
(Continued)

Age	Men		Women	
	Number	Total Annuities	Number	Total Annuities
57	4	10,980	12	37,266
58	6	24,004	16	60,165
59	4	17,665	21	52,941
60	5	14,526	25	95,687
61	7	33,179	35	165,688
62	9	22,027	42	165,132
63	5	19,083	34	94,773
64	8	28,516	57	280,198
65	9	44,649	54	198,835
66	5	8,860	52	188,478
67	12	44,308	67	242,444
68	13	56,168	84	291,627
69	22	71,460	84	311,842
70	16	66,280	106	378,481
71	19	65,864	99	342,415
72	20	72,084	104	339,385
73	16	57,616	109	380,109
74	30	87,450	116	390,906
75	23	69,016	107	432,850
76	19	54,644	86	249,771
77	17	41,863	113	313,476
78	17	42,909	81	204,796
79	23	65,633	83	226,328
80	18	37,748	86	234,538
81	17	33,923	79	183,372
82	10	24,444	68	131,493
83	20	45,605	69	159,704
84	19	19,082	43	87,988
85	11	28,874	50	96,455
86	11	25,081	35	70,315
87	11	10,584	40	71,491
88	3	14,456	34	46,372
89	3	5,605	31	99,941
90	4	6,873	19	24,785
91	6	8,161	14	20,676
92	6	5,937	14	24,789
93	3	4,204	5	5,292
94	1	509	17	21,978
95	2	1,595	9	13,021
96	2	1,554	6	5,385
97	3	1,959	3	9,883
98	1	479	2	2,982
99	2	1,954	3	2,812
100	—	—	2	2,037
101	1	256	1	2,317
103	—	—	3	1,929
104	1	625	1	3,063
Total	510	\$1,395,262	2,339	\$7,113,055

Table 5

**Number and Annual Annuities
of Annuitants on the Retired List
as of June 30, 1982 Classified by Age
Retired on Account of Disability**

Age	Men		Women	
	Number	Total Annuities	Number	Total Annuities
29	—	—	1	\$4,381
31	—	—	3	14,316
32	1	\$4,631	1	3,993
33	1	4,293	3	11,126
34	2	9,531	5	26,134
35	1	3,646	8	41,148
36	2	6,561	7	33,888
37	2	13,289	11	53,990
38	2	11,414	6	36,096
39	7	34,633	6	28,823
40	7	34,412	7	32,335
41	2	9,496	9	43,460
42	7	38,803	8	42,720
43	5	22,593	8	35,627
44	3	23,634	7	34,444
45	9	45,490	11	55,706
46	9	46,440	11	39,753
47	13	56,559	15	67,465
48	19	138,179	16	76,155
49	16	91,661	13	67,478
50	22	127,817	19	116,227
51	16	122,194	34	166,541
52	28	183,702	28	125,885
53	33	250,853	33	165,882
54	38	227,881	47	215,684
55	39	297,187	34	132,954
56	37	190,768	57	305,955
57	61	328,056	62	318,058
58	51	267,184	70	315,316
59	41	238,574	69	335,947
60	66	360,733	99	422,648
61	60	315,707	95	394,613
62	70	302,172	103	462,825
63	80	370,966	101	396,328
64	58	218,635	94	423,161
65	60	260,472	90	377,390
66	47	183,455	72	303,167
67	35	138,283	90	377,724
68	35	163,187	71	274,257
69	23	88,206	81	381,489
70	13	44,756	37	180,157
71	23	81,338	39	185,269
72	16	60,421	50	216,989
73	11	43,115	37	153,210
74	8	27,186	48	185,173
75	6	25,384	44	185,448
76	3	8,826	29	117,054
77	5	14,516	22	90,669
78	—	—	16	56,723
79	5	15,758	23	76,025
80	—	—	19	71,573
81	2	7,881	12	39,870
82	1	3,193	8	24,643
83	3	10,324	10	29,958
84	—	—	7	24,056

Table 5
(Continued)

Age	Men		Women	
	Number	Total Annuities	Number	Total Annuities
85	3	10,870	4	11,461
86	—	—	6	27,822
87	—	—	7	26,168
88	1	4,683	6	26,345
89	1	3,207	4	14,078
90	—	—	4	14,697
91	1	4,598	3	7,767
92	—	—	2	8,141
93	—	—	2	10,235
94	—	—	1	6,109
96	1	2,724	2	6,017
98	—	—	1	5,075
99	—	—	1	4,257
101	—	—	1	5,109
Total	1,111	\$5,600,077	1,950	\$8,571,187

Summary

No Option	858	\$4,232,479	1,855	\$8,081,618
Option 1	1	5,869	1	5,382
Option 2	2	16,001	3	9,821
Option 3	28	135,488	32	155,730
Option 4	154	793,570	39	197,862
Option 5	68	416,670	20	120,774

Table 6

**The Number and Annual Annuities
of Annuitants on the Retired List
as of June 30, 1982 Classified by Age
Receiving Annuities at Withdrawal**

Age	Men		Women	
	Number	Total Annuities	Number	Total Annuities
72	—	—	1	\$39
84	—	—	1	95
89	—	—	1	75
95	—	—	1	298
Total			4	\$507

Schedule D

History of Active Membership Data for Last 10 Years

Valuation as of 6/30	Number of Active Members	Total Annual Payroll
1973	177,188	\$1,745,000,000
1974	192,951	1,885,000,000
1975	199,287	2,031,000,000
1976	202,154	2,272,000,000
1977	222,814	2,466,000,000
1978	220,972	2,621,600,000
1979	218,400	2,754,638,000
1980	218,487	2,967,712,000
1981	214,438	3,152,967,000
1982	209,210	3,249,799,000

Schedule E

History of Annuitant and Beneficiary Data For Last 10 Years

Year Ended 6/30	Number on Roll	Additions	Deletions	Annual Annuities (Millions)
1973	42,017	5,123	1,474	\$180.2
1974	45,398	4,883	1,502	198.7
1975	48,117	4,346	1,627	217.9
1976	50,683	4,191	1,625	268.1
1977	54,319	5,265	1,629	288.3
1978	57,665	5,099	1,753	304.7
1979	60,999	5,380	2,046	321.5
1980	64,122	5,070	1,947	408.1
1981	67,450	5,565	2,237	421.0
1982	71,245	6,098	2,303	438.8

Schedule F

Summary of Accrued and Unfunded Liabilities

	Aggregate Accrued Liabilities (000)	Valuation Assets* (000)	Assets as a % of Accrued Liabilities	(UAL) Unfunded Accrued Liabilities (000)	Member Active Payroll (000)	UAL as a % of Active Member Payroll
June 30, 1982	\$11,364.7	\$5,977.1	52.6%	\$5,387.6	\$3,249.8	165.8%
June 30, 1981	10,636.2	5,399.0	50.8	5,237.2	3,153.0	166.1
June 30, 1980	8,664.0	4,901.5	56.6	3,762.5	2,967.7	126.8
June 30, 1979	8,033.4	4,514.4	56.2	3,519.0	2,754.6	127.7
June 30, 1978	6,910.0	4,123.0	59.7	2,787.0	2,621.6	106.3
June 30, 1977	6,320.9	3,764.9	59.6	2,556.0	2,466.0	103.6
June 30, 1976	5,805.0	3,410.5	58.8	2,394.5	2,272.0	105.4
June 30, 1975	5,457.8	3,177.8	58.2	2,280.0	2,031.0	112.3
June 30, 1974	5,235.0	2,903.3	55.5	2,331.7	1,885.0	123.7
June 30, 1973	4,261.4	2,604.8	61.1	1,656.6	1,745.0	94.9

*Includes interest calculated and accumulated annually on Commonwealth deficit and differs from the assets listed in the Financial Section by that amount.

Schedule G

Solvency Test

(Money Amounts in Thousands)

Valuation as of 6/30	Aggregate Accrued Liabilities for:				Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Annuitants and Beneficiaries	(3) Active Members (Employer Financed Portion)*	Reported Assets**	(1)	(2)	(3)
1973	\$ 795,548	\$1,718,624	\$1,747,252	\$2,604,789	100%	100.0%	5.2%
1974	880,540	2,154,562	2,199,850	2,903,291	100	93.9	0.0
1975	959,540	2,341,041	2,157,248	3,177,812	100	94.8	0.0
1976	1,075,760	2,416,089	2,313,126	3,410,511	100	96.6	0.0
1977	1,190,833	2,590,411	2,539,736	3,764,902	100	99.4	0.0
1978	1,314,217	2,726,305	2,869,494	4,123,035	100	100.0	2.9
1979	1,433,024	3,500,991	3,099,333	4,514,353	100	88.0	0.0
1980	1,578,884	3,569,221	3,515,904	4,901,476	100	93.1	0.0
1981	1,717,739	3,876,225	5,042,226	5,399,010	100	95.0	0.0
1982	1,868,012	4,031,176	5,465,494	5,977,119	100	100.0	1.4

*Equal to active members' liabilities (employer financed portion) less present value of future normal contributions based on new entrant normal rate as this was all that was available.

**Includes interest calculated and accumulated annually on Commonwealth deficit and differs from the assets listed in the Financial Section by that amount.

Schedule H

Analysis of Accrued Liability of System as of Current Valuation Date of June 30, 1982

(Dollar Amounts in Millions)

(1) Estimated value of accumulated benefits of System	
Vested benefits	
— Members currently receiving payments	\$4,031.2
— Other Members	4,323.4
	\$8,354.6
Nonvested benefits	375.1
	\$8,729.7
(2) Value of additional accrued liabilities reflecting effect of anticipated future increases in pay	2,635.0
(3) Total accrued liability of System (1) + (2)	\$11,364.7
(4) Book value of assets	5,977.1
(5) Unfunded accrued liability of System (As shown in Table II of report)	\$5,387.6

Notes:

(i) Accumulated benefits shown under item (1) above are made up of (a) benefits currently being paid to annuitants and beneficiaries plus (b) accrued benefits of active membership based on service and pay history up to the current valuation date of June 30, 1982. Thus, accumulated benefits do not reflect the effect of future pay increases on the benefit ultimately payable upon retirement or separation from employment.

(ii) Item (3) shows the total accrued liability of the System as determined under the funding method, i.e., the entry-age normal cost method. Item (3) reflects the effect of anticipated future pay increases on the benefit ultimately payable.

(iii) The value of accumulated benefits was determined taking into account the probability of future payment which was determined using the same decrements as to death, disability, withdrawal and retirement as for the regular valuation of the System as set forth in Schedule A. The interest rate used is the same as for the regular valuation, namely, 5½ percent. The value does not include any allowance for future pay increases.



Statistical Section



Schedule 1

Revenues by Source

Fiscal Year	Ten Years				
	Members Contributions (000)	Employers Contributions (000)	Investment Income (000)	Other Income (000)	Total Revenue (000)
1983	\$184,639	541,109	\$559,355	\$ —	\$1,285,103
1982	180,562	501,025	435,888	—	1,117,475
1981	175,306	478,859	351,220	—	1,005,385
1980	161,330	396,839	307,216	—	865,385
1979	148,644	379,056	255,636	—	783,336
1978	143,089	345,205	224,246	4,588	717,128
1977	147,760	328,984	216,265	1,519	694,528
1976	130,962	257,671	192,509	1,299	582,441
1975	109,876	285,355	179,738	1,417	576,386
1974	102,990	259,213	158,725	1,131	522,059

Schedule 2

Expenses by Type

Fiscal Year	Ten Years						
	Benefits Paid (000)	Refunds Paid (000)	Disabilities Paid (000)	Lump Sum Payments (000)	Administrative Expense (000)	Other Payments (000)	Total Expenses (000)
1983	\$476,714	\$18,539	\$17,564	\$85,461	\$8,219	\$ 6,579	\$613,076
1982	450,863	19,206	18,795	53,199	5,892	5,052	553,007
1981	435,498	18,216	13,817	43,021	5,130	7,000	522,682
1980	417,782	18,503	13,891	27,865	3,504	5,886	487,431
1979	333,989	18,957	9,663	28,026	3,441	5,920	399,996
1978	309,474	17,845	8,770	15,934	3,259	11,370	366,652
1977	299,499	15,322	7,832	10,713	2,850	9,059	345,275
1976	316,462	12,212	6,395	190	2,708	18,385	356,352
1975	229,333	13,990	5,253	—	1,942	1,118	251,636
1974	210,635	14,450	5,988	—	1,642	2,245	234,960

Schedule 3

Average Benefit Payments by Type

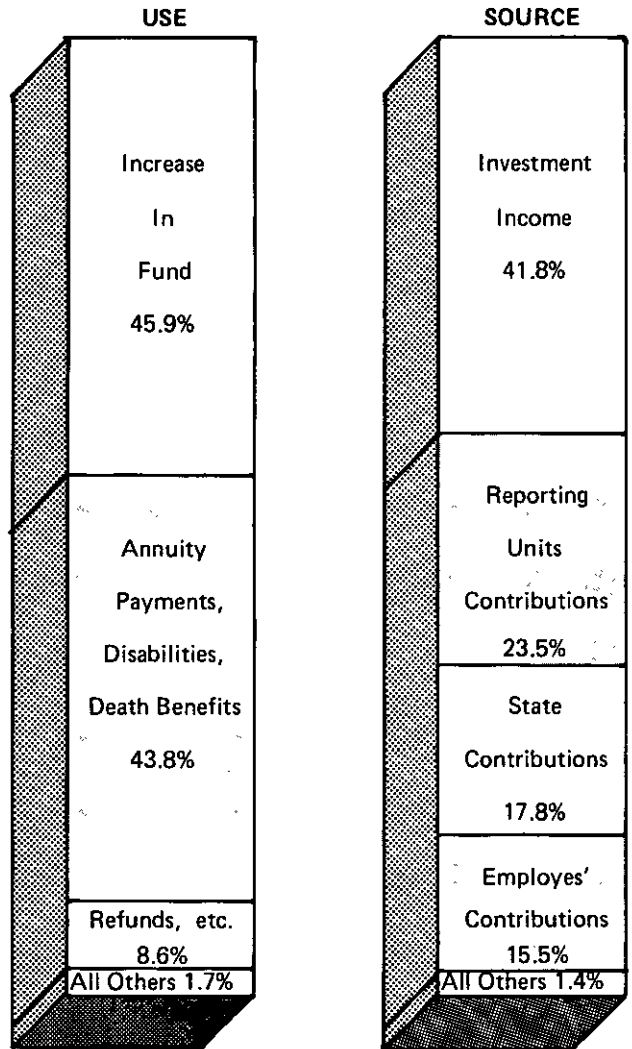
Fiscal Year Ending	Last Five Years					
	Superannuation		Disability		Withdrawal	
	Members	Average Payment	Members	Average Payment	Members	Average Payment
1983	60,261	\$6,528.56	3,289	\$4,560.11	12,785	\$4,021.79
1982	58,383	6,706.58	3,061	4,629.62	9,801	3,376.32
1981	56,523	6,631.58	2,893	4,572.63	8,034	4,100.88
1980	54,908	6,730.73	2,688	4,532.88	6,526	4,030.19
1979	53,373	5,474.72	2,452	3,692.83	5,174	3,910.32

Schedule 4

CASH FLOW FISCAL YEAR 1982-83

34

RECEIPTS	MILLIONS
Investment Income	\$ 477.2
State Contribution	202.8
Reporting Units Contribution	268.1
Employees' Contribution	177.5
All Others	15.9
Total Receipts	\$1,141.5
DISBURSEMENTS	
Annuity Payments	\$ 500.1
Refunds & Option 4	98.7
Transfers	8.4
Administrative Expense	7.0
Investment Expenses, Service Fees, All Others Paid	3.3
Total Disbursements	\$ 617.5
INCREASE IN FUND (Cash Basis)	
	\$ 524.0



Schedule 5

Employers as of June 30, 1983

Abington Heights School District
Abington School District
Admiral Peary Area Vocational Technical School
Albert Gallatin School District
Aliquippa School District
Allegheny Clarion School District
Allegheny Intermediate Unit #3
Allegheny Valley School District
Allentown City School District
Altoona Area School District
Altoona Area Vocational Technical School
Ambridge Area School District
Antietam School District
Annville Cleona School District
Apollo Ridge School District
Appalachia Intermediate Unit #8
Arin Intermediate Unit #28
Armstrong County Area Vocational Technical School
Armstrong School District
Athens Area School District
Austin Area School District
Avela Area School District
Avon Grove School District
Avonworth School District
Bald Eagle Area School District
Baldwin Whitehall School District
Bangor Area School District
Beaver Area School District
Beaver County Area Vocational Technical School
Beaver Valley Intermediate Unit #27
Bedford Area School District
Bedford-Everett Area Vocational Technical School
Belle Vernon Area School District
Bellefonte Area School District
Bellwood Antis School District
Bensalem Township School District
Benton Area School District
Bentworth School District
Berks County Earned Income Tax Bureau
Berks County Intermediate Unit #14
Berks Vocational Technical School
Berlin Brothers Valley School District
Bermudian Springs School District
Berwick Area School District
Bethel Park School District
Bethlehem Area School District
Bethlehem Area Vocational Technical School
Bethlehem Center School District
Big Beaver Falls Area School District
Big Spring School District
Blackhawk School District
Blacklick Valley School District
Blairsville Saltsburg School District
Blast Intermediate Unit #17
Bloomsburg Area School District
Bloomsburg State College
Blue Mountain School District
Blue Ridge School District
Boyertown Area School District
Bradford Area School District
Brandywine Heights Area School District

Brentwood Boro School District
Bristol Boro School District
Bristol Township School District
Brockway Area School District
Brookville Area School District
Brownsville Area School District
Bucks County Community College
Bucks County Intermediate Unit #22
Bucks County Area Vocational Technical School
Burgettstown Area School District
Burrell School District
Butler Area School District
Butler County Area Vocational Technical School
Butler County Community College
California Area School District
California State College
Cambria Heights School District
Cameron County School District
Camp Hill School District
Canon McMillan School District
Canton Area School District
Capital Area Intermediate Unit #15
Carbon County Area Vocational Technical School
Carbon Lehigh Intermediate Unit #21
Carbondale Area School District
Carlisle Area School District
Carlynton School District
Carmichaels Area School District
Catasauqua School District
Centennial School District
Center Area School District
Central Bucks School District
Central Cambria School District
Central Chester Area Vocational Technical School
Central Columbia School District
Central Dauphin School District
Central Fulton School District
Central Greene School District
Central Intermediate Unit #10
Central Montgomery Area Vocational Technical School
Central Susquehanna Intermediate Unit #16
Central Westmoreland Area Vocational Technical School
Central York School District
Centre County Area Vocational Technical School
Chambersburg Area School District
Charleroi Area School District
Chartiers Houston School District
Chartiers Valley School District
Cheltenham Township School District
Chester County Intermediate Unit #24
Chester Upland School District
Chestnut Ridge School District
Cheyney State College
Chichester School District
Clairton School District
Clarion Area School District
Clarion County Area Vocational Technical School

Clarion Limestone Area School District
 Clarion Manor Intermediate Unit #6
 Clarion State College
 Claysburg Kimmel School District
 Clearfield Area School District
 Clearfield County Area Vocational Technical School
 Coatesville Area School District
 Cocalico School District
 Colonial Northampton Intermediate Unit #20
 Colonial School District
 Columbia Boro School District
 Columbia Montour Area Vocational Technical School
 Community College of Allegheny County
 Community College of Beaver County
 Community College of Delaware County
 Community College of Philadelphia
 Commodore Perry School District
 Conemaugh Township Area School District
 Conemaugh Valley School District
 Conestoga Valley School District
 Conewago Valley School District
 Conneaut School District
 Connellsville Area School District
 Conrad Weiser Area School District
 Cornell School District
 Cornwall Lebanon School District
 Corry Area School District
 Coudersport Area School District
 Council Rock School District
 Cranberry Area School District
 Crawford Central School District
 Crawford County Area Vocational Technical School
 Crestwood School District
 Cumberland Perry Area Vocational Technical School
 Cumberland Valley School District
 Curwensville Area School District
 Dallas School District
 Dallastown Area School District
 Daniel Boone Area School District
 Danville Area School District
 Dauphin County Area Vocational Technical School
 Deer Lakes School District
 Delaware County Area Vocational Technical School
 Delaware County Intermediate Unit #25
 Delaware Valley School District
 Department of Education — Commonwealth of Pennsylvania
 Derry Area School District
 Derry Township School District
 Donegal School District
 Dover Area School District
 Downingtown Area School District
 DuBois Area School District
 Dunmore School District
 Duquesne City School District
 East Allegheny School District
 East Lycoming School District
 East Penn School District
 East Pennsboro Area School District
 East Stroudsburg School District
 East Stroudsburg State College
 Eastern Lancaster County School District
 Eastern Lebanon County School District
 Eastern Montgomery County Area Vocational Technical School
 Eastern Northampton Area Vocational Technical School
 Eastern Westmoreland Area Vocational Technical School
 Eastern York School District
 Easton Area School District
 Edinboro State College
 Elizabeth Forward School District
 Elizabethtown Area School District
 Elk Lake School District
 Ellwood City Area School District
 Ephrata Area School District
 Erie City School District
 Erie County Area Vocational Technical School
 Everett Area School District
 Exeter Township School District
 Fairfield Area School District
 Fairview School District
 Fannett Metal School District
 Farrell Area School District
 Fayette County Area Vocational Technical School
 Ferndale Area School District
 Fleetwood Area School District
 Forbes Road East Area Vocational Technical School
 Forbes Road School District
 Forest Area School District
 Forest City Regional School District
 Forest Hills School District
 Fort Cherry School District
 Fort Leboeuf School District
 Fox Chapel Area School District
 Franklin Area School District
 Franklin County Area Vocational Technical School
 Franklin Regional School District
 Frazier School District
 Freedom Area School District
 Freeport Area School District
 Galeton Area School District
 Garnet Valley School District
 Gateway School District
 General McLane School District
 Gettysburg Area School District
 Girard School District
 Glendale School District
 Governor Mifflin School District
 Great Valley School District
 Greater Johnstown Area Vocational Technical School
 Greater Johnstown School District
 Greater Latrobe School District
 Greater Nanticoke Area School District
 Great Valley School District
 Greencastle Antrim School District
 Greene County Area Vocational Technical School
 Greensburg Salem School District
 Greenville Area School District
 Greenwood School District
 Grove City Area School District
 Halifax Area School District
 Hamburg Area School District
 Hampton Township School District
 Hanover Area School District
 Hanover Public School District
 Harbor Creek School District

Harmony School District
 Harrisburg Area Community College
 Harrisburg City School District
 Harrisburg Steelton Highspire Area Vocational Technical School
 Hatboro Horsham School District
 Haverford Township School District
 Hazleton Area School District
 Hempfield Area School District
 Hempfield School District
 Hermitage School District
 Highlands School District
 Hollidaysburg Area School District
 Homer Center School District
 Hopewell Area School District
 Huntingdon Area School District
 Huntingdon County Area Vocational Technical School
 Indiana Area School District
 Indiana County Area Vocational Technical School
 Indiana University of Pennsylvania
 Interboro School District
 Intermediate Unit #1
 Iroquois School District
 Jamestown Area School District
 Jeannette City School District
 Jefferson-DuBois Area Vocational Technical School
 Jefferson Morgan School District
 Jenkintown School District
 Jersey Shore Area School District
 Jim Thorpe Area School District
 Johnsonburg Area School District
 Juniata County School District
 Juniata Mifflin Area Vocational Technical School
 Juniata Valley School District
 Kane Area School District
 Karns City Area School District
 Kennett Consolidated School District
 Keystone Central School District
 Keystone Oaks School District
 Keystone School District
 Kiski Area School District
 Kutztown Area School District
 Kutztown State College
 Lackawanna County Area Vocational Technical School
 Lackawanna Trail School District
 Lake Lehman School District
 Lakeland School District
 Lakeview School District
 Lampeter Strasburg School District
 Lancaster City School District
 Lancaster County Area Vocational Technical School
 Lancaster Lebanon Intermediate Unit #13
 Laurel Highlands School District
 Laurel School District
 Lawrence County Area Vocational Technical School
 Lebanon Area Vocational Technical School
 Lebanon School District
 Leechburg Area School District
 Lehigh County Area Vocational Technical School
 Lehigh County Community College
 Lehighton Area School District
 Lewisburg Area School District
 Ligonier Valley School District
 Lincoln Intermediate Unit #12
 Line Mountain School District
 Littlestown Area School District
 Lock Haven State College
 Lower Dauphin School District
 Lower Merion School District
 Lower Moreland School District
 Loysock Township School District
 Luzerne County Community College
 Luzerne Intermediate Unit #18
 Mahanoy Area School District
 Manheim Central School District
 Manheim Township School District
 Mansfield State College
 Marion Center Area School District
 Marple Newtown School District
 Mars Area School District
 McGuffey School District
 McKeesport Area School District
 Mechanicsburg Area School District
 Mercer Area School District
 Mercer County Area Vocational Technical School
 Methacton School District
 Meyersdale Area School District
 Mid Valley School District
 Midd West School District
 Middle Bucks County Area Vocational Technical School
 Middletown Area School District
 Midland Boro School District
 Midwestern Intermediate Unit #4
 Mifflin County School District
 Mifflinburg Area School District
 Millcreek Township School District
 Millersburg Area School District
 Millersville State College
 Millville Area School District
 Milton Area School District
 Minersville Area School District
 Mohawk Area School District
 Mon Valley Area Vocational Technical School
 Monaca School District
 Monessen School District
 Moniteau School District
 Monroe County Area Vocational Technical School
 Montgomery Area School District
 Montgomery County Community College
 Montgomery County Intermediate Unit #23
 Montour School District
 Montoursville Area School District
 Montrose Area School District
 Moon Area School District
 Morrisville Boro School District
 Moshannon Valley School District
 Mount Carmel Area School District
 Mount Lebanon School District
 Mount Pleasant Area School District
 Mount Union Area School District
 Mountain View School District
 Muhlenberg Township School District
 Muncy School District
 Nazareth Area School District
 Neshaminy School District
 Neshannock Township School District
 New Brighton Area School District
 New Castle Area School District
 New Hope Solebury School District
 New Kensington Arnold School District

Newport School District
 Norristown Area School District
 North Allegheny School District
 North Clarion County School District
 North East School District
 North Fayette County Area Vocational
 Technical School
 North Hills School District
 North Montco Area Vocational Technical
 School
 North Penn School District
 North Pocono School District
 North Schuylkill School District
 North Star School District
 Northampton Area School District
 Northampton County Area Community
 College
 Northeast Bradford School District
 Northeastern Educational Intermediate
 Unit #19
 Northeastern School District of York Coun-
 ty
 Northern Area Special Purpose School
 Northern Bedford County School District
 Northern Cambria School District
 Northern Chester County Area Vocational
 Technical School
 Northern Lebanon School District
 Northern Lehigh School District
 Northern Potter School District
 Northern Tioga School District
 Northern Westmoreland Area Vocational
 Technical School
 Northern York County School District
 Northgate School District
 Northumberland County Area Vocational
 Technical School
 Northwest Area School District
 Northwest Tri County Intermediate Unit #5
 Northwestern Lehigh School District
 Northwestern School District
 Norwin School District
 Octorara Area School District
 Oil City Area School District
 Old Forge School District
 Oley Valley School District
 Oswayo Valley School District
 Otto Eldred School District
 Overbrook School for the Blind
 Owen J. Roberts School District
 Oxford Area School District
 Palisades School District
 Palmerton Area School District
 Palmyra Area School District
 Panther Valley School District
 Parkland School District
 Parkway West Area Vocational Technical
 School
 Pen Argyl Area School District
 Penn Cambria School District
 Penn Crest School District
 Penn Delco School District
 Penn Hills Township School District
 Penn Manor School District
 Penn Trafford School District
 Pennridge School District
 Penns Manor School District
 Penns Valley Area School District
 Pennsbury School District
 Pennsylvania School Boards Association
 Pennsylvania School for the Deaf
 Pennsylvania State University
 Pequea Valley School District
 Perkiomen Valley School District
 Peters Township School District
 Philadelphia School District
 Philipsburg Osceola School District
 Phoenixville Area School District
 Pine Grove Area School District
 Pine-Richland School District
 Pittsburgh Mount Oliver Intermediate Unit
 #2
 Pittsburgh School District
 Pittston Area School District
 Pleasant Valley School District
 Plum Boro School District
 Pocono Mountain School District
 Port Allegany School District
 Portage Area School District
 Pottsgrove School District
 Pottstown School District
 Pottsville Area School District
 Punxsutawney Area School District
 Purchase Line School District
 Quaker Valley School District
 Quakertown Community School District
 Radnor Township School District
 Reading Area Community College
 Reading Muhlenberg Area Vocational
 Technical School
 Reading School District
 Red Lion Area School District
 Redbank Valley School District
 Reynolds School District
 Richland School District
 Ridgway Area School District
 Ridley School District
 Ringgold School District
 Riverside Beaver County School District
 Riverside School District
 Riverview School District
 Rochester Area School District
 Rockwood Area School District
 Rose Tree Media School District
 Saint Clair Area School District
 Saint Marys Area School District
 Salisbury Elk Lick School District
 Salisbury Township School District
 Saucon Valley School District
 Sayre Area School District
 Schuylkill County Area Vocational Tech-
 nical School
 Schuylkill Haven Area School District
 Schuylkill Intermediate Unit #29
 Schuylkill Valley School District
 Scranton City School District
 Scranton State School for the Deaf
 Scotland School for Veteran's Children
 Selinsgrove Area School District
 Seneca Highlands Intermediate Unit #9
 Shade Central City School District
 Shaler Area School District
 Shamokin Area School District
 Shanksville Stonycreek School District
 Sharon City School District
 Sharpsville Area School District
 Shenandoah Valley School District
 Shenango Area School District
 Shikellamy School District
 Shippensburg Area School District
 Shippensburg State College
 Slippery Rock Area School District

Slippery Rock State College
 Smethport Area School District
 Solanco School District
 Somerset Area School District
 Somerset County Area Vocational Technical School
 Souderton Area School District
 South Allegheny School District
 South Butler County School District
 South Eastern School District
 South Fayette Township School District
 South Middleton School District
 South Park School District
 South Side Area School District
 South Western School District
 South Williamsport Area School District
 Southeast Delco School District
 Southeastern Greene School District
 Southern Columbia Area School District
 Southern Fulton School District
 Southern Huntingdon School District
 Southern Lehigh School District
 Southern Tioga School District
 Southern York County School District
 Southmoreland School District
 Southwest Butler County School District
 Spring Cove School District
 Spring Ford Area School District
 Spring Grove Area School District
 Springfield School District
 Springfield Township School District
 State College Area School District
 Steel Valley School District
 Steelton Highspire School District
 Sto Rox School District
 Stroudsburg Area School District
 Sullivan County School District
 Sun Area Vocational Technical School
 Susquehanna Community School District
 Susquehanna Township School District
 Susquenita School District
 Tamaqua Area School District
 Temple University
 Thaddeus Stevens State School of Technology
 Titusville Area School District
 Towanda Area School District
 Tredyffrin Easttown School District
 Tri Valley School District
 Trinity Area School District
 Troy Area School District
 Tulpehocken Area School District
 Tunkhannock Area School District
 Tunkhannock Area Vocational Technical School
 Turkeyfoot Valley School District
 Tuscarora Intermediate Unit #11
 Tuscarora School District
 Tussey Mountain School District
 Twin Valley School District
 Tyrone Area School District
 Union Area School District
 Union City Area School District
 Union School District
 Uniontown Area School District
 Unionville Chaddsford School District
 United School District
 University of Pittsburgh
 Upper Adams School District
 Upper Bucks County Area Vocational Technical School
 Upper Darby School District
 Upper Dauphin Area School District
 Upper Dublin School District
 Upper Merion Area School District
 Upper Moreland Township School District
 Upper Perkiomen School District
 Upper Saint Clair Township School District
 Valley Grove School District
 Valley View School District
 Venango County Area Vocational Technical School
 Wallenpaupack Area School District
 Wallingford Swarthmore School District
 Warren County School District
 Warrior Run School District
 Warwick School District
 Washington School District
 Wattsburg Area School District
 Wayne Highlands School District
 Waynesboro Area School District
 Weatherly Area School District
 Wellsboro Area School District
 West Allegheny School District
 West Branch Area School District
 West Chester Area School District
 West Chester State College
 West Greene School District
 West Jefferson Hills School District
 West Middlesex Area School District
 West Mifflin Area School District
 West Perry School District
 West Shore School District
 West Side Area Vocational Technical School
 West York Area School District
 Western Area Vocational Technical School
 Western Beaver County School District
 Western Montgomery Area Vocational Technical School
 Western Pennsylvania School for the Blind
 Western Pennsylvania School for the Deaf
 Western Wayne School District
 Westmont Hilltop School District
 Westmoreland County Community College
 Westmoreland Intermediate Unit #7
 Whitehall Coplay School District
 Wilkes Barre Area School District
 Wilkes Barre Area Vocational Technical School
 Wilkinsburg School District
 William Penn School District
 Williams Valley School District
 Williamsburg Community School District
 Williamsport Area Community College
 Williamsport Area School District
 Wilmington Area School District
 Wilson Area School District
 Wilson School District
 Windber Area School District
 Wissahickon School District
 Woodland Hills School District
 Wyalusing Area School District
 Wyoming Area School District
 Wyoming Valley West School District
 Wyomissing Area School District
 York County Area Vocational Technical School
 York School District
 York Suburban School District
 Yough School District

Investment Portfolio Section

INVESTMENT OVERVIEW

The Board of Trustees currently has a total of eight additional money managers under contract or approved for contract, retaining Mellon Bank, Pittsburgh, Pa. and The Fidelity Bank, Philadelphia, Pa. to manage fixed income, equity, and real estate investments. The Treasurer of the Commonwealth of Pennsylvania manages the short-term investments.

Following are the additional managers and the blocks of money for which they are responsible:

Equity Managers

State Street Research & Management, Boston	\$ 200M
Oppenheimer Capital Corp., New York	200M
Provident Capital Corp., Philadelphia	100M
MacKay-Shields, New York	100M
	<hr/>
	\$ 600M

Fixed Income Managers

Loomis, Sayles & Co., Boston	\$ 400M
Pittsburgh National Bank, Pittsburgh	200M
Manufacturers Hanover, New York	100M
	<hr/>
	\$ 700M

Real Estate Managers

Jones Lang Wootton, New York	\$ 150M
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Grand Total	\$1,450M
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A new investment philosophy was approved by the Board allowing Mellon Bank, the money manager which handles the largest segment (\$2.9 billion at market value) of the PSERS portfolio, to use a core concept in managing the stocks and bonds under their care.

This concept generally applies a philosophy of trading which will mirror the overall investment markets' activities for the purpose of improving the PSERS investment earnings by generating a return in excess of the GNP inflator, minimizing capital losses, avoiding excessive volatility, and maintaining liquidity and quality of the portfolio. This arrangement will also reduce trading costs and lessen the risk, to a degree, by holding less of the least desired stocks and bonds. This concept will give Mellon Bank the opportunity to manage actively a smaller investment portfolio of stocks and bonds, enabling Mellon Bank to take advantage of current opportunities to earn a better return on this segment of the portfolio.

During the fiscal year ended June 30, 1983, Mellon Bank has completed the fixed income portion of the PSERS core portfolio. Approximately one-half of the core equity project has been completed as of June 30, 1983.

The Bond Portfolio

To establish the fixed income portion of the core portfolio, corporate bonds in the amount of \$1,447,702,000 were sold and \$1,565,182,000 of long-term Treasury obligations were purchased. This strategy reduced the volatility and improved the liquidity of the portfolio. Future capital losses should be minimized because of the revised structure of the bond portfolio. The Solomon Brothers Bond Index for the year ended June 30, 1983, was 42.4 percent and the PSERS rate of return was 33.1 percent, up from the previous year when the yield was 8.6 percent. The revised portfolio should yield improved earnings.

The Stock Portfolio

Stock purchases, net of sales, at cost was \$513,000,000 and occurred in all categories except Basic Materials. Market value increased in all categories from July 1, 1982, through June 30, 1983, by \$803,128,000. The total yield on stocks, including the unrealized increase in market value, was 55.8 percent, up from the year's previous return of 12.4 percent and compared to the Standard & Poor's 500 of 61.1 percent. An improvement is expected since the state Legislature approved a 50 percent limit of the total portfolio that can be invested in equities. Until a year ago, a 25 percent limit on equities was imposed by law.

The Mortgage Portfolio

In this portion of the *Investment Portfolio*, the purchase activity was centered in the Equity Real Estate Mortgages section, although cash returns were received from all the mortgage sections-Residential, Project, and Government National Mortgage Association (GNMA). The return on mortgage investments was 42.2 percent, up from the 1981-82 fiscal year return of 16.8 percent and better than the Lehman Brothers Kuhn Loeb GNMA Index indicator of 35.8 percent. Real estate investments are planned in the future that will improve the earnings with the advent of another real estate money manager being employed. This manager, Jones Lang Wootton Realty Advisors, will bring a new philosophy of real estate investment to the Board of Trustees. The Fidelity Bank, Philadelphia, Pa., will continue to handle mortgage investments for the Board.

The Short Term Portfolio

The cash balance created by the money managers and the contributions received from the members and their employers increased by \$409,558,000, indicating that the managers were in a liquid position at June 30,

1983. Yields on these short term investments amounted to a total return on the short term portfolio of 9.2 percent, down from the previous year's return of 17.4 percent. However, the 9.2 percent was a gain when compared to the 90 day Treasury Bills indicator

of 8.8 percent.

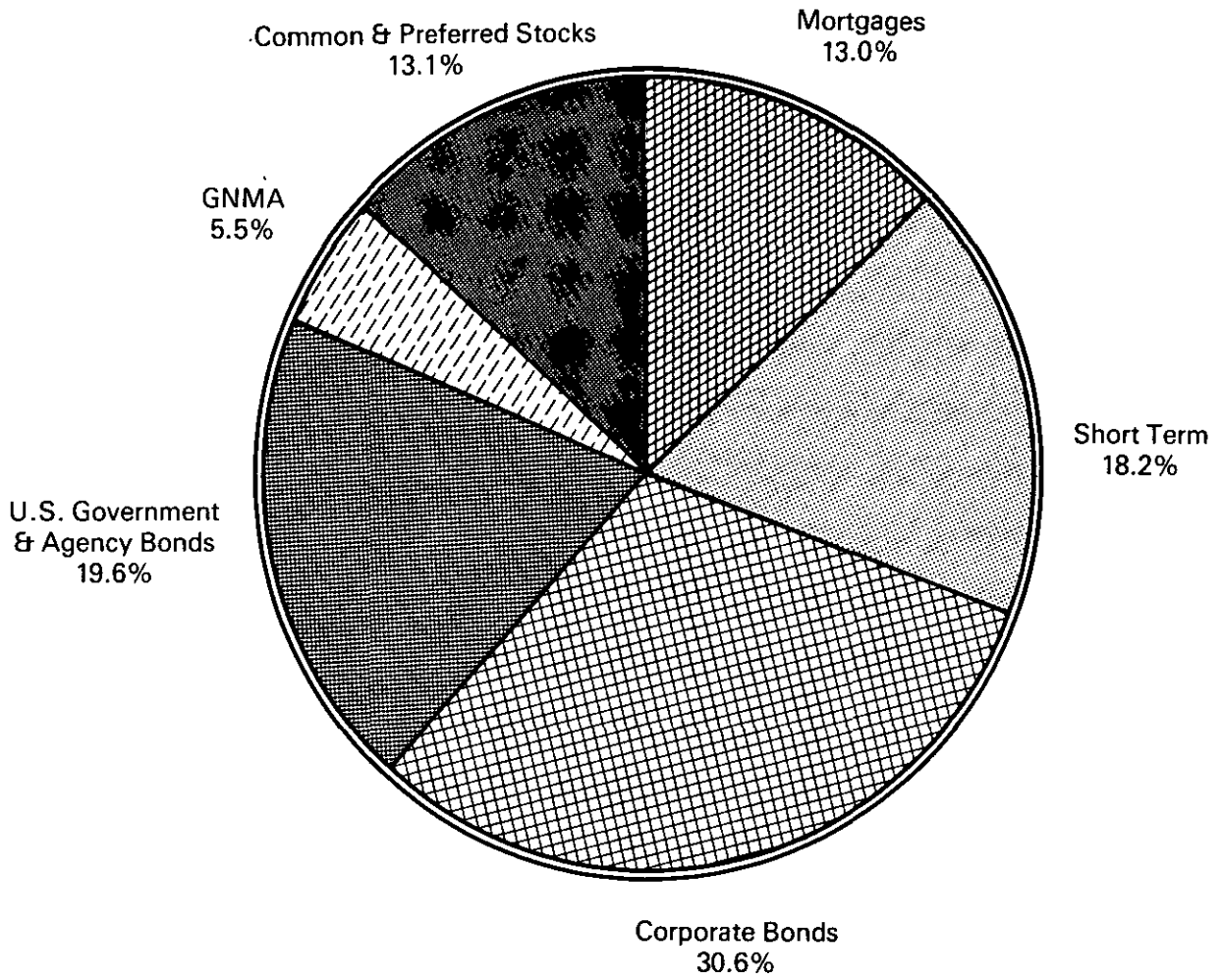
Short term rates reflect in general the Federal Reserve influence on the money supply available for investments, thereby affecting the short term rate of return that can be earned.

Schedule of Investment Results

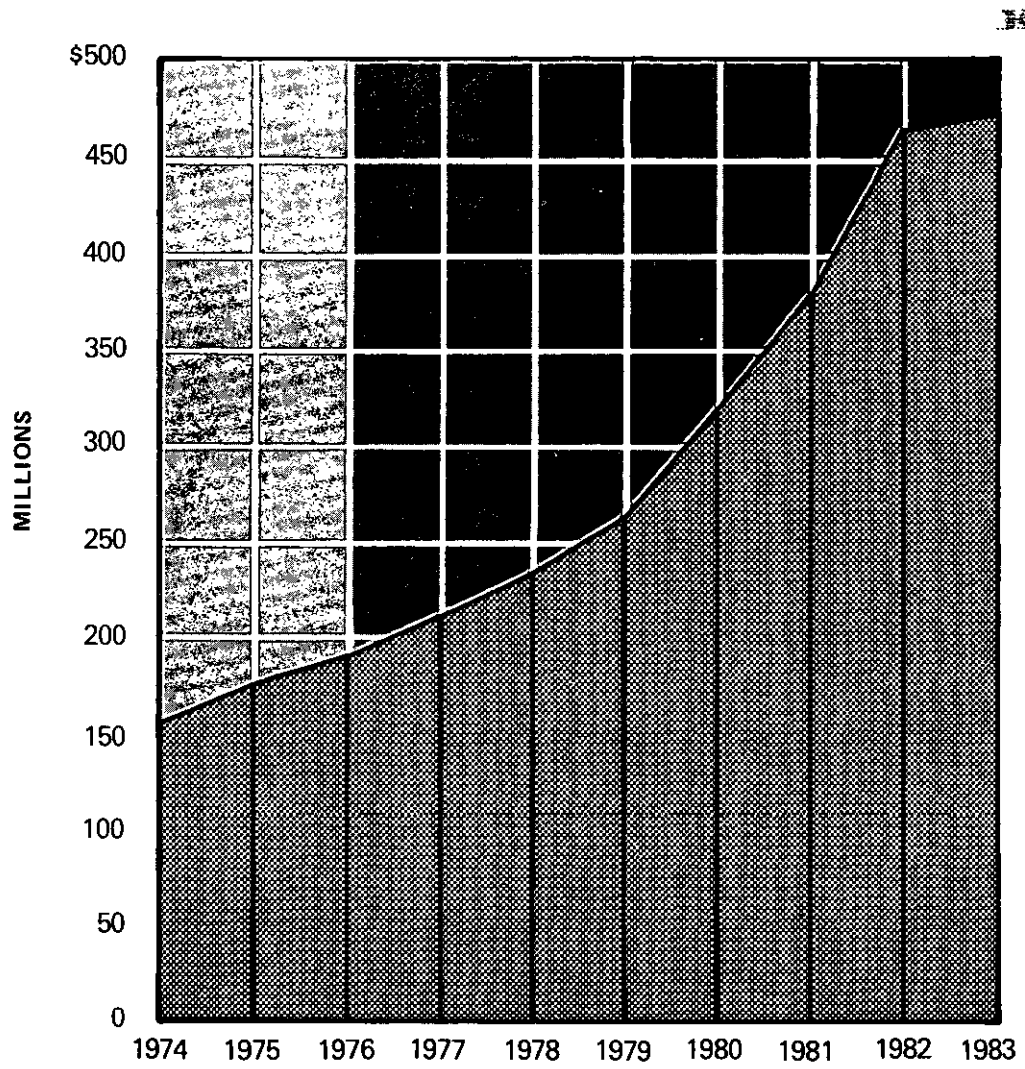
JUNE 30

	1979	1980	1981	1982	1983
Time Weighted Return – Total Fund	7.1%	1.3%	-0.4%	7.4%	37.3%
Stocks	10.5%	15.9%	21.3%	-12.8%	55.8%
Standard & Poor's 500	13.7%	17.1%	20.5%	-11.5%	61.1%
Bonds	6.9%	-3.2%	-9.7%	8.6%	33.1%
Solomon Bros. Bond Index	7.2%	-2.4%	-12.9%	8.7%	42.4%
Mortgages	6.9%	7.5%	-4.2%	16.8%	42.2%
LBKL GNMA Index	9.5%	3.1%	-12.4%	14.4%	35.8%
Short Term	9.6%	15.5%	13.9%	17.4%	9.2%
90 Day Treasury Bills	7.2%	11.4%	12.5%	13.4%	8.8%

Sources of Investment Income

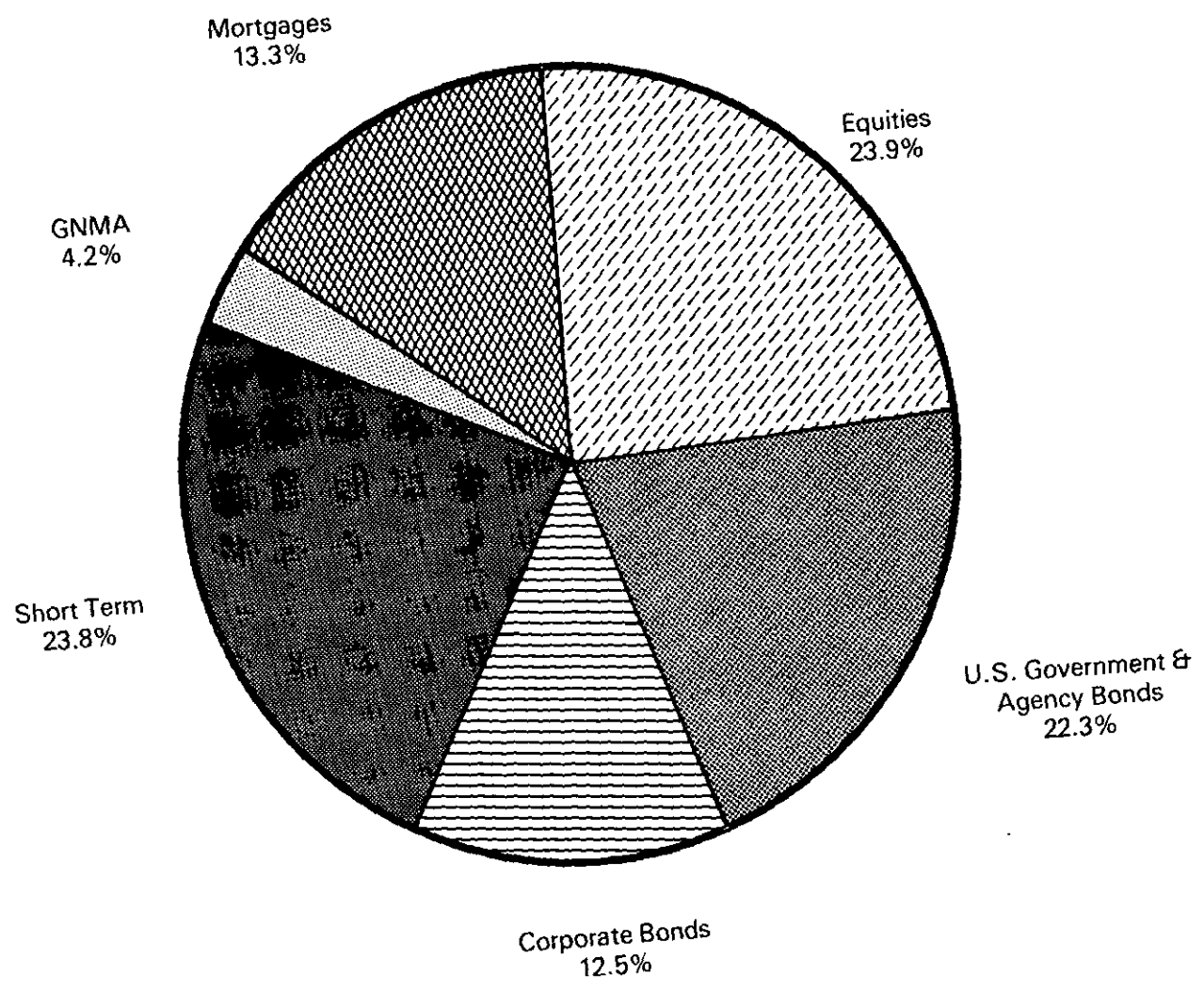


Investment Income Growth

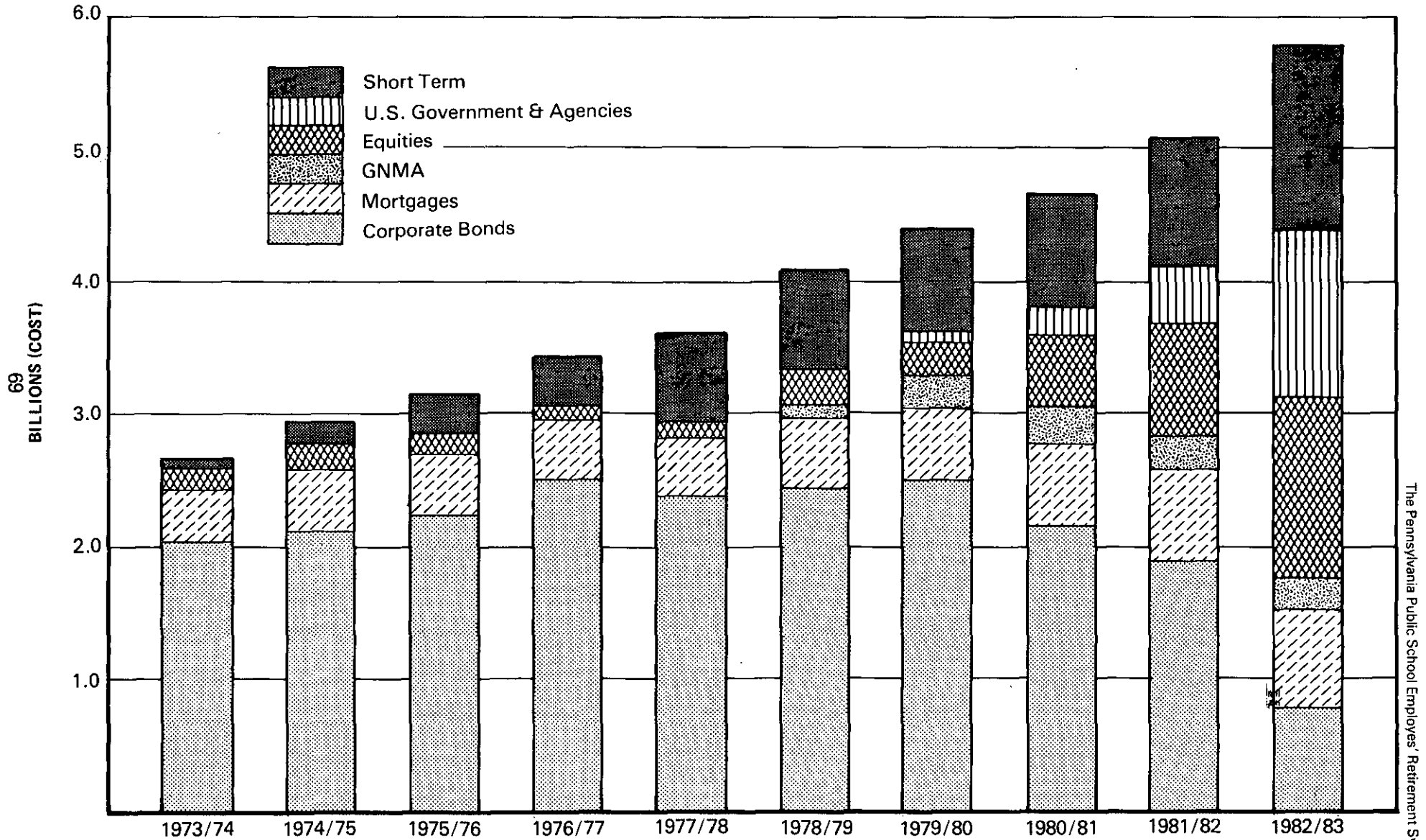


Portfolio Distribution

JUNE 30, 1983



Composition of Investment Portfolio 10 Years



Top Ten Equity Holdings Ranked by Book Value

JUNE 30, 1983

Equity Holdings	Shares	Book Value
International Business Machines Corp.	677,100	\$52,204,303
American Tel. & Tel. Co.	725,000	\$41,582,180
General Motors Corp.	400,000	\$23,602,831
General Electric Co.	837,000	\$23,233,609
International Tel. & Tel.	581,900	\$18,521,644
Philip Morris, Inc.	298,900	\$16,024,622
Standard Oil of Indiana	340,700	\$15,124,310
Consolidated Foods Corp.	375,000	\$14,928,437
First Interstate Bancorp	530,000	\$14,428,216
Texas Eastern Corp.	300,000	\$13,864,710

Portfolio Summary Statistics as of 6/30/83
Trade Date Basis

TYPE OF INVESTMENT	PAR/SHARES VALUE	BOOK VALUE	MARKET VALUE
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CORPORATE AND GOVERNMENT DEBENTURES:			
LONG-TERM GOVERNMENT OBLIGATIONS	1,299,549,741	1,282,052,325	1,279,797,691
MUNICIPAL BONDS	53,000	53,000	41,696
CORPORATE - BANKS	96,912,000	94,073,296	81,378,850
CORPORATE - FINANCIAL	221,133,000	196,076,155	178,143,817
CORPORATE - INDUSTRIAL	313,062,000	273,648,081	284,347,342
CORPORATE - UTILITIES	159,854,000	150,236,599	119,991,285
CORPORATE - RAILROADS	533,333	533,333	515,893
OTHER BONDS	3,963,444	3,963,444	3,527,281
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SUBTOTAL	2,095,060,518	2,000,636,233	1,947,743,855
FIRST MORTGAGE LOANS:			
FHA/VA RESIDENTIAL MORTGAGES	314,911,238	309,953,441	248,780,664
FHA PROJECT MORTGAGES	364,422,514	278,032,007	280,605,336
GNMA - FIXED PAYMENT	71,857,781	69,908,989	68,540,549
GNMA - GRADUATED PAYMENT	175,689,720	170,983,050	153,042,938
EQUITY REAL ESTATE MORTGAGES	158,123,367	158,494,843	158,123,367
PROJECT MORTGAGE DEBENTURE	101,350	101,350	101,350
OTHER MORTGAGES	15,368,476	15,368,476	15,368,476
	-----	-----	-----
SUBTOTAL	1,100,474,446	1,002,842,156	924,562,680
STOCK:			
COMMON STOCK	38,309,983	1,369,836,541	1,674,594,529
PREFERRED STOCK	123,150	5,414,208	6,728,437
	-----	-----	-----
SUBTOTAL	38,433,133	1,375,250,749	1,681,322,966
SHORT TERM SECURITIES:			
U S TREASURY BILLS	415,450,000	401,341,645	401,227,270
FEDERAL FARM CREDIT BANKS	16,000,000	16,000,000	15,963,125
BANKERS ACCEPTANCES (DOMESTIC)	29,000,000	28,372,211	28,368,913
TERM REPURCHASE AGREEMENTS	269,000,000	269,000,000	269,000,000
COMMERCIAL PAPER - VARIABLE RATE	15,000,000	15,000,000	15,000,000
COMMERCIAL PAPER	618,758,892	610,111,629	609,983,742
NEGOTIABLE CERTIFICATE OF DEPOSIT	30,925,000	30,925,432	30,917,493
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SUBTOTAL	1,394,133,892	1,370,842,984	1,370,460,543
		=====	=====
GRAND TOTAL		5,749,572,131	5,924,090,051

Portfolio Detail Statistics as of 6/30/83 Trade Date Basis

DESCRIPTION	INTEREST RATE	MATURITY DATE	PAR VALUE	BOOK VALUE	MARKET VALUE
LONG-TERM U S TREASURY OBLIGATIONS					
U S TREASURY BONDS	7.875	02/15/00	5,000,000	3,967,013	3,804,650
U S TREASURY BONDS	8.375	08/15/00	16,000,000	13,326,410	12,714,880
U S TREASURY BONDS	7.875	02/15/93	26,800,000	22,644,869	22,043,026
U S TREASURY BONDS	8.750	11/15/08	20,000,000	16,410,133	16,225,000
U S TREASURY BONDS	10.000	05/15/10	8,000,000	7,605,935	7,297,440
U S TREASURY BONDS	12.750	11/15/10	20,000,000	23,313,928	22,387,400
U S TREASURY BONDS	11.750	02/15/01	4,700,000	5,067,950	4,860,082
U S TREASURY BONDS	11.625	11/15/02	25,000,000	24,780,939	25,640,500
U S TREASURY BONDS	10.750	02/15/03	10,000,000	9,769,607	9,637,500
U S TREASURY BONDS	10.750	05/15/03	3,000,000	2,911,623	2,893,110
U S TREASURY NOTES	8.000	08/15/86	5,000,000	4,778,544	4,679,650
U S TREASURY NOTES	8.250	05/15/88	10,000,000	9,466,433	9,106,200
U S TREASURY NOTES	8.750	11/15/88	30,000,000	28,668,191	27,665,400
U S TREASURY NOTES	9.250	05/15/89	15,000,000	14,725,578	14,053,050
U S TREASURY NOTES	14.375	05/15/85	4,600,000	4,600,000	4,907,602
U S TREASURY NOTES	13.000	11/15/90	63,950,000	68,350,509	69,865,375
U S TREASURY NOTES	13.500	02/15/86	1,300,000	1,326,759	1,386,125
U S TREASURY NOTES	13.250	08/15/84	24,750,000	24,789,504	25,577,392
U S TREASURY NOTES	14.250	11/15/91	48,000,000	58,679,916	55,544,640
U S TREASURY NOTES	13.750	05/15/86	25,551,000	27,029,930	27,507,184
U S TREASURY NOTES	13.375	03/31/85	30,000,000	29,976,244	31,396,800
U S TREASURY NOTES	13.875	11/15/86	9,940,000	9,601,580	10,825,256
U S TREASURY NOTES	14.000	07/15/88	11,208,000	12,509,332	12,510,930
U S TREASURY NOTES	15.375	10/15/88	9,513,000	11,047,115	11,136,108
U S TREASURY NOTES	10.750	07/15/90	25,000,000	25,166,750	24,796,875
U S TREASURY NOTES	14.625	02/15/85	10,000,000	10,631,250	10,650,000
U S TREASURY NOTES	8.000	02/15/85	10,000,000	9,687,500	9,725,000
U S TREASURY NOTES	14.000	12/31/84	9,700,000	10,197,125	10,227,437
U S TREASURY NOTES	16.125	11/15/86	2,800,000	3,220,001	3,223,500
U S TREASURY NOTES	14.375	11/15/84	4,500,000	4,729,218	4,743,281
U S TREASURY NOTES	16.000	11/15/84	5,700,000	6,113,250	6,116,812
U S TREASURY NOTES	9.000	02/15/87	9,900,000	9,423,562	9,463,781
U S TREASURY NOTES	10.125	02/15/88	8,400,000	8,171,625	8,226,750
U S TREASURY NOTES	13.000	11/15/90	3,600,000	3,919,500	3,937,500
U S TREASURY NOTES	12.750	02/15/87	9,900,000	10,459,968	10,484,718
U S TREASURY NOTES	12.375	01/15/88	9,800,000	10,283,875	10,332,875
U S TREASURY NOTES	12.750	02/15/87	10,000,000	10,064,907	10,584,300
U S TREASURY NOTES	14.125	12/31/85	5,000,000	4,992,771	5,396,850
U S TREASURY NOTES	14.625	02/15/92	20,950,000	24,576,105	24,747,187
U S TREASURY NOTES	14.000	03/31/86	20,000,000	20,514,716	21,575,000
U S TREASURY NOTES	13.750	05/15/92	68,000,000	74,758,438	77,265,000
U S TREASURY NOTES	14.500	07/15/89	34,505,000	39,709,251	39,551,356
U S TREASURY NOTES	13.125	08/15/85	18,550,000	18,595,218	19,500,687
U S TREASURY NOTES	12.625	11/15/87	63,300,000	63,745,602	67,018,875
U S TREASURY NOTES	11.875	10/15/89	72,680,000	75,367,617	75,337,180
U S TREASURY NOTES	9.750	11/15/85	20,000,000	20,099,905	19,762,400
U S TREASURY NOTES	10.500	11/15/92	25,000,000	25,409,006	24,281,250
U S TREASURY NOTES	10.125	02/15/88	50,000,000	49,634,002	48,906,000

(Continued)

Portfolio Detail Statistics as of 6/30/83
Trade Date Basis

DESCRIPTION	INTEREST RATE	MATURITY DATE	PAR VALUE	BOOK VALUE	MARKET VALUE
LONG-TERM U S TREASURY OBLIGATIONS (Continued)					
U S TREASURY NOTES	10.500	01/15/90	25,000,000	25,383,111	24,523,250
U S TREASURY NOTES	9.875	02/15/86	8,000,000	8,030,388	7,900,000
U S TREASURY NOTES	9.875	05/15/88	15,000,000	14,943,875	14,535,900
U S TREASURY NOTES	10.500	04/15/90	15,000,000	14,995,412	14,718,750
FEDERAL FARM CREDIT BANK	10.950	01/22/90	10,000,000	10,041,435	9,887,510
FEDERAL FARM CREDIT BANK	13.950	03/03/86	4,800,000	5,256,090	5,130,004
FEDERAL FARM CREDIT BANK	12.500	09/04/90	20,000,000	20,745,232	21,125,020
FEDERAL FARM CREDIT BANK	10.850	02/01/90	17,000,000	17,199,627	16,872,500
FEDERAL FARM CREDIT BANK	13.200	03/04/85	4,600,000	4,792,625	4,755,250
FEDERAL FARM CREDIT BANK	14.500	09/02/86	3,000,000	3,292,500	3,285,000
FEDERAL FARM CREDIT BANK	13.350	09/02/86	3,200,000	3,418,000	3,408,000
FEDERAL FARM CREDIT BANK	14.350	01/21/85	3,300,000	3,489,750	3,455,718
FEDERAL FARM CREDIT BANK	10.000	12/01/86	5,400,000	5,315,625	5,292,000
FEDERAL HOME LOAN BANK	10.450	02/25/87	8,000,000	8,095,741	7,900,008
FEDERAL HOME LOAN BANK	11.300	11/25/86	3,500,000	3,561,250	3,556,875
FEDERAL HOME LOAN BANK	12.500	09/25/90	9,400,000	10,105,177	10,034,509
FEDERAL HOME LOAN BANK	11.100	11/25/92	10,000,000	10,000,000	9,937,510
FEDERAL HOME LOAN BANK	10.900	12/26/90	30,895,000	31,503,912	30,431,605
FEDERAL HOME LOAN BANK	10.700	01/25/93	5,000,000	5,047,563	4,856,255
FEDERAL HOME LOAN BANK	11.100	08/26/91	9,900,000	10,135,231	9,862,884
FEDERAL HOME LOAN BANK	10.800	03/25/93	9,250,000	9,219,547	9,047,610
FEDERAL HOME LOAN MTG CORP	10.625	06/15/88	10,000,000	9,981,013	9,747,500
FEDERAL NATIONAL MORTGAGE ASSN	7.650	06/10/87	5,000,000	4,634,610	4,468,755
FEDERAL NATIONAL MORTGAGE ASSN	12.100	10/10/89	6,200,000	6,581,692	6,440,256
FEDERAL NATIONAL MORTGAGE ASSN	7.450	09/10/85	9,000,000	8,646,562	8,454,330
FEDERAL NATIONAL MORTGAGE ASSN	7.900	09/10/86	1,200,000	1,113,375	1,104,000
FEDERAL NATIONAL MORTGAGE ASSN	7.300	12/10/86	1,500,000	1,359,843	1,356,562
FEDERAL NATIONAL MORTGAGE ASSN	13.250	09/10/86	3,000,000	3,191,250	3,185,626
FEDERAL NATIONAL MORTGAGE ASSN	7.550	12/10/84	2,300,000	2,225,968	2,221,656
U S TREASURY GROWTH OZ RECEIPTS	0.000	11/15/86	3,731,000	2,645,325	2,607,707
U S TREASURY NOTES (STRIPPED)	0.000	05/15/89	4,340,000	2,371,714	2,268,865
U S TREASURY NOTES (STRIPPED)	0.000	08/15/92	4,146,250	1,567,208	1,514,086
U S TREASURY NOTES (STRIPPED)	0.000	02/15/92	4,146,250	1,653,013	1,600,037
U S TREASURY NOTES (STRIPPED)	0.000	05/15/89	4,402,991	2,406,137	2,301,795
U S TREASURY NOTES 14.875	0.000	08/15/91	25,000,000	11,195,640	10,232,500
COUPON CERT OF ACCRUAL (CATS)	0.000	05/15/89	10,000,000	4,964,162	5,178,000
U S TREASURY NOTES (STRIPPED)	0.000	10/15/88	2,000,000	1,157,855	1,117,920
U S TREASURY NOTES (STRIPPED)	0.000	05/15/92	25,500,000	10,407,363	9,572,445
U S TREASURY NOTES (STRIPPED)	0.000	11/15/88	2,997,500	1,729,211	1,660,195
U S TREASURY NOTES (STRIPPED)	0.000	05/15/89	3,231,250	1,755,989	1,789,660
U S TREASURY NOTES (STRIPPED)	0.000	05/15/91	7,012,500	3,073,063	2,939,710
TOTAL			1299549741	1282052325	1279797691

Portfolio Detail Statistics as of 6/30/83

Trade Date Basis

DESCRIPTION	INTEREST RATE	MATURITY DATE	PAR VALUE	BOOK VALUE	MARKET VALUE
MUNICIPAL BONDS					
CASS TWP SCHUYLKILL CO	2.000	02/01/84	5,000	5,000	4,761
CASS TWP SCHUYLKILL CO	2.000	02/01/85	5,000	5,000	4,428
CASS TWP SCHUYLKILL CO	2.000	02/01/86	5,000	5,000	4,125
CASS TWP SCHUYLKILL CO	2.000	02/01/87	5,000	5,000	3,849
CASS TWP SCHUYLKILL CO	2.000	02/01/88	5,000	5,000	3,597
CASS TWP SCHUYLKILL CO	2.000	02/01/89	5,000	5,000	3,326
CASS TWP SCHUYLKILL CO	2.000	02/01/90	5,000	5,000	3,069
CASS TWP SCHUYLKILL CO	2.000	02/01/91	8,000	8,000	4,539
MT CARMEL TWP NORTHUMBERLAND	3.000	12/01/83	10,000	10,000	10,000
TOTAL			53,000	53,000	41,696
CORPORATE - BANKS					
INTER-AMERICAN DEV BANK	8.375	06/01/02	3,250,000	3,131,224	2,445,628
INTL BANK FOR R & D	4.500	02/01/90	6,734,000	6,185,666	4,823,234
INTL BANK FOR R & D	5.375	04/01/92	11,400,000	10,028,612	7,809,011
INTL BANK FOR R & D	5.875	09/01/93	1,700,000	1,580,410	1,160,251
INTL BANK FOR R & D	6.500	03/15/94	5,000,000	4,982,889	3,537,505
INTL BANK FOR R & D	6.375	10/01/94	30,388,000	27,736,411	20,891,780
INTL BANK FOR R & D	14.625	08/01/87	4,440,000	4,440,000	4,983,904
INTL BANK FOR R & D	16.625	11/01/91	4,800,000	6,406,382	5,935,296
INTL BANK FOR R & D	14.750	06/01/92	1,900,000	2,281,700	2,201,872
PRIVATE EXPORT FUNDING CORP	12.350	11/01/90	19,300,000	19,300,000	19,670,367
PRIVATE EXPORT FUNDING CORP	10.750	11/01/89	8,000,000	8,000,000	7,920,000
TOTAL			96,912,000	94,073,296	81,378,850
CORPORATE - FINANCIAL					
AMERICAN EXPRESS CREDIT CORP.	11.625	10/15/92	1,800,000	1,791,172	1,847,250
AVCO FINANCIAL SERVICES INC	7.875	05/01/92	1,200,000	1,098,783	957,750
BENEFICIAL CORP	5.000	11/01/90	9,589,000	8,616,532	6,508,533
BENEFICIAL CORP	4.750	05/15/93	9,405,000	7,828,194	5,657,700
BENEFICIAL OVERSEAS FIN OX	0.000	02/10/90	11,500,000	5,172,428	5,344,050
BORG-WARNER ACCEPTANCE CORP	11.750	10/01/90	12,650,000	12,650,000	12,468,156
CHARTER N Y CO (IRVING BANK)	5.750	08/01/91	2,783,000	2,442,507	2,042,026
CHEMICAL BANK N Y TRUST CO	5.875	01/01/92	3,000,000	2,994,336	2,115,600
COMMERCIAL CREDIT CO	7.750	04/01/93	7,750,000	7,418,718	5,744,687
FORD MOTOR CREDIT CO	8.700	04/01/99	8,000,000	7,907,070	5,760,000
FORD MOTOR CREDIT CO	7.875	07/15/93	13,832,000	13,568,318	10,304,840
GENERAL ELECTRIC CREDIT CORP	9.750	08/01/87	3,800,000	3,445,623	3,624,250
GENERAL ELECTRIC CREDIT CORP	11.750	06/01/05	7,000,000	5,781,244	6,527,500
GENERAL ELECTRIC CREDIT CORP	13.625	09/15/91	5,000,000	4,597,164	5,456,250
GENERAL MOTORS ACC CORP MED TERM	13.500	10/15/84	5,500,000	5,542,811	5,675,615
GENERAL MOTORS ACC CORP MED TERM	13.500	04/16/84	20,000,000	20,066,307	20,514,000
GENERAL MOTORS ACCEPTANCE CORP	6.250	08/01/88	800,000	615,234	642,000
GENERAL MOTORS ACCEPTANCE CORP	7.125	09/01/92	18,000,000	13,787,787	13,770,000

(Continued)

Portfolio Detail Statistics as of 6/30/83
Trade Date Basis

DESCRIPTION	INTEREST RATE	MATURITY DATE	PAR VALUE	BOOK VALUE	MARKET VALUE
CORPORATE - FINANCIAL (Continued)					
GENERAL MOTORS ACCEPTANCE CORP	9.400	07/15/04	13,000,000	10,603,332	10,513,750
GENERAL MOTORS ACCEPTANCE CORP	10.875	07/15/87	2,000,000	1,868,556	1,985,000
GENERAL MOTORS ACCEPTANCE CORP	14.400	08/15/85	6,000,000	6,000,000	6,348,750
GENERAL MOTORS ACCEPTANCE CORP	11.750	10/15/89	12,300,000	12,476,889	12,423,000
HOUSEHOLD FINANCE CORP	4.500	07/01/91	7,612,000	6,609,928	5,019,162
HOUSEHOLD FINANCE CORP	4.875	09/15/93	9,409,000	7,444,222	5,864,450
HOUSEHOLD FINANCE CORP	12.000	04/15/87	2,300,000	2,312,133	2,287,421
MARINE MIDLAND CORP	5.000	07/15/89	12,500,000	10,812,014	8,386,725
NORTHWEST BANCORP	5.125	10/15/90	1,800,000	1,730,497	1,252,688
J C PENNEY FINANCIAL CORP	7.875	09/15/91	1,103,000	774,273	885,157
THE PHILA NATIONAL BANK	5.500	03/01/92	4,000,000	3,472,782	2,573,752
TENNESSEE VALLEY BANCORP INC	8.500	01/01/99	1,000,000	995,582	650,469
TRANSAMERICA FINANCIAL	9.875	03/01/99	3,000,000	2,302,599	2,559,375
UNITED CALIF BANK CAP NOTES	4.500	01/15/90	3,000,000	2,933,484	2,078,907
UNITED VA BANKSHARES	7.750	09/15/97	500,000	418,331	355,000
TOTAL			221,133,000	196,076,155	178,143,817
CORPORATE - INDUSTRIAL					
ALLIED CORP	6.000	12/15/90	5,000,000	3,697,741	3,525,000
ALUMINUM CO OF AMERICA	13.875	01/15/11	3,400,000	3,044,319	3,604,000
ALUMINIUM CO AMERICA	12.250	12/01/12	7,000,000	6,960,366	6,562,500
AMERICAN GENERAL CORP CONV	11.000	11/04/08	4,500,000	4,865,429	5,872,500
AMERICAN MEDICAL INTERNATIONAL	14.375	08/15/92	5,000,000	5,000,000	5,604,690
ANADARKO PRODUCTION	14.700	08/01/94	5,000,000	5,000,000	5,506,250
ANHEUSER BUSCH INC	11.875	10/01/12	5,000,000	4,980,103	5,050,000
ATLANTIC RICHFIELD	7.000	12/01/91	13,000,000	9,382,183	10,205,000
ATLANTIC RICHFIELD	12.500	09/15/12	10,000,000	10,264,414	9,850,000
AVON CAPITAL CORP	11.750	10/15/90	8,800,000	8,800,000	8,888,000
BAKER INTERNATIONAL CORP	10.200	06/15/90	5,000,000	4,883,321	4,612,500
CATERPILLAR TRACTOR	13.375	10/01/07	5,000,000	4,988,824	5,456,250
CORNING GLASS SUB EXCH CCF CONV	8.250	12/01/07	2,500,000	2,540,096	3,100,000
CYPRUS MINES	8.500	04/15/01	3,000,000	3,005,145	2,238,750
DANA CORP	9.000	02/15/00	4,000,000	3,088,349	3,245,000
DANA CORP	8.875	11/15/08	3,000,000	1,948,582	2,295,000
DEERE & CO	8.000	11/15/02	3,000,000	2,049,177	2,220,000
DEERE & CO	11.500	11/01/89	3,900,000	3,893,185	3,939,000
DUPONT DE NEMOURS (E I)	6.000	12/01/01	4,000,000	2,003,138	2,285,000
DUPONT DE NEMOURS (E I)	12.875	09/01/92	4,000,000	3,973,833	4,265,000
EATON CORP	7.875	12/01/03	13,700,000	13,042,433	9,367,375
EXXON PIPELINE	8.875	10/15/00	6,000,000	3,982,268	4,815,000
GEORGIA PACIFIC	12.250	03/01/13	5,000,000	4,960,514	5,317,190
GOODYEAR TIRE & RUBBER	7.350	09/15/97	6,260,000	4,484,828	4,436,775
INTERNORTH INC	12.250	10/15/02	7,500,000	7,409,260	7,275,000
KEYSTONE INT'L INC-CONV.	8.000	10/01/05	200,000	200,568	221,000
MCI COMMUNICATIONS CORP	7.750	03/15/03	765,000	765,000	879,750
MOBIL CORP	8.500	06/15/01	10,000,000	7,676,099	7,650,000

(Continued)

Portfolio Detail Statistics as of 6/30/83

Trade Date Basis

DESCRIPTION	INTEREST RATE	MATURITY DATE	PAR VALUE	BOOK VALUE	MARKET VALUE
CORPORATE - INDUSTRIAL (Continued)					
MOBIL CORP	10.875	11/01/92	4,500,000	4,494,941	4,438,125
MORTON NORWICH	9.625	10/01/00	2,250,000	1,958,646	1,867,500
M C R CORP	5.600	06/15/91	900,000	853,623	636,750
J C PENNEY	12.000	07/15/10	8,500,000	7,514,122	8,229,062
PHILIP MORRIS INC	9.125	07/15/03	7,500,000	5,761,985	6,000,000
PHILIP MORRIS INC	6.000	11/15/99	29,505,000	14,550,295	17,947,330
PHILLIPS PETROLEUM CO	12.875	09/01/92	8,000,000	7,964,837	8,515,000
R J REYNOLDS	13.350	10/01/12	4,000,000	4,000,000	4,240,000
SEARS ROEBUCK & CO	14.125	11/15/89	13,020,000	13,020,000	14,647,500
STANDARD OIL OF INDIANA	6.000	01/15/98	2,000,000	1,179,227	1,280,000
STANDARD OIL OF OHIO	13.375	09/15/92	14,900,000	14,914,157	15,887,125
SUN CO - SUB EX DEB - CONV	10.750	04/01/06	3,000,000	2,892,102	3,176,250
SUN OIL	13.400	08/15/07	7,000,000	7,000,000	7,424,375
TENNECO INC	13.375	01/15/91	2,542,000	2,475,445	2,702,463
TENNECO INC	14.500	06/01/91	2,500,000	2,504,012	2,737,500
TENNECO INC	13.700	09/01/92	9,500,000	9,500,000	10,307,500
TENNECO INC	13.625	10/01/07	9,000,000	9,148,444	9,618,750
TRANSAMERICA CORP	8.625	12/15/01	5,000,000	4,654,056	4,000,000
UNION PACIFIC CORP	6.000	03/01/92	15,000,000	11,464,750	10,682,820
UPJOHN CO	14.000	06/01/91	8,500,000	8,480,939	8,927,660
JIM WALTER CORP CONV	9.000	12/15/07	2,420,000	2,428,939	2,795,100
TOTAL			313,062,000	273,648,081	284,347,342
CORPORATE - UTILITIES					
A T & T	4.375	05/01/99	2,500,000	1,282,375	1,246,875
BALTIMORE GAS & ELECTRIC CO	4.625	08/01/90	700,000	701,184	489,125
BROOKLYN UNION GAS CO	4.625	04/01/90	1,500,000	1,506,589	1,130,625
CENTRAL TELEPHONE CO DELAWARE	7.600	10/01/97	3,000,000	3,000,000	2,242,500
CENTRAL VERMONT PUBLIC SERVICE	7.000	05/01/93	1,950,000	1,950,000	1,395,225
CENTRAL VERMONT PUBLIC SERVICE	10.625	04/01/95	2,870,000	2,870,000	2,562,049
CENTRAL VERMONT PUBLIC SERVICE	8.500	07/01/99	3,000,000	3,000,000	2,218,500
COLUMBIA GAS SYSTEM INC	4.625	05/01/89	7,638,000	7,014,294	5,642,572
COLUMBIA GAS SYSTEM INC	4.625	10/01/89	5,180,000	4,902,751	3,755,500
COLUMBIA GAS SYSTEM INC	4.625	05/01/90	4,979,000	4,600,498	3,516,418
COLUMBIA GAS SYSTEM INC	4.875	10/01/90	2,162,000	2,040,241	1,521,507
COLUMBIA GAS SYSTEM INC	7.500	06/01/97	10,800,000	10,600,967	7,661,250
COLUMBIA GAS SYSTEM INC	7.500	10/01/97	3,000,000	2,507,729	2,088,750
COLUMBIA GAS SYSTEM INC	10.250	05/01/99	5,000,000	3,737,784	4,525,000
COLUMBIA GAS SYSTEM INC	11.750	10/01/99	2,100,000	1,855,771	2,043,562
COMMONWEALTH EDISON CO	5.750	11/01/96	3,000,000	3,000,000	1,801,800
CONSOLIDATED EDISON CO N Y	4.400	06/01/93	7,000,000	7,000,000	4,067,000
CONSOLIDATED EDISON CO N Y	4.375	10/01/92	1,310,000	1,312,690	831,850
DETROIT EDISON CO	4.875	08/15/87	4,000,000	4,000,000	3,093,200
DUKE POWER COMPANY	4.250	08/01/92	1,100,000	1,098,108	750,750
EQUITABLE GAS CO	4.625	03/01/86	2,244,000	2,244,000	1,974,720
EQUITABLE GAS CO	6.250	09/01/92	1,974,000	1,974,000	1,363,244

(Continued)

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DESCRIPTION	INTEREST RATE	MATURITY DATE	PAR VALUE	BOOK VALUE	MARKET VALUE
CORPORATE - UTILITIES (Continued)					
FLORIDA POWER & LIGHT	11.300	05/01/10	4,000,000	3,308,310	3,610,000
GENERAL TELEPHONE KENTUCKY	5.250	10/01/89	1,600,000	1,600,000	1,191,520
GENERAL TELEPHONE CO MICHIGAN	4.875	11/01/95	2,000,000	2,000,000	1,148,800
GENERAL TELEPHONE CO MICHIGAN	5.375	12/01/89	1,500,000	1,500,000	1,111,500
GENERAL TELEPHONE CO MICHIGAN	5.500	03/01/97	2,000,000	1,989,157	1,482,000
GENERAL TEL OF THE NORTHWEST	6.250	09/01/98	3,000,000	2,983,918	1,881,000
GENERAL TEL CO OF OHIO	5.250	10/01/89	1,550,000	1,550,000	1,154,285
GENERAL TEL CO OF OHIO	4.750	10/01/93	2,000,000	1,984,538	1,220,400
GENERAL TELEPHONE CO OF PA	5.625	07/01/96	1,100,000	1,100,000	669,350
HOUSTON LIGHTING & POWER	12.000	06/01/10	2,500,000	2,028,786	2,393,750
MASS ELECTRIC CO (WORCHESTER)	4.375	09/01/92	1,200,000	1,204,489	741,000
MISSOURI PUBLIC SERVICE CO	6.000	03/15/97	3,000,000	3,000,000	1,820,400
MISSOURI PUBLIC SERVICE CO	8.000	04/15/84	4,000,000	4,000,000	3,941,600
NEW ENGLAND TEL & TEL CO	12.200	05/15/17	10,000,000	9,135,568	10,000,000
PACIFIC TEL & TEL CO	4.625	11/01/90	1,576,000	1,210,620	1,113,050
PACIFIC TEL & TEL CO	3.625	08/15/91	1,000,000	1,009,934	603,750
PENNA POWER AND LIGHT CO	4.625	03/01/94	4,000,000	4,022,612	2,291,200
PHILA SUBURBAN WATER CO	5.000	09/01/89	1,700,000	1,700,000	1,236,070
PUBLIC SERVICE ELEC & GAS CO	4.375	06/01/93	1,250,000	1,030,523	804,687
PUBLIC SERVICE ELEC & GAS CO	7.750	08/15/96	1,500,000	1,478,995	1,072,500
SOUTHERN BELL TEL & TEL	10.900	12/01/19	10,000,000	9,211,280	9,000,000
SOUTHWESTERN BELL TEL CO	4.500	08/01/97	3,750,000	3,767,801	2,156,250
TUCSON GAS AND ELEC CO	4.550	02/01/95	2,000,000	2,000,000	1,122,000
UNITED TEL CO FLORIDA	9.250	11/01/99	3,480,000	3,480,000	2,800,356
UNITED TEL CO INDIANA	5.000	09/01/90	780,000	780,000	544,284
UNITED TEL CO PENNA	3.600	12/01/85	511,000	511,000	436,087
UNITED TEL CO PENNA	5.000	06/01/89	760,000	760,000	572,128
UNITED TEL CO PENNA	6.625	11/01/98	3,010,000	3,010,000	1,924,293
VIRGINIA ELECTRIC & POWER	10.250	04/01/09	5,000,000	3,583,954	4,150,000
WESTERN PA WATER CO - SO PGH	4.375	05/01/93	3,000,000	2,983,993	1,807,800
WORCESTER CO ELEC - MASS ELEC	3.375	10/01/85	80,000	80,068	69,200
TOTAL			159,854,000	150,236,599	119,991,285
CORPORATE - RAILROADS					
PENN CENTRAL CO - EQUIP TR	9.000	08/01/84	533,333	533,333	515,893
OTHER BONDS					
VW MFG CORP OF AMER	8.500	09/15/91	2,516,447	2,516,447	2,147,284
UNIVERSITY OF PITTSBURGH	4.000	06/01/86	335,000	335,000	268,000
CONSOLIDATED FOODS	11.000	01/01/89	1,111,996	1,111,996	1,111,996
TOTAL			3,963,444	3,963,444	3,527,281

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DESCRIPTION	INTEREST RATE	MATURITY DATE	PAR VALUE	BOOK VALUE	MARKET VALUE
MORTGAGES AND OTHER DEBENTURES					
FHA/VA RESIDENTIAL MORTGAGES			314,911,238	309,953,441	248,780,664
FHA PROJECT MORTGAGES			364,422,514	278,032,007	280,605,336
GNMA - FIXED PAYMENT			71,857,781	69,908,989	68,540,549
GNMA - GRADUATED PAYMENT			175,689,720	170,983,050	153,042,938
EQUITY REAL ESTATE MORTGAGES			158,123,367	158,494,843	158,123,367
PROJECT MORTGAGE DEBENTURE			101,350	101,350	101,350
OTHER MORTGAGES			15,368,476	15,368,476	15,368,476
TOTAL			1100474446	1002842156	924,562,680

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DESCRIPTION	NO. OF SHARES	BOOK VALUE	MARKET VALUE
COMMON STOCK			
ACF INDUSTRIES INC	53,300	1,838,714	1,838,850
AMR CORP	50,000	1,081,033	1,881,250
ABBOTT LABORATORIES	260,000	5,898,038	12,512,500
ADVANCED MICRO DEVICES	70,000	2,559,542	4,515,000
AETNA LIFE & CASUALTY	130,500	5,076,970	5,073,187
AIR PRODUCTS & CHEMICALS	100,000	2,939,775	4,775,000
ALCAN ALUMINIUM	70,000	1,963,500	2,310,000
ALLIED CORP	250,000	9,903,366	12,531,250
ALUMINUM CO OF AMERICA	200,400	5,918,105	7,414,800
AMERICAN BROADCASTING CO	15,600	725,043	982,800
AMERICAN EXPRESS	130,200	6,560,878	9,309,300
AMERICAN GENERAL CORP	71,700	1,019,297	1,604,287
AMERICAN HOME PRODUCTS	140,300	4,272,133	6,576,562
AMERICAN HOSPITAL SUPPLY	222,700	6,516,070	10,606,087
AMERICAN INTERNATIONAL GROUP	123,100	6,234,489	8,401,575
AMERICAN MEDICAL INTERNATIONAL	24,600	839,721	845,625
AMERICAN NATIONAL RESOURCES	12,100	471,035	474,925
AMERICAN STANDARD INC	14,100	436,465	461,775
AMERICAN STERILIZER	30,000	442,400	637,500
AMERICAN STORES	5,700	589,363	581,400
A T & T	725,000	41,582,180	46,037,500
AMP INC	90,400	6,953,777	9,492,000
APPLE COMPUTER INC	28,400	1,399,927	1,388,050
ARCHER-DANIELS-MIDLAND	55,000	1,379,102	1,388,750
ARIZONA PUBLIC SERVICE	100,000	2,572,575	2,412,500
ASARCO INC	27,700	1,103,412	1,083,762
ASHLAND OIL INC	1,700	49,618	60,562
ASSOCIATED DRY GOODS	7,100	388,883	426,000
ATLANTIC RICHFIELD	433,000	13,752,653	21,217,000
AYDIN CORP	5,000	259,875	276,875
BAKER INTERNATIONAL CORP	300,000	10,100,696	5,887,500
BALL CORP	10,000	339,500	345,000
BALLY MANUFACTURING CORP	74,400	1,954,671	1,850,700
BANDAG INC	20,000	488,266	1,075,000
BANKAMERICA CORP	94,600	2,305,786	2,140,325
BANKERS TRUST N Y CORP	209,400	8,189,941	8,794,800
BARNETT BANKS OF FLORIDA	50,000	1,662,500	1,737,500
BAXTER TRAVENOL LABS	70,000	2,567,072	4,200,000
BEATRICE FOODS CO	300,000	7,451,334	7,875,000
BINNEY & SMITH	12,800	472,505	480,000
H & R BLOCK	45,000	1,629,837	1,839,375
BOEING CO	176,900	6,942,059	8,093,175
BRISTOL-MYERS	136,300	5,123,112	5,571,262
BROCKWAY INC	163,500	2,930,552	3,004,312
BROWN-FOREMAN DISTILLERS	221,300	7,361,523	7,275,237
BURLINGTON NORTHERN	19,200	1,635,717	1,651,200
BURROUGHS CORP	75,000	3,857,874	4,143,750
CBS INC	95,000	5,187,323	6,353,125

(Continued)

Portfolio Detail Statistics as of 6/30/83

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DESCRIPTION	NO. OF SHARES	BOOK VALUE	MARKET VALUE
COMMON STOCK (Continued)			
CIGNA CORP (CONN GEN INS)	125,000	4,181,342	6,015,625
CPC INTERNATIONAL INC	76,100	2,821,857	2,872,775
CSX CORP	69,000	3,486,906	4,942,125
CAPITAL CITIES COMMUNICATIONS	80,100	7,572,629	11,974,950
CARLISLE CORP (DEL)	8,000	268,775	238,000
CAROLINA POWER & LIGHT	63,000	1,295,280	1,409,625
CARTER HAWLEY MALE STORES	116,200	2,601,641	2,570,925
CATERPILLAR TRACTOR	130,500	6,148,725	6,166,125
CENTRAL & SOUTHWEST CORP	144,100	2,528,955	2,611,812
CENTRAL LOUISIANA ELECTRIC	48,000	734,880	810,000
CHARTER MEDICAL CLASS A	7,000	215,225	313,250
CHASE MANHATTAN CORP	20,000	1,055,426	1,067,500
CHESEBROUGH-PONDS INC	20,000	497,874	777,500
CINCINNATI MILACRON	11,400	389,855	384,750
CLOROX CO	19,200	638,592	638,400
COCA COLA CO	218,200	9,903,543	10,882,725
COLGATE-PALMOLIVE CO	192,000	3,839,529	4,440,000
COMBUSTION ENGINEERING	150,000	5,751,265	5,437,500
COMMONWEALTH EDISON	100,000	2,575,000	2,525,000
CONSOLIDATED EDISON CO OF NY	440,000	7,843,643	9,790,000
CONSOLIDATED FOODS CORP	375,000	14,928,437	16,031,250
CONSOLIDATED NATURAL GAS	300,000	7,104,932	8,925,000
CONTINENTAL CORP	150,000	5,124,271	4,593,750
CONTINENTAL GROUP	299,750	10,444,271	13,001,656
CONTINENTAL TELECOM	24,400	579,744	570,350
CONTROL DATA CORP	300,000	12,436,275	17,025,000
CONWOOD CORP	10,000	392,350	476,250
COOPER TIRE & RUBBER	17,000	669,475	739,500
CROSS & TRECKER	6,400	190,949	172,000
CUBIC CORP	10,000	275,750	316,250
CUMMINS ENGINE	2,500	133,081	157,500
CURTISS-WRIGHT	8,000	371,250	400,000
DART & KRAFT INC	60,000	3,661,685	3,945,000
DAYTON-HUDSON	32,700	2,331,619	2,444,325
DAYTON POWER & LIGHT	250,000	3,992,500	4,312,500
DELUXE CHECK PRINTERS	78,000	3,527,112	3,549,000
DIEBOLD INC	23,000	2,084,375	1,794,000
DIGITAL EQUIPMENT	45,000	4,989,353	5,377,500
DOMINION RESOURCES INC	39,300	851,560	840,037
R R DONNELLEY & SONS	34,500	2,249,030	2,967,000
DOW CHEMICAL	251,700	8,891,301	8,369,025
DOW JONES & CO	34,100	1,861,093	1,811,562
DRESSER INDUSTRIES INC	400,000	8,010,508	8,650,000
DUPONT DE NEMOURS (E I)	291,200	11,949,451	13,904,800
DUKE POWER CO	300,000	6,682,650	6,825,000
DUN & BRADSTREET CORP	174,200	7,518,166	10,887,500
EG & G INC	75,000	2,117,394	2,503,125
E-SYSTEMS INC	80,000	1,863,550	3,280,000

(Continued)

Portfolio Detail Statistics as of 6/30/83
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DESCRIPTION	NO. OF SHARES	BOOK VALUE	MARKET VALUE
COMMON STOCK (Continued)			
EASTMAN KODAK CO	180,000	13,074,458	13,072,500
ECONOMICS LABORATORY	10,000	279,687	288,750
A B EDWARDS & SONS	15,000	554,100	579,375
EL PASO CO	167,531	2,923,008	3,266,854
EMHART CORP (VA)	50,000	2,569,025	2,868,750
ESMARK INC	26,500	1,808,817	1,888,125
ETHYL CORP	200,000	3,831,175	4,450,000
EX-CELL-O CORP	47,700	1,398,564	1,788,750
FMC CORP	139,100	4,981,393	5,894,362
FARMERS GROUP INC	47,700	1,872,225	1,747,012
FEDERATED DEPT STORES	99,900	5,351,523	6,568,425
FELMONT OIL	5,000	114,625	113,750
FINANCIAL CORP AMERICA	50,000	1,245,033	1,956,250
FIRESTONE TIRE & RUBBER	200,000	3,588,450	4,000,000
FIRST CITY BANCORP OF TEXAS	44,000	886,902	1,023,000
FIRST INTERSTATE BANCORP	530,000	14,428,216	21,995,000
FIRST MISSISSIPPI CORP	10,700	132,789	127,062
FISHBACH CORP	9,000	437,460	454,500
FLORIDA POWER & LIGHT	150,000	4,971,181	5,362,500
FLUOR CORP	92,400	1,896,314	1,975,050
FORD MOTOR CO	120,400	5,958,678	6,802,600
FOSTER WHEELER	41,200	699,477	648,900
FRONTIER HOLDINGS INC	15,300	301,862	328,950
GTE CORP	242,400	9,819,197	9,877,800
GANNETT CO	35,000	871,567	2,423,750
GENERAL CINEMA	5,700	226,065	243,675
GENERAL DYNAMICS CORP	144,200	6,614,401	7,786,800
GENERAL ELECTRIC CO	837,000	23,233,609	46,035,000
GENERAL FOODS	27,700	1,179,900	1,229,187
GENERAL HOST	10,000	213,842	205,000
GENERAL MILLS	119,200	5,476,400	6,585,800
GENERAL MOTORS	400,000	23,602,831	29,100,000
GENERAL RE CORP	75,000	2,859,910	4,546,875
GENERAL SIGNAL CORP	14,900	664,329	692,850
GEORGIA PACIFIC	51,900	1,564,648	1,362,375
GERBER PRODUCTS	22,200	623,602	760,350
GETTY OIL CO	50,000	2,544,678	3,443,750
GIANT FOOD	15,000	336,800	552,500
GILLETTE CO	100,000	4,689,625	4,375,000
B F GOODRICH CO	9,200	371,379	377,200
GOODYEAR TIRE & RUBBER	337,700	10,738,607	10,890,825
GORDON JEWELRY CLASS A	20,000	351,350	535,000
W R GRACE & CO	125,600	5,077,099	6,044,500
GREAT NORTHERN NEKOOSA	103,000	4,589,875	4,544,875
GULF UNITED	130,000	3,402,214	3,558,750
HALLIBURTON CO	292,400	8,644,584	11,915,300
HANDLEMAN CO	5,000	131,111	162,500
J H HARLAND CO	50,000	1,901,477	2,137,500

(Continued)

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DESCRIPTION -----	NO. OF SHARES -----	BOOK VALUE -----	MARKET VALUE -----
COMMON STOCK (Continued)			
H J MEINZ CO	87,000	3,054,005	3,784,500
MERCULES INC	22,800	895,808	906,300
MERSHEY FOODS CORP	10,000	507,515	537,500
HEWLETT-PACKARD CO	158,700	12,055,091	14,441,700
HILLENBRAND INDUSTRIES	25,000	586,196	1,225,000
HOLIDAY INNS INC	22,000	1,208,088	1,240,250
HOMESTAKE MINING	37,000	1,262,232	1,234,875
HONEYWELL INC	85,000	6,658,440	9,806,875
HOSPITAL CORP OF AMERICA	40,796	903,578	2,151,989
HOUSTON INDUSTRIES	400,000	8,111,500	8,350,000
HUGHES TOOLS CO	350,000	11,250,858	7,306,250
HUMANA INC	116,666	3,698,642	4,316,641
E F HUTTON GROUP INC	62,500	2,251,327	3,125,000
IDEAL BASIC INDUSTRIES	7,100	138,598	135,787
ILLINOIS POWER	200,000	3,949,496	4,350,000
INFORMATICS GENERAL CORP	6,000	173,080	167,250
INTEL CORP	48,400	1,389,016	1,796,850
INTERFIRST CORP	460,100	10,172,555	9,834,637
INTERNATIONAL BUSINESS MACH CORP	677,100	52,204,303	81,421,275
INTERNATIONAL MIN & CHEM	246,000	8,350,682	9,870,750
INTERNATIONAL PAPER CO	100,000	4,467,138	5,225,000
INTERNATIONAL TEL & TEL	581,900	18,521,644	24,367,062
INTERNORTH INC	200,000	5,235,460	7,525,000
JEWEL COMPANIES	32,500	1,368,250	1,710,312
JOHNSON & JOHNSON	250,300	11,062,897	12,327,275
JOSTENS INC	20,000	510,287	577,500
K MART CORP	65,400	2,296,151	2,280,825
KAISER CEMENT	3,600	96,159	87,300
KELLOGG CO	42,700	1,122,038	1,094,187
KEY PHARMACEUTICALS	5,000	155,420	185,000
KIMBERLY CLARK CO	61,400	2,705,752	5,219,000
KNIGHT-RIDDER NEWSPAPERS	17,800	959,575	1,065,775
KROGER CO	275,000	10,404,803	11,446,875
LANCE INC	13,000	342,625	380,250
LEASEWAY TRANSPORTATION	40,000	1,749,035	1,530,000
LEE ENTERPRISES	40,000	567,016	915,000
LEVI STRAUSS & CO	21,300	1,149,115	1,139,550
LIBBY-OWENS-FORD	5,700	198,766	206,625
LIFEMARK CORP	10,000	350,960	340,000
ELI LILLY & CO	52,900	3,424,662	3,372,375
LITTON INDUSTRIES	153,100	9,342,672	10,295,975
LOEWS CORP	10,000	1,519,413	1,625,000
LONE STAR INDUSTRIES	7,100	221,256	220,100
LONGS DRUG STORES	25,000	703,301	1,243,750
MCA INC	24,200	933,379	955,900
MGM UA ENTERTAINMENT	25,600	495,444	454,400
R H MACY & CO	335,450	8,788,991	19,288,375
MARINE MIDLAND BANKS	100,000	2,927,842	2,700,000

(Continued)

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DESCRIPTION	NO. OF SHARES	BOOK VALUE	MARKET VALUE
COMMON STOCK (Continued)			
MARSH & MCLENNAN COMPANIES	100,000	4,349,375	4,337,500
MATTEL INC	210,700	3,348,350	2,502,062
MAY DEPARTMENT STORES	74,900	3,658,827	4,512,725
MCDONALDS CORP	131,300	8,228,511	8,600,150
MCDONNELL DOUGLAS CORP	124,900	6,282,496	7,431,550
MCGRAW-HILL INC	165,600	5,424,185	7,969,500
MERCANTILE TEXAS CORP	130,000	3,635,790	3,688,750
MERCK & CO	73,700	5,864,328	6,844,887
MEREDITH CORP	7,000	523,505	843,500
MERRILL LYNCH & CO INC	260,000	5,930,165	13,747,500
MIDCON CORP	49,500	1,362,440	1,621,125
MIDDLE SOUTH UTILITIES INC	135,000	2,014,125	2,025,000
MILTON BRADLEY	15,000	298,544	305,625
MINNESOTA MINING & MFG	138,300	10,240,156	11,582,625
MISSION INSURANCE GROUP	40,000	1,103,200	1,450,000
MOBIL CORP	454,300	11,206,537	15,570,450
MONSANTO CO	20,600	1,303,307	1,910,650
J P MORGAN & CO	100,000	4,821,300	7,162,500
MORTON THIOKOL	150,000	8,929,000	10,068,750
MOTOROLA INC	100,100	9,428,491	13,563,550
MULTIMEDIA INC	70,000	2,753,907	2,817,500
NBI INC	70,000	2,350,681	2,213,750
NCR CORP	90,000	6,367,225	10,575,000
NL INDUSTRIES	53,300	949,540	952,737
NABISCO BRANDS INC	37,700	1,469,816	1,479,725
NATIONAL DISTILLERS & CHEMICALS	200,000	5,755,863	5,750,000
NATIONAL SEMI-CONDUCTOR	15,000	663,162	774,375
NATIONAL SERVICE INDUSTRIES	100,000	3,347,675	3,650,000
NEW YORK STATE ELEC & GAS CO	225,000	4,700,052	4,500,000
NEWMONT MINING CORP	24,900	1,410,823	1,307,250
NORFOLK SOUTHERN CORP	107,300	6,006,722	6,169,750
NORTHERN STATES POWER CO MINN	117,400	3,503,216	3,859,525
NORTHROP CORP	25,000	2,245,000	2,246,875
NORTHWEST AIRLINES	75,000	3,207,500	3,843,750
NOXELL CORP CLASS B	5,000	186,250	195,000
OLIN CORP	2,000	60,876	61,250
OVERNITE TRANSPORTATION	11,600	309,711	336,400
OVERSEAS SHIPHOLDING GROUP	45,000	823,950	939,375
OWENS-CORNING FIBERGLASS	22,800	938,825	923,400
PPG INDUSTRIES	77,800	4,389,116	4,940,300
PACIFIC GAS & ELECTRIC	69,700	2,258,096	2,056,150
PACIFIC SCIENTIFIC	15,000	471,737	549,375
PEABODY INTERNATIONAL	12,800	183,256	176,000
PENNEY (J C)	100,000	4,180,468	5,950,000
PENNZOIL	52,400	1,982,128	2,148,400
PEPSICO INC	85,000	3,323,431	3,028,125
PERKIN-ELMER	26,300	844,645	907,350
PETROLITE CORP	10,000	292,500	292,500

(Continued)

Portfolio Detail Statistics as of 6/30/83
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DESCRIPTION	NO. OF SHARES	BOOK VALUE	MARKET VALUE
COMMON STOCK (Continued)			
PFIZER INC	259,600	9,896,500	11,487,300
PHELPS DODGE CORP	24,200	733,135	683,650
PHIBRO-SALOMON INC	253,800	5,050,450	9,834,750
PHILADELPHIA ELECTRIC CO	66,100	1,166,491	1,098,912
PHILIP MORRIS	298,900	16,024,622	17,523,012
PHILLIPS PETROLEUM	185,800	5,951,111	6,549,450
PIEDMONT AVIATION	100,000	2,999,560	3,700,000
PILLSBURY CO	260,000	12,462,808	15,437,500
PITNEY BOWES INC	400,000	9,261,825	13,550,000
PROCTOR & GAMBLE & CO	252,400	10,219,771	13,913,550
PUBLIC SERVICE CO INDIANA	100,000	2,586,250	2,425,000
PUBLIC SERVICE ELECTRIC & GAS	49,800	1,136,280	1,095,600
RCA CORP	243,400	6,096,475	7,028,175
REVCO DRUG STORES INC	15,000	445,625	438,750
R J REYNOLDS INDUSTRIES	125,000	5,809,260	6,375,000
A H ROBINS CO	20,000	390,137	465,000
ROCKWELL INTERNATIONAL CORP	181,000	3,773,618	5,950,375
ROHM & HAAS CO	6,200	410,359	430,900
ROHR INDUSTRIES	10,000	253,462	283,750
ROLLINS INC	40,000	525,608	640,000
ROLM CORP	34,000	2,197,587	2,439,500
RYDER SYSTEM	16,340	782,552	929,337
SAFECO CORP	150,000	7,815,975	8,550,000
SAFEGUARD BUSINESS SYSTEMS	5,000	145,500	166,875
SAFEWAY STORES	250,000	5,579,500	6,718,750
ST PAUL COMPANIES INC	205,000	12,462,562	13,530,000
SAN DIEGO GAS & ELECTRIC	200,000	3,512,000	3,575,000
SANDERS ASSOCIATES	20,000	2,055,146	2,235,000
SANTE FE INDUSTRIES	57,600	1,612,138	1,634,400
SCHERING-PLOUGH CORP	27,000	1,269,438	1,204,875
SCHLUMBERGER LTD	100,000	3,955,686	5,400,000
SCOTT & FETZER CO	12,000	455,025	543,000
SCOTT PAPER	300,000	5,885,213	7,200,000
SCOTTY'S INC	25,000	360,897	450,000
G D SEARLE & CO	26,300	1,203,184	1,167,062
SEARS ROEBUCK & CO	170,000	5,891,720	7,033,750
SEDCO	31,300	1,297,427	1,306,775
SERVICE MERCHANDISE	60,000	1,260,000	1,335,000
SHARED MEDICAL SYSTEMS CORP	80,000	1,940,000	3,110,000
SHELL OIL CO	163,500	8,187,228	7,991,062
SIGNAL COMPANIES	150,000	4,056,147	5,793,750
SMITH INTERNATIONAL	125,000	3,191,534	3,171,875
SMITHKLINE BECKMAN CORP	120,500	6,684,397	8,826,625
SNAP-ON TOOLS CORPORATION	10,000	190,977	297,500
SONAT INC	300,000	7,658,805	10,012,500
SOUTHDOWN	15,450	562,637	583,237
SOUTHERN CALIFORNIA EDISON	287,000	10,100,187	10,188,500
SOUTHERN CO	189,000	2,951,573	2,953,125

(Continued)

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DESCRIPTION	NO. OF SHARES	BOOK VALUE	MARKET VALUE
COMMON STOCK (Continued)			
SOUTHERN PACIFIC CO	28,400	996,724	1,015,300
SOUTHWESTERN PUBLIC SERVICE	348,500	5,815,050	6,229,437
SPERRY CORP	22,800	825,474	937,650
SQUIBB CORP	125,600	4,744,289	5,934,600
STANDARD MOTOR PRODUCTS	5,000	214,825	281,250
STANDARD OIL OF CALIF	354,100	7,628,135	13,898,425
STANDARD OIL OF IND	340,700	15,124,310	17,546,050
STANDARD OIL OF OHIO	105,000	3,758,893	5,315,625
STANDARD REGISTER	10,000	334,375	327,500
SUNDSTRAND CORP	53,700	2,152,914	2,685,000
SYNTEX CORP	45,000	2,659,186	2,531,250
TAFT BROADCASTING CO	175,000	7,494,395	8,268,750
TANDY CORP	275,000	9,081,406	13,956,250
TELEFLEX INC	3,000	103,025	103,125
TENNECO INC	69,000	2,639,940	2,811,750
TEXACO INC	200,000	5,665,416	6,950,000
TEXAS EASTERN CORP	300,000	13,864,710	16,912,500
TEXAS INDUSTRIES	4,000	169,070	175,500
TEXAS INSTRUMENTS	43,000	3,954,867	5,122,375
TEXAS OIL & GAS	127,600	4,943,891	6,332,150
TEXAS UTILITIES	59,100	1,489,962	1,440,562
TEXTRON INC	200,000	5,450,386	6,400,000
TIME INC	163,000	8,389,141	11,776,750
TODD SHIPYARD	59,400	1,941,691	2,093,850
TRAVELERS CORP	181,300	4,254,733	5,416,337
TYCO LABORATORIES	5,000	121,570	120,000
UNION CAMP CORP	75,000	4,066,741	5,737,500
UNION CARBIDE	97,200	6,605,080	6,682,500
UNION PACIFIC CORP	124,100	6,819,241	7,182,287
U S AIR GROUP	125,000	4,053,473	4,781,250
U S HOME CORP	130,000	2,411,100	2,161,250
U S SHOE CORP	60,000	2,646,821	2,880,000
UNITED TELECOMMUNICATIONS	139,800	2,569,112	3,005,700
UNOCAL	90,300	2,837,691	3,228,225
V F CORP	8,500	338,759	636,437
WACHOVIA CORP	50,000	1,223,979	1,987,500
WAL-MART STORES	41,200	3,429,680	3,223,900
JIM WALTER CORP	75,000	3,222,425	2,925,000
WANG LABS CLASS B	30,000	1,007,690	1,200,000
WARNACO INC	20,000	488,052	660,000
WARNER COMMUNICATIONS	86,000	2,870,877	2,440,250
WARNER LAMBERT CO	190,000	4,211,771	5,937,500
WELLS FARGO & CO	100,000	3,071,045	3,725,000
WESTERN UNION CORP	50,000	2,132,121	2,368,750
WESTINGHOUSE ELECTRIC	51,200	2,719,235	2,553,600
WEYERHAEUSER CO	67,600	2,742,287	2,560,350
WHIRLPOOL CORP	60,000	3,071,425	3,120,000
WHITE CONSOLIDATED INDUSTRIES	50,000	1,937,500	2,093,750

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Trade Date Basis

DESCRIPTION	NO. OF SHARES	BOOK VALUE	MARKET VALUE
COMMON STOCK (Continued)			
WILLIAMS COMPANIES	17,800	444,018	440,550
WINN DIXIE STORES	61,700	2,773,082	3,532,325
WISCONSIN ELECTRIC POWER	370,000	8,428,212	8,602,500
WOODS PETROLEUM	15,000	314,262	412,500
F W WOOLWORTH CO	125,000	3,157,100	4,468,750
XEROX CORP	155,000	6,302,107	7,323,750
YELLOW FREIGHT SYSTEM	7,100	206,946	220,100
TOTAL	38,309,983	1369836541	1674594529
PREFERRED STOCK			
AMR CORP 2.125 CV PFD	50,000	1,809,000	1,950,000
ASSOCIATED DRY GOODS 4.75 CV PFD	16,900	1,237,316	1,622,400
COOPER INDUSTRIES IC 2.90 CV PFD	44,700	1,769,305	1,720,950
UNION PACIFIC CORP 7.25 CV PFD	11,550	598,586	1,435,087
TOTAL	123,150	5,414,208	6,728,437

Portfolio Detail Statistics as of 6/30/83

DESCRIPTION	FACE RATE	MATURITY DATE	PAR VALUE	PRINCIPAL COST	MARKET VALUE
U S TREASURY BILLS					
U S TREASURY BILLS	7.9800	07/07/83	5,300,000	5,227,160	5,227,434
U S TREASURY BILLS	7.7500	07/14/83	9,350,000	8,983,661	8,980,986
U S TREASURY BILLS	7.7800	07/21/83	10,000,000	9,606,677	9,602,061
U S TREASURY BILLS	8.2000	07/21/83	10,000,000	9,594,555	9,592,388
U S TREASURY BILLS	8.0900	07/21/83	5,000,000	4,897,751	4,896,347
U S TREASURY BILLS	8.0700	07/28/83	10,000,000	9,796,008	9,794,775
U S TREASURY BILLS	7.9800	08/04/83	10,000,000	9,798,283	9,792,866
U S TREASURY BILLS	8.3800	08/11/83	5,000,000	4,788,172	4,786,555
U S TREASURY BILLS	7.9400	08/11/83	10,000,000	9,799,294	9,790,927
U S TREASURY BILLS	8.8715	08/11/83	10,000,000	9,863,888	9,864,972
U S TREASURY BILLS	8.4700	08/25/83	10,000,000	9,785,897	9,784,652
U S TREASURY BILLS	8.6200	08/25/83	20,400,000	19,984,803	19,987,024
U S TREASURY BILLS	7.9450	09/01/83	5,000,000	4,799,168	4,793,186
U S TREASURY BILLS	8.5300	09/01/83	20,000,000	19,568,761	19,565,311
U S TREASURY BILLS	8.6500	09/08/83	20,400,000	19,973,554	19,971,911
U S TREASURY BILLS	8.9681	09/08/83	10,000,000	9,796,066	9,797,011
U S TREASURY BILLS	8.4850	09/15/83	5,000,000	4,790,231	4,787,474
U S TREASURY BILLS	8.8000	09/15/83	20,000,000	19,574,666	19,577,111
U S TREASURY BILLS	8.4700	09/22/83	10,000,000	9,571,794	9,564,427
U S TREASURY BILLS	8.9400	09/22/83	20,000,000	19,548,033	19,555,233
U S TREASURY BILLS	8.2550	10/20/83	5,000,000	4,791,331	4,782,243
U S TREASURY BILLS	8.1000	10/27/83	10,000,000	9,617,500	9,595,250
U S TREASURY BILLS	7.9500	11/10/83	10,000,000	9,598,083	9,563,791
U S TREASURY BILLS	8.3950	11/17/83	10,175,000	9,752,649	9,732,780
U S TREASURY BILLS	8.4800	11/25/83	10,000,000	9,568,933	9,551,555
U S TREASURY BILLS	8.6600	11/25/83	20,875,000	19,986,177	19,965,348
U S TREASURY BILLS	8.6200	12/01/83	20,000,000	19,128,422	19,105,911
U S TREASURY BILLS	8.9000	12/01/83	10,000,000	9,564,888	9,565,611
U S TREASURY BILLS	8.9830	12/01/83	10,000,000	9,586,533	9,585,544
U S TREASURY BILLS	8.9350	12/08/83	10,000,000	9,548,286	9,550,879
U S TREASURY BILLS	8.8300	12/08/83	25,000,000	23,890,118	23,884,861
U S TREASURY BILLS	8.7800	12/15/83	25,000,000	23,890,305	23,877,138
U S TREASURY BILLS	8.9425	12/29/83	10,000,000	9,519,800	9,516,700
U S TREASURY BILLS	8.8650	12/29/83	8,950,000	8,548,883	8,548,145
U S TREASURY BILLS	8.9425	02/23/84	5,000,000	4,691,300	4,688,850
TOTAL			415,450,000	401,431,645	401,227,270
FEDERAL FARM CREDIT BANKS					
FED FARM CREDIT BANK	8.7000	10/03/83	5,000,000	5,000,000	4,985,937
FED FARM CREDIT BANK	9.2000	10/03/83	6,000,000	6,000,000	5,994,375
FED FARM CREDIT BANK	8.7000	11/01/83	5,000,000	5,000,000	4,982,812
TOTAL			16,000,000	16,000,000	15,963,125

Portfolio Detail Statistics as of 6/30/83

DESCRIPTION	FACE RATE	MATURITY DATE	PAR VALUE	PRINCIPAL COST	MARKET VALUE
BANKERS ACCEPTANCES (DOMESTIC)					
BANKERS ACCEPTANCE	8.2500	07/07/83	10,000,000	9,880,833	9,879,180
BANKERS ACCEPTANCE	8.8000	08/24/83	14,000,000	13,719,377	13,715,100
BANKERS ACCEPTANCE	9.1200	12/05/83	5,000,000	4,772,000	4,774,633
TOTAL			29,000,000	28,372,211	28,368,913
TERM REPURCHASE AGREEMENTS					
REPO PNB	8.7600	07/05/83	20,000,000	20,000,000	20,000,000 *
REPO PNB	9.0500	07/07/83	10,000,000	10,000,000	10,000,000 *
REPO PNB	9.0600	07/08/83	20,000,000	20,000,000	20,000,000 *
REPO PNB	9.0600	07/08/83	20,000,000	20,000,000	20,000,000 *
REPO PNB	9.1700	07/14/83	25,000,000	25,000,000	25,000,000 *
REPO PNB	9.0300	07/19/83	20,000,000	20,000,000	20,000,000 *
REPO PNB	9.0000	07/22/83	10,000,000	10,000,000	10,000,000 *
REPO PNB	9.1800	07/26/83	12,500,000	12,500,000	12,500,000 *
REPO PNB	9.2500	07/28/83	10,000,000	10,000,000	10,000,000 *
REPO PNB	8.8000	07/29/83	20,000,000	20,000,000	20,000,000 *
REPO PNB	9.1500	07/29/83	10,000,000	10,000,000	10,000,000 *
REPO PNB	8.7600	08/01/83	20,000,000	20,000,000	20,000,000 *
REPO PNB	9.1500	08/02/83	20,000,000	20,000,000	20,000,000 *
REPO PNB	8.9000	08/03/83	10,000,000	10,000,000	10,000,000 *
REPO PNB	9.2600	08/15/83	20,900,000	20,900,000	20,900,000 *
REPO PNB	9.1500	08/19/83	10,000,000	10,000,000	10,000,000 *
REPO PNB	9.3100	08/26/83	10,600,000	10,600,000	10,600,000 *
* INDICATES NO MARKET VALUE AVAILABLE ISSUE PRICED AT COST					
TOTAL			269,000,000	269,000,000	269,000,000
COMMERCIAL PAPER , VARIABLE RATE					
CP GE MASTER NOTE/BANKERS TRUST	9.0300	01/10/84	15,000,000	15,000,000	15,000,000
TOTAL			15,000,000	15,000,000	15,000,000
COMMERCIAL PAPER					
CP ALLEGHENY	9.4500	07/20/83	7,319,000	7,274,811	7,276,133
CP CARRIER	8.8000	07/19/83	10,086,000	9,999,708	9,997,978
CP CATERPILLAR TRACTOR	8.2500	08/04/83	20,000,000	19,633,333	19,616,319
CP CHEMICAL	8.9500	12/02/83	12,480,000	11,924,622	11,916,562
CP CHESEBROUGH	9.2000	08/03/83	10,075,000	9,982,310	9,983,023
CP COCA COLA	8.3750	07/08/83	12,926,300	12,800,000	12,797,845
CP COLSTRIP	9.3750	08/12/83	1,272,000	1,257,425	1,257,804
CP EQUITABLE LIFE	8.3000	07/15/83	10,621,000	10,474,076	10,470,425

(Continued)

Portfolio Detail Statistics as of 6/30/83

DESCRIPTION	FACE RATE	MATURITY DATE	PAR VALUE	PRINCIPAL COST	MARKET VALUE
COMMERCIAL PAPER (Continued)					
CP FOUR PHASE FINANCE	9.0000	08/12/83	4,800,000	4,747,200	4,746,483
CP GULF OIL	9.0000	08/12/83	18,227,848	18,000,000	17,997,278
CP J C PENNEY	9.1250	07/25/83	20,168,702	20,000,000	20,000,000
CP MELLON FINANCE	9.0500	09/07/83	10,230,000	9,998,546	9,997,075
CP METRO LIFE	9.0000	07/18/83	20,125,000	19,999,218	19,997,960
CP METROLIFE	9.1250	08/09/83	10,117,000	9,999,038	9,999,038
CP MOBIL OIL	8.7500	07/20/83	10,088,000	9,999,730	9,997,628
CP MOBIL EXPLORATION	9.0000	08/17/83	10,000,000	9,877,500	9,875,833
CP NEW ENGLAND TEL	8.9000	07/26/83	9,890,000	9,801,979	9,800,371
CP PACCAR	8.8500	09/26/83	5,150,000	4,919,580	4,916,118
CP PHIBRO	9.1250	08/31/83	10,075,000	9,901,346	9,901,346
CP PHILIP MORRIS	8.2500	07/18/83	12,580,000	12,098,552	12,093,049
CP PHILIPS PETROLEUM CREDIT	9.0000	07/29/83	10,075,000	9,999,437	9,998,423
CP PHILA SALEM	9.5000	08/03/83	10,098,000	9,999,404	10,002,980
CP PNB	8.8750	07/06/83	501,980	500,000	499,979
CP PNB	8.8500	07/13/83	10,075,000	10,000,696	9,999,696
CP PNB	9.1000	07/14/83	10,058,478	10,000,000	9,999,902
CP PNB	8.8750	07/22/83	10,087,000	9,999,964	9,998,423
CP PNB	9.3000	07/26/83	10,075,482	10,000,000	10,001,273
CP PNB	8.6000	07/29/83	10,140,000	10,001,927	9,997,638
CP PNB	9.2500	08/02/83	10,109,093	10,000,000	10,001,158
CP PNB	9.1250	08/05/83	2,476,997	2,450,000	2,450,000
CP PNB	8.9000	08/10/83	10,135,000	9,999,697	9,997,100
CP PNB	8.8750	08/16/83	10,150,137	10,000,000	9,996,687
CP PNB	9.1250	08/18/83	12,607,000	12,424,855	12,424,855
CP PNB	9.1250	08/29/83	10,162,278	10,000,000	9,999,999
CP PNB	9.0000	08/30/83	7,260,000	7,125,690	7,124,152
CP PNB	9.0000	08/31/83	10,211,896	10,000,000	9,997,801
CP PNB	8.8750	08/31/83	20,361,000	19,999,592	19,990,825
CP PNB	8.8500	09/01/83	2,607,695	2,550,000	2,548,745
CP PNB	8.8750	09/02/83	10,193,000	9,999,509	9,994,979
CP PNB	8.8750	10/24/83	8,550,000	8,244,367	8,238,168
CP PNB	9.0500	11/03/83	2,425,000	2,339,653	2,339,229
CP SAN ONOFRE	9.1000	07/13/83	7,679,000	7,624,649	7,624,580
CP SHELL OIL	8.8750	07/12/83	25,200,000	25,001,200	24,999,100
CP SHELL OIL	8.7500	07/13/83	10,070,000	9,999,020	9,997,656
CP SHELL OIL	9.0000	07/25/83	20,165,000	20,003,680	20,001,929
CP SHERING PLOUGH	9.0000	08/05/83	15,060,000	14,901,870	14,899,987
CP STERLING DRUG	8.8500	12/05/83	9,756,000	9,324,297	9,313,592
CP SUPERIOR OIL	9.0000	08/12/83	5,000,000	4,945,000	4,944,253
CP TEXACO FINANCIAL SERVICE	8.7000	07/15/83	20,190,000	19,999,709	19,996,133
CP TRAVELERS CORP	9.1500	08/08/83	10,105,000	9,999,697	9,999,971
CP U S CENTRAL CREDIT	8.6250	07/11/83	20,175,000	19,991,323	19,988,241
CP UNION CARBIDE	8.8750	09/07/83	10,226,000	9,999,110	9,994,210
CP WESTERN ELECTRIC	8.6000	07/27/83	20,246,000	19,999,336	19,991,364
CP MEYERHAUSER	8.5000	07/29/83	10,150,000	9,999,018	9,993,908
CP XEROX CREDIT	8.7000	07/06/83	20,146,000	19,999,941	19,998,514
TOTAL			618,758,892	610,111,629	609,983,742

Portfolio Detail Statistics as of 6/30/83

DESCRIPTION	FACE RATE	MATURITY DATE	PAR VALUE	PRINCIPAL COST	MARKET VALUE	
NEGOTIABLE CERTIFICATE OF DEPOSIT						
CD	FIRST INTERSTATE	9.3000	09/06/83	4,000,000	4,000,432	3,999,270
CD	FIRST NAT BANK BOSTON	9.3500	09/30/83	10,000,000	10,000,000	9,998,569
CD	MORGAN BANK DELAWARE	9.3500	10/07/83	4,925,000	4,925,000	4,923,663
CD	PNB	8.8500	07/29/83	12,000,000	12,000,000	11,995,990
TOTAL			30,925,000	30,925,432	30,917,493	

**For Additional Copies Write:
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