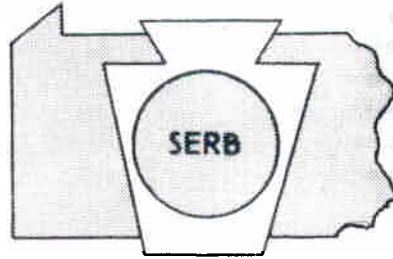


Commonwealth of Pennsylvania



STATE EMPLOYES' RETIREMENT BOARD



**ANNUAL REPORT
FOR
1971**

Milton J. Shapp
Governor

C. DeLores Tucker
Secretary of the Commonwealth

Richard L. Witmer
Secretary

How Your Retirement Fund Works

Your retirement fund is similar to a huge pipeline that began in 1924 and hopefully will continue to infinity. This pipeline has a continuing series of "input" lines. Each series brings in the three main sources of income: members' contributions, employers' contributions, and earnings of investments. These constitute our only source of income and should provide the necessary flow of pressure to meet the obligations of the fund.

Working counter to the "inputs" are the "take outs". These are the lines which tap off the monthly annuities, returns of contributions, interest payments, and the cost of administering the system. Administrative costs are comparatively small and have little effect on the flow. Annuity payrolls and returns of contributions are growing at an accelerated rate and create a substantial drain on the pension pipeline.

When benefits are increased, it is tantamount to opening the "take out" valves thus decreasing the flow and pressure of the main line. Keeping the pipeline full and maintaining the proper pressure is necessary to keep the fund actuarially sound. To do this, the Commonwealth, as your employer, must supply additional contributions. The greater the demands for benefits the greater the demand for increased returns on investments and more tax dollars.

Hopefully, this over-simplified illustration will give you a little insight into funding and assist you in understanding why the fund and its yield must continue to grow if we are to meet the future needs of the members.

COMPOSITION OF FUND
(Fiscal Year Ending June 30, 1971)

DOLLAR COMPOSITION BY SECURITY CLASSIFICATION AT PAR VALUE

DESCRIPTION	JUNE 30, 1971		JUNE 30, 1970	
	PAR VALUE	PERCENT	PAR VALUE	PERCENT
U.S. TREASURY ISSUES	\$ --	-- %	\$ 4,050,000	0.5
U.S. POST OFFICE MORTGAGES	9,051,066	1.1	9,294,889	1.2
VA AND FHA HOME MORTGAGES	68,505,890	8.2	65,425,201	8.5
FHA PROJECT MORTGAGES	11,266,138	1.4	16,211,061	2.1
FHA MORTGAGE DEBENTURES	4,801,600	0.6	--	--
PENNSYLVANIA TURNPIKE COMMISSION	1,500,000	0.2	1,500,000	0.2
PENNSYLVANIA HIGHER EDUCATION ASSISTANCE				
AGENCY AND LOCAL MUNICIPALS	511,700	--	100,000	0.1
CORPORATE ISSUES:				
INDUSTRIALS	434,302,470	52.2	335,109,288	42.8
RAILROADS	69,484,947	8.4	71,651,486	9.1
PUBLIC UTILITIES	208,904,025	25.1	210,032,025	26.8
SUB TOTAL	\$ 808,327,836	97.2	\$ 713,379,950	91.1
DEPOSITS FOR PAYMENT OF INVESTMENTS IN TRANSIT	23,077,906	2.8	69,744,485	8.9
TOTAL	\$ 831,405,742	100.0%	\$ 783,118,435	100.0%

CASH RECEIPTS AND DISBURSEMENTS

CASH BALANCE JUNE 30, 1970	\$ 262,846.44	
INVESTMENTS JUNE 30, 1970	782,855,588.45	
TOTAL JUNE 30, 1970		\$ 783,118,434.89
<u>RECEIPTS JULY 1, 1970 TO JUNE 30, 1971</u>		
MEMBERS CONTRIBUTIONS	\$ 56,350,297.93	
INTEREST ON BONDS AND MORTGAGES	45,675,447.75	
STATE AND STATE AGENCIES CONTRIBUTIONS		
(A) STATE ANNUITY ACCUMULATION ACCOUNT	14,010,353.13	
(B) PENNSYLVANIA STATE POLICE BENEFIT ACCOUNT	--	
(C) CASUALTY PREMIUM TAX - POLICE BENEFIT ACCOUNT	2,201,241.01	
(D) ENFORCEMENT OFFICERS BENEFIT ACCOUNT	300,000.00	
PROFIT ON SALE OF INVESTMENTS	168,898.35	
DISCOUNT ON SECURITIES PURCHASED	593,501.88	
TOTAL RECEIPTS	\$ 119,299,740.05	
<u>DISBURSEMENTS JULY 1, 1970 TO JUNE 30, 1971</u>		
MEMBERS' WITHDRAWAL REFUNDS	\$ 13,123,523.03	
SUPERANNUATION ALLOWANCE	44,021,363.62	
DISABILITY ALLOWANCE	1,691,208.00	
VOLUNTARY AND INVOLUNTARY WITHDRAWAL ALLOWANCE	6,617,498.87	
PENNSYLVANIA STATE POLICE ALLOWANCE	3,659,854.93	
ENFORCEMENT OFFICERS ALLOWANCE	296,288.50	
JUDGES ADDITIONAL ALLOWANCE	163,833.12	
ANNUITANTS MEDICAL HOSPITALIZATION	516,122.46	
ACCRUED INTEREST ON BONDS PURCHASED	195,137.25	
ADMINISTRATION EXPENSE	727,602.53	
TOTAL DISBURSEMENTS	\$ 71,012,432.31	
TOTAL RECEIPTS OVER TOTAL DISBURSEMENTS		48,287,307.74
BALANCE JUNE 30, 1970 PLUS 1971 RECEIPTS OVER DISBURSEMENTS		\$ 831,405,742.63
CASH BALANCE JUNE 30, 1971	\$ 713,218.61	
INVESTMENTS JUNE 30, 1971	830,692,524.02	
TOTAL JUNE 30, 1971		\$ 831,405,742.63

Agencies Served		92
Membership (July 1, 1971)		
Active		111,800
Annuitants		19,710
Total		131,510
Contribution Accounts		
Withdrawn (1970)		16,037
In amount of		\$13,123,523.03
Average Monthly Annuity	No. of Annuitants	
1960 \$111.30		8,236
1965 \$135.03		12,305
1970 \$191.23		17,681
1971 \$199.68		19,710

HELPFUL HINTS

Annuitants

Please write or print legibly.
 Always use your Social Security Number when contacting the Retirement Board.
 Notify the Board at once if you change your address.

Active Members

Contact your Agency Retirement Counselor 30 days prior to retirement to insure prompt processing and timely payment of annuity.
 If leaving State service with less than 10 years of service be sure to make application for return of contributions. Your account ceases to earn interest on the day you leave State employment.
 Your Agency Retirement Counselor is available to assist you with all retirement problems.

Chairman

* Hon. C. DeLores Tucker
 Secy. of Commonwealth

Members

* Hon. Grace M. Sloan
 Mr. J. Warren Bullen, Jr.
 Mrs. Helen Corson
 Hon. Robert Lee Jacobs
 * Ex Officio

Finance Committee

Hon. C. DeLores Tucker
 Mr. Frank N. Happ
 (representing the Hon. Grace M. Sloan)
 Mr. J. Warren Bullen, Jr.
 Secretary - Mr. Richard L. Witmer

Investment Counsel

Mellon National Bank and Trust Company
 Pittsburgh, Pa.

Mortgage Supervisor

The Fidelity Bank
 Philadelphia, Pa.

Consulting Actuaries

Huggins & Company, Inc.
 Philadelphia, Pa.