

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM



1976

*Governor
Milton. J. Shapp*

State Employees' Retirement System

Board

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Robert L. Cusma, Assistant Secretary
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Joseph Fuller, Chief Annuity Division
Ruth Granoff, Chief Membership Division
John Corrigan, Chief Withdrawal Division
Robert Bowers, Chief Data Processing

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Medical Counsel

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Stanley R. Goldman, M.D.

Comptroller

Edward T. Durkin

Advisors

Investment Counsel

Mellon Bank N.A.
Pittsburgh, Pa.

Mortgage Supervisor

The Fidelity Bank
Philadelphia, Pa.

Consulting Actuaries

Huggins & Company, Inc.
Philadelphia, Pa.

Secretary's Report

On January 21, 1976 at the meeting of the Retirement Board, a production and progress report covering the calendar year 1975 was presented. We would like to share the report with you as we believe it will provide some insight into the many staff activities and responsibilities.

Annuity Division

At the end of 1975 the annuity payroll stood at 30,883, a net increase for the year of 2,109 annuitants and beneficiaries. The monthly payroll for December was \$8,442,538, an increase of over one million dollars over December, 1974.

During 1975 the annuity section processed 3,748 retirement applications, 1,492 final settlements of accounts of deceased members and annuitants, and processed 347 beneficiaries onto the payroll. The staff of the annuity section also processed 255 recalculations of benefits brought about by appeal decisions or new information submitted after the initial processing. During the past year the annuity section has met the problems of both the increasing volume and complexity of their work with a degree of dedication and cooperation.

During the past month the Retirement System processed and mailed out over 32,000 W-2P's to our annuitants. This year, for the first time, the annuitant's contribution towards medical/hospital coverage for the year was printed on the statement. This added information will enable annuitants to easily determine the income tax deduction to which they are entitled for medical insurance.

1975 brought SERS two separate cost-of-living increases, one from Act 101 amending our law and one from Act 96, recodifying the Public School Employees' Retirement System. Act 101 was signed on October 7, 1975 and in November over 4,800 annuitants received their retroactive payments. Act 96 was also passed in October and it granted a cost-of-living increase which extended to retired State employees who had service in the Public School System. The necessary information was received from the School System on January 9, 1976 for approximately 600 annuitants. As of January 20, all of these cases had been audited and verified by our staff, keypunched, and input to the computer center (CMIC). We are awaiting the Treasury cards and expect to be mailing these retroactive payments within the next two weeks. The necessary adjustments have already been made to the February payroll. Although several members of the staff were involved in this project, the employees of the payroll processing and keypunch sections are to be especially commended for their efforts in meeting an extremely tight deadline.

Accounting Division

1975 was also a busy year for our accounting division. In addition to the ongoing responsibilities and processing member and employer contributions, member's payments for service purchase, and interest and dividend income, the accounting section maintains the ledgers and statements for all disbursements from the fund.

During 1975 the staff also processed 735 purchases of securities, 366 redemptions of securities, and 5,480 refunds to departments. They are currently processing the fourth quarter reports from independent agencies in preparation for the submission of tapes to Huggins & Co. for the 1975 actuarial valuation.

During the past five years the Retirement System has progressed from green eyeshades and pencils to computer printouts. The personnel in the accounting division have taken all of the changes in stride and continue to perform their vital functions with a high degree of expertise and efficiency.

Withdrawal Division

The withdrawal section processed a small mountain of transactions this year including 9,053 returns of contributions for terminated employees, 320 returns of

contributions to beneficiaries of deceased employes who did not qualify for death benefits, and approximately 900 lump sum payments under Option 4. Act 101 contained a provision for voluntary withdrawal from the Social Security Integration Program (SSI). The requests for return of SSI contributions have started coming in and are being processed and paid within three weeks of receipt of the request.

The staff of the withdrawal division was faced with many changes in procedures effective the beginning of this year, brought about by improvements and expansions in our computerized files. These changes were effected with no disruption in the work flow and should further improve the capabilities of an already efficient and capable staff.

Membership Division

Our membership section does not ordinarily receive the same publicity as our annuity section, since not many people are concerned with a slight delay in getting into the Retirement System. Yet the staff of the membership section performs many important functions. This past year they processed 12,324 new membership applications, 8,441 cost statements for purchase of service, and 14,388 changes in members status.

Significantly, during 1975 the membership section decreased the backlog of recertification requests by over 2,100 cases. Currently, about 50% of the cost statements sent out are resulting in purchases, despite the wide implementation of a program to have retirement counselors provide preliminary cost estimates. The staff of the membership division has done an outstanding job in overcoming the backlogs that were created as a result of Act 31, Mar. 1974.

Central Files Section

Our files section is often the unsung hero of the System, since every other section depends on the efficient operation of the file section for virtually all production. Every output figure for the annuity, membership, and withdrawal sections is dependent on at least two transactions in our file room where we maintain well over 200,000 files. During 1975 we completed a major purge of obsolete records and set in motion an ongoing process for purging. Altogether, the initial purge removed over 300,000 records from our files, significantly improving the efficiency of data retrieval.

Analysis Division

There are numerous projects under way which will lead to improvements in the efficiency of the Retirement System as well as an expansion of the range of services we offer both our active and retired members. These projects require strong coordination both internally among the supervisory and management staff and externally with our actuaries, CMIC, The Bureau of Financial Management, and the personnel and payroll offices of all member agencies. This year Act 101 changed the basis of computing final average salary to quarterly earnings. We have placed into operation a method whereby the most current final average salary will be available for every employe on the scopes. Counselors will be able to retrieve this information instantly, thereby enhancing their capabilities in providing retirement estimates.

Of even greater importance is a completely new system for gathering service credits. Beginning January 1, 1976, the Retirement System, through CMIC, is gathering service accumulations directly from payroll information every payday. This will eliminate the time consuming task of certifying each year's service and leaves when a person retires. Of course, the new system can only take care of the future. In order to correct past service records, the Retirement System is undertaking a massive research project. In February, CMIC will provide us with a printout of all members age 55 or older. Copies will be sent to individual agencies. They will glean their records and certify certain information to us. The staff of our membership section will then complete the research and completely update the employes' records. When one group is finished, we will take the next younger group for re-

search. The project will probably take two years or more, but at the end of it, the Retirement System's computerized file will contain all of the necessary information to automatically produce annuity estimates for all members eligible for benefits.

This year, as last, the analysis division is again providing to our annuitants a tax information service. While we can't offer tax advice, our staff is capable of answering general questions and of steering people with particular problems to the appropriate section of the IRS. We mailed our W-2P's on January 19 and have already answered close to 300 phone calls from annuitants.

Counseling Division

The past year has been one of many refinements and improvements in our Retirement Counseling program. The staff of the counseling division recently completed the latest training session for agency counselors to bring them up to date on the changes brought about by Act 101. While the counseling division is small in size, the job they do is tremendous in scope. SERS now supervises a network of over 100 agency counselors, providing in depth assistance to every member of the System. The staff is currently working on a series of informational pamphlets on specific aspects of the retirement program to further enhance the service provided our membership.

Data Processing and Office Services Division

Virtually every transaction of the Retirement System impacts in some way on our computer files. Our input is accomplished via punched cards through our own terminal tied directly to the CMIC facility in Middletown. Our data processing staff handles a staggering volume of work, often under very tight time constraints. They are to be commended for the very timely handling this year of two cost-of-living increases and a major actuarial file revision, all accomplished with a minimal disruption in the normal work flow.

The office services division handles the internal personnel and payroll transactions processing as well as the supply function for all operations of the Retirement System. The smooth and efficient performance of these functions greatly enhances the overall level of operations in every division. Another vital function of office services is the operation of the mail room. In addition to handling all incoming and outgoing correspondence for the system, the staff in this area is responsible for preparing the monthly annuity checks for mailing. This past summer most of the State operations were closed down when tropical storm Eloise hit Harrisburg. The day of the storm was a processing day for the annuity checks and, despite the exceptional circumstances, the staff remained at work and made certain that the checks were ready for delivery on time.

The staff is continuing its efforts to improve its service to active and retired members alike. Contributing members can help us and particularly themselves by going to their respective retirement counselors. Retirees will save themselves a great deal of time by contacting the staff offices directly. Your cooperation will assist us to better serve you.

Composition of Fund

(Calendar Year Ending December 31, 1975)

DOLLAR COMPOSITION BY SECURITY CLASSIFICATION AT PAR VALUE

DESCRIPTION	December 31, 1975		December 31, 1974	
	Par Value	Percent	Par Value	Percent
U.S. Post Office mortgage	\$ 5,046,582	0.3	\$ 8,096,526	0.6
VA and FHA home mortgages	106,947,171	6.6	94,803,916	6.8
FHA project mortgages	25,763,540	1.6	15,803,940	1.1
FHA mortgage debentures	0	-	1,851,700	0.1
Pennsylvania Higher Education Assistance Agency	366,700	-	385,700	-
Common stock (at cost)	175,076,654	10.7	95,588,946	6.8
Convertible preferred stock	1,200,000	-	0	-
Corporate issues				
Industrials	729,562,592	44.7	625,769,419	44.8
Railroads	25,896,543	1.6	36,654,694	2.6
Public Utilities	515,727,000	31.6	501,254,795	35.9
Deposits for payment of investments	47,194,327	2.9	17,594,047	1.3
In transit	<u>\$1,632,781,109</u>	<u>100.0</u>	<u>\$1,397,803,683</u>	<u>100.0</u>

CASH RECEIPTS AND DISBURSEMENTS

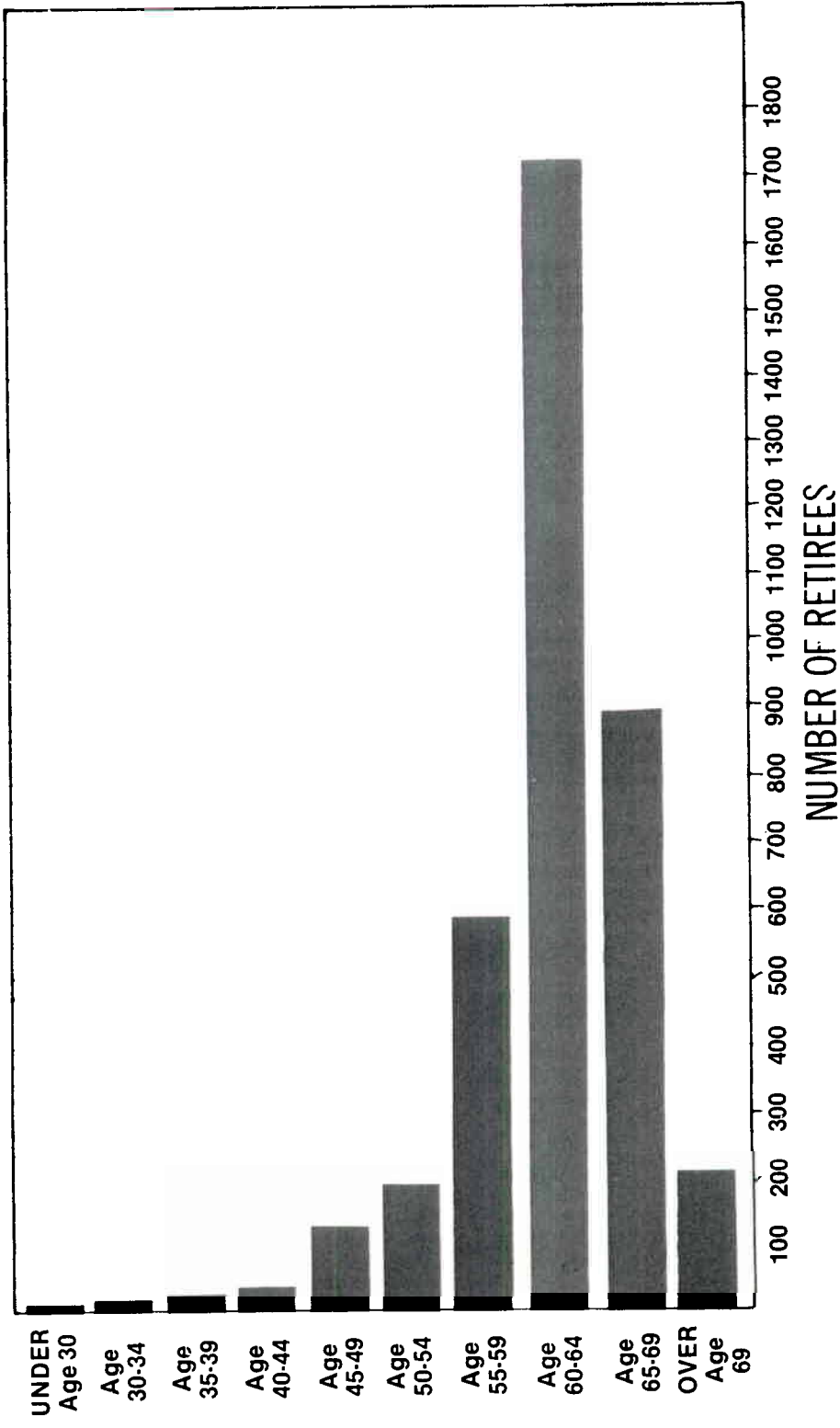
Cash balance December 31, 1974	\$ 66,070.62	
Investments to December 31, 1974	<u>1,397,737,612.99</u>	
Total December 31, 1974		\$1,397,803,683.61
<u>Receipts January 1, 1975 to December 31, 1975</u>		
Members' Contributions	\$ 93,685,105.22	
Interest on Bonds and Mortgages	94,565,481.18	
State and State Agencies Contributions		
(A) State annuity accumulation account	176,088,964.87	
(B) Pennsylvania State Police benefit account	2,835,000.00	
(C) Casualty premium tax - Police Benefit Account	3,738,854.99	
(D) Endorsement officers benefit account	1,167,000.00	
State credit union fees	6,066.80	
Discount on securities purchased	<u>6,077,102.79</u>	
Total receipts	\$ 378,163,575.85	
<u>Disbursements January 1, 1975 to December 31, 1975</u>		
Members' withdrawal refunds	20,245,164.68	
Superannuation allowance	90,995,357.92	
Disability allowance	5,898,384.97	
Voluntary and involuntary withdrawal allowance	13,704,183.45	
Pennsylvania State Police allowance	6,719,666.50	
Enforcement officers allowance	776,503.75	
Judges additional allowance	287,794.86	
Annuity medical hospitalization	1,839,688.72	
Accrued interest on bonds purchased	1,408,430.08	
New York City bond transfer tax	6,136.00	
Administrative expense	<u>1,304,839.62</u>	
Total disbursements	143,186,150.55	
Total receipts over total disbursements		<u>234,977,425.30</u>
BALANCE DECEMBER 31, 1974 PLUS 1975 RECEIPTS OVER DISBURSEMENTS		<u>\$1,632,781,108.91</u>
Cash balance December 31, 1975	\$ 49,016.15	
Investment balance December 31, 1975	<u>1,632,732,092.76</u>	
TOTAL DECEMBER 31, 1975		\$1,632,781,108.91

Balance Sheet

(Calendar Year Ending December 31, 1975)

<u>ASSETS</u>	
Cash on Deposit in Treasury	\$ 49,016.15
Investments (Note #1) At Book Value	1,612,201,796.45
Interest Receivable on Investments	24,340,879.96
Contributions Receivable:	
Employes	2,949,434.02
State	55,604,986.81
TOTAL ASSETS	<u>\$1,695,146,113.39</u>
 <u>LIABILITIES AND RESERVES</u>	
Members Annuities Savings	\$ 620,040,932.68
State Annuity Accumulation Account	155,757,188.30
Reserves:	
Annuity Reserve	934,270,437.23
Supplemental Annuity	(111,711,242.26)
Net Annuity Reserve	822,559,194.97
Pennsylvania State Police - Benefit Account	87,158,302.63
Pennsylvania Enforcement Officers - Benefit Account	8,483,935.07
Annuities Payable	451,302.56
Capital Blue Cross Payable	168,970.28
Federal Withholding Tax Payable	93,165.00
Members Withdrawal Payable	432,667.23
State Withholding Tax Payable	454.67
TOTAL LIABILITIES AND RESERVES	<u>\$1,695,146,113.39</u>
 Note #1: Investments at Book Value	
Par Value	\$1,632,732,092.76
Net Accrual on Investments Owned After Amortization	20,530,296.31
Total Book Value	<u>\$1,612,201,796.45</u>

AGES AT WHICH MEMBERS RETIRED IN 1975



LENGTH OF SERVICE OF MEMBERS WHO RETIRED IN 1975

NUMBER
of

RETIREES

1200

1100

1000

900

800

700

600

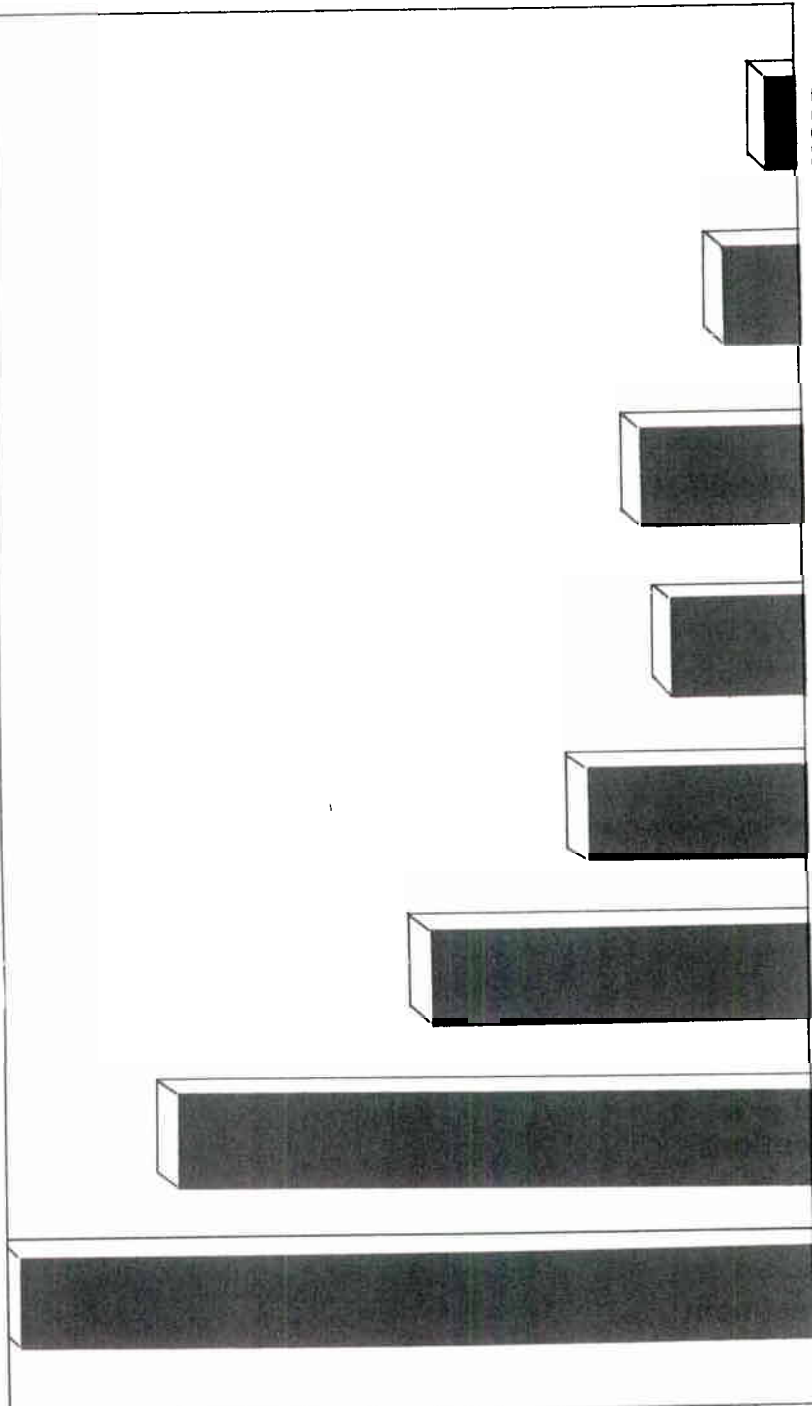
500

400

300

200

100



LESS
THAN
10 YRS.

10-15 YRS.

16-20 YRS.

21-25 YRS.

26-30 YRS.

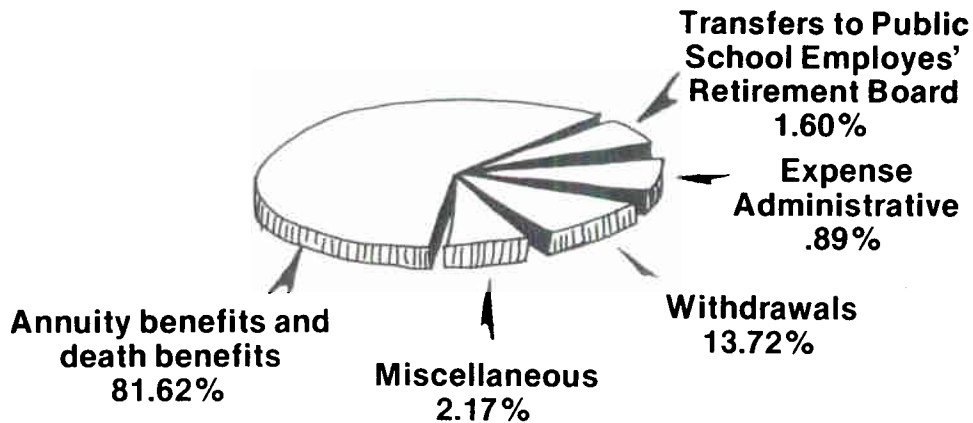
31-35 YRS.

36-40 YRS.

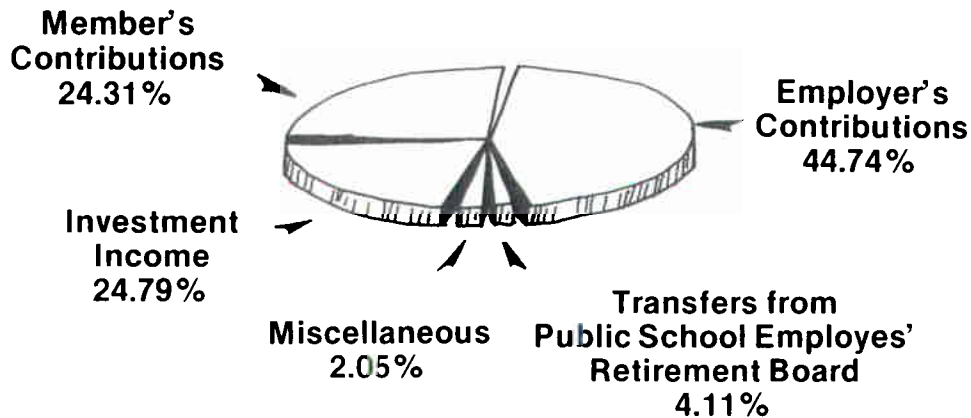
MORE
THAN
40 YRS.

LENGTH OF SERVICE

CASH DISBURSEMENTS FOR THE CALENDAR
YEAR ENDING DECEMBER 31, 1975.



CASH RECEIPTS FOR THE CALENDAR YEAR
ENDING DECEMBER 31, 1975.





Active Members

Is your beneficiary designation up to date?

Do you see your agency retirement counselor in matters pertaining to your retirement?

Did you know you should see your agency retirement counselor at least 30 days prior to retirement?

Retirees

Do you write or print clearly when corresponding with the Retirement Board?

Do you always use your Social Security Number when contacting us?

Do you advise us of changes of address?

Do you keep all documents received from the Retirement System?
There is a \$5.00 charge for each request for duplicate information.