

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES RETIREMENT SYSTEM

Commonwealth of Pennsylvania
State Employees' Retirement System
First Annual Report
to the
Governor and the General Assembly
February, 1981



COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
204 LABOR & INDUSTRY BUILDING
HARRISBURG, PENNSYLVANIA 17120
TEL: 717-787-6293



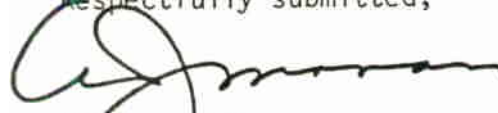
To Governor Dick Thornburgh and
Members of the Pennsylvania General Assembly:

On behalf of the Board of Trustees of the Pennsylvania State Employees' Retirement System (SERS), I am pleased to submit the first Annual Report to the Governor and the General Assembly on the activities and operations of the SERS. This report includes information on the investments of the Retirement fund; a variety of statistics on membership, asset growth, liabilities, and benefit payments; descriptions of the SERS plan provisions, investment policy, proposed administrative expenses, and major goals and accomplishments; and other relevant information about the Retirement System which serves Commonwealth employees.

Much of this information has been made available in the past in response to inquiries from members of the Legislature, members of the SERS, the press, and the public. This report was designed to bring together data which we believe is important to a full understanding of the SERS. Your comments and suggestions for improvement are welcome.

If you require further information, please do not hesitate to contact Secretary Robert L Cusma at (717) 787-6780

Respectfully submitted,



William J Moran
Acting Chairman

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The State Employees' Retirement System

The Pennsylvania State Employees' Retirement System (SERS), established in 1923, is one of the nation's oldest statewide retirement plans for public employes. With over 170,000 members and over \$3 billion in assets, SERS also ranks among the largest statewide public plans. A complete description of the provisions of the plan may be found in the Member's Handbook which was recently updated and distributed to all contributing members. Additional copies are available upon request. A brief overview of the major elements of the plan follows.

Membership in SERS is mandatory for most state employes. Elected officials and certain appointed officials may join at their option. For retirement purposes, employes of many independent agencies are defined as "state employes." A complete list of member agencies may be found on page 59 of this report.

Upon becoming a member of SERS, an employe begins contributing 5% of gross pay to the Retirement System. These contributions are deposited into an individually identified account and are credited with interest each quarter. The larger share of funding of benefits paid comes from employer contributions to the Retirement Fund. The level of employer contributions are determined each year after an actuarial valuation of the liabilities and reserve requirements of the Fund. Currently, employers contribute 14.67% of gross payroll each quarter.

The SERS provides benefits in the event of retirement, disability, and death after a member fulfills minimum service requirements of ten years for retirement and death benefits, five years for disability benefits. SERS is a defined benefit plan with benefits based on a member's age, length of service, and final average salary (average of highest three years' earnings). The basic retirement benefit is 2% of final average salary for each year of service at normal retirement age (60 for most employes; 50 for certain high risk and elected positions). Early retirement is available after ten years of service at any age; benefits are actuarially reduced. Members may elect a variety of optional payment plans, but the normal form of benefit is a single-life annuity monthly for life.

Disability benefits provide 2% of final average salary for each year of service without reduction for age, with a minimum of one-third of salary or the basic benefit projected to normal retirement age, if less. A special supplement is provided in the case of work-related disability.

Periodic cost-of-living adjustments to retirement and disability benefits have been provided by legislation. Increases were enacted in 1968, 1974, and 1979.

Death benefit protection is provided after ten years of service. The member's beneficiary(ies) receive the total present value of the member's accrued retirement benefit.

A member's own contributions and credited interest vest immediately and are returned upon termination of service if the member is not eligible for other benefits.

The SERS is administered by an independent Board of Trustees under the Retirement Code (Title 71, Pa.C.S.). Investments of the Fund are governed by provisions of the Retirement Code, the Fiscal Code, and the Board's Investment Policy. The assets and liabilities of the plan are subject to annual actuarial valuations and the plan is funded in accordance with a recognized actuarial cost method specified in the Retirement Code.

The State Employees' Retirement Board

The State Employees' Retirement Board (Board) is an independent Board of Trustees charged with the administration of the Retirement Code. Six of the seven members are appointed by the Governor and confirmed by the State Senate to four year terms. The State Treasurer serves as a member of the Board, ex-officio. The Retirement Code provides that five members of the Board must be active members of the SERS, two of the five must have at least ten years of service. No member may serve more than two full terms. The Chairman of the Board is appointed by the Governor from the members of the Board.

Current Board members and the expiration dates of their terms are:

William J Moran, Acting Chairman	March 22, 1981
Honorable R Budd Dwyer, State Treasurer	January 20, 1985
Honorable Charles J Lieberth	November 19, 1984
Robert A Bittenbender	May 13, 1984
Milton Melman	September 26, 1982
K Paul Muench	February 12, 1984
James Scheiner	January 8, 1985

Members of the Board, employees of the SERS, and agents of the Board stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of the Fund. Subject to restrictions on investments contained in the Retirement Code and the Fiscal Code, the Board has exclusive control and management of the Fund and full power to invest the assets of the Fund. The State Treasurer is the custodian of the Fund.

Board members may be contacted in writing at the following address:

Pa State Employees' Retirement Board
Room 204, Labor and Industry Building
Harrisburg Pennsylvania 17120

Please contact Secretary Robert L Cusma at 787-6780 for addresses and phone numbers if you wish to contact Board members directly.

Operations Data

Source and Application of Funds for the year ended December 31, 1980:

REVENUES (millions)

Member Contributions	109.40	
Employer Contributions	288.84	
Investment Income	<u>189.41</u>	
		587.65

EXPENDITURES (millions)

Benefits Paid	293.63	
Administrative expense	2.47	
Transfers to PSERB ¹	<u>1.63</u>	
		<u>297.73</u>

Excess of Revenue over Expenditures \$289.92

¹Funds transferred for benefits paid to multiple-service members retiring from the Pa. Public School Employees' Retirement System.

Operations Data

Program Accomplishments - 1980

The efforts of the SERS Board and staff during 1980 were focused on three areas of operations:

- A. Improvements in the investment process;
- B. Improvement and expansion of services to the membership; and
- C. Improvements in internal administrative functions. Progress was made in all three areas, resulting in the following tangible accomplishments:

A. Improvements in the Investment Process

1. In March, 1980, after a rigorous screening and selection process, the Board contracted with Alliance Capital Management Corporation (New York) to provide investment advisory services for a portion of the Fund's assets. The addition of a second manager for stocks and fixed-income investments has provided a diversification of investments and investment style and opportunity for improved earnings through investment in smaller companies and in instruments not previously utilized. An indirect benefit has been an improvement in the dialogue between the Board and its other advisors as a result of the addition of different perspectives and input to the Board.
2. The addition of a new manager necessitated the adoption of a formal asset allocation process to direct the flow of new cash among the advisors. The implementation, during 1980, of this planning process has assured an ongoing dialogue between the Board and its advisors regarding the types of investments to be used in the Fund, resulting in more well-informed decisions than had been possible in the past.
3. During 1980, the Board made its first commitment to the conventional, commercial mortgage market. During the next five years, the Board plans to provide \$173 million of funding for commercial mortgages in the private sector. This new program was initiated to take advantage of attractive investment opportunities in this market sector.

B. Improvements and expansion of services to the membership.

1. The Members' Handbook was rewritten during 1980. The Handbook was updated to provide current information, expanded to provide more complete information, and completely revised in language and format to insure that the information would be understood by the average plan member.
2. A new group pre-retirement counseling program was designed and initiated during 1980. Using a one-day seminar format, the new program provides information about state retirement benefits, Social Security benefits, health care, and estate planning. The SERS counseling staff worked with Retirement Counselors from twenty small member agencies in the design and implementation of the seminars. The program has proved so successful that it has been adopted by several larger agencies as an

effective method of introducing employees nearing retirement age to several topics vital to individual retirement planning.

3. The SERS began publishing a monthly newsletter to all Retirement Counselors in September, 1980. The newsletter provides timely information to all member agencies concerning procedural changes, legal interpretations and court decisions, and pertinent case studies to improve retirement counseling skills.
4. A new and expanded phone system was installed early in 1980 to provide easier access to SERS personnel for both members and the personnel and payroll offices of member agencies. The new system has eliminated the previously often-heard complaint of all-day busy signals.
5. In February, 1980, an entirely new Statement of Members' Account was distributed. For the first time, the annual statements contained benefit estimates for most members aged 55 and older. The new format provides estimates of both benefits accrued to date and benefits projected to normal retirement age. An ongoing account research project will eventually result in the production of annual benefit estimates for all members who have ten years of service.

C. Improvements in internal administrative functions.

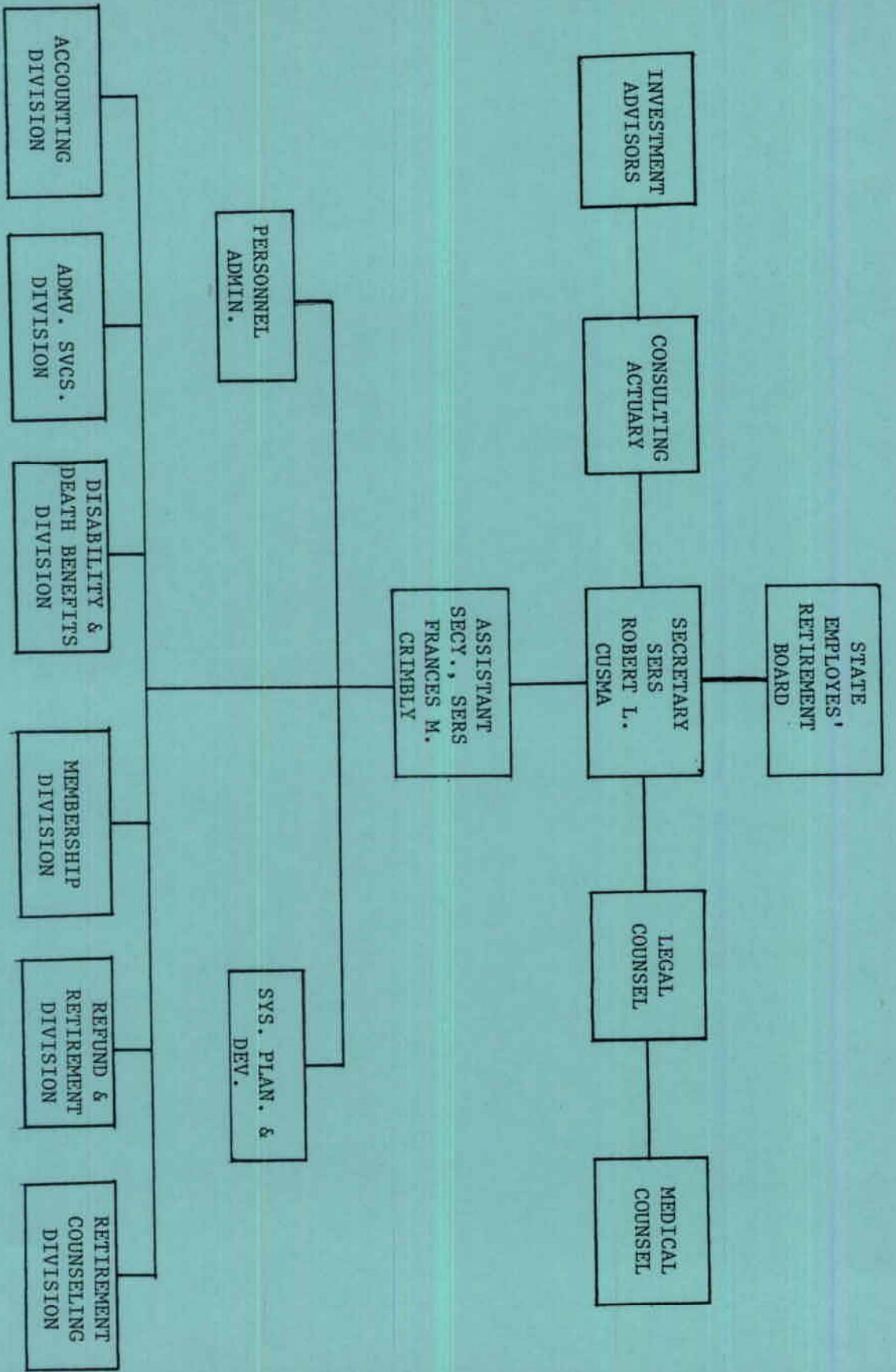
1. In March, 1980, the SERS Accounting Division was reorganized and upgraded to provide more professional and accurate accounting information and reports. A professional staff of three accountants worked throughout the year to improve accounting operations. Significant progress has been made in documenting and reconciling financial transactions and account balances more accurately and efficiently.
2. As a result of an internal controls study performed by an independent accounting firm, several significant improvements were made in operations. A new independent Disbursements Unit was created to provide control and accountability over benefit payments; stricter controls over incoming payments were initiated; and several functional and organizational changes were made to restrict access to computerized files. These improvements were accomplished without the addition of any new positions to the agency's complement.
3. An independent accounting firm was engaged to perform an audit of the SERS for the three years ending December 31, 1980. This is the first outside audit to be performed since 1972. Work is to be completed by June 30, 1981.

Operations Data

Program Goals - 1981

In addition to a continuation of all current programs and services, the Board has established the following major goals for 1981:

1. An expansion of the Fund's residential mortgage investment program to include funding for conventional mortgages in Pennsylvania, in addition to a continuation of the government - insured mortgage program which has been in existence since 1958.
2. The addition of a real estate advisor to provide investment advice on the acquisition of commercial real estate for the Fund.
3. The award of new contracts for mortgage advisory and supervision services via a competitive bidding process.
4. The passage of amendments to the State Employees' Retirement Code to update and expand the investment authority of the Board. The current investment restrictions, which are several years old, prohibit investment in a variety of vehicles which would provide attractive opportunities for the Fund.
5. The expansion of the legal staff assigned to the SERS to improve the level of services provided, especially in the area of providing more timely administrative hearings for members who are denied benefits for any reason.
6. The completion of the Retirement Counselors' Manual. The first sections of a new and comprehensive Retirement Counselors' Manual were distributed in 1980. The manual has been designed as a comprehensive training and operations guide for all Retirement Counselors. New sections are distributed as they are completed for insertion into ring binders which were provided during 1980. The manual is targeted for completion by the end of 1981.
7. Counselor training sessions conducted by SERS personnel in the Philadelphia and Pittsburgh areas. SERS has always conducted training sessions in Harrisburg, but shrinking budgets in member agencies have prohibited participation by field personnel in other parts of the State. During 1981, SERS will conduct training sessions outside of Harrisburg in an effort to reach more counselors with an in-depth training program to assure uniform, high-quality retirement counseling to the membership.



Commonwealth of Pennsylvania
State Employees' Retirement Board
Statement of Investment Policy

I. Introduction

The Statement of Investment Policy was originally adopted by the State Employees' Retirement Board on September 19, 1979 and was last amended by Board action on January 28, 1981.

The State Employees' Retirement Fund (Fund) was established in 1923 by an act of the Pennsylvania legislature. The purpose of the Fund is the accumulation of reserves exclusively for the benefit of the members and beneficiaries of members of the State Employees' Retirement System for the payment of withdrawal, retirement, disability, and death benefits as defined in P.C.S. Title 71, Part XXV (Retirement for State Employees and Officers). The Fund is administered by a seven member Board of Trustees (Board). Six members are appointed by the governor and confirmed by the State Senate to four-year terms. The State Treasurer serves as a member of the Board, ex-officio.

Under Title 71, Pennsylvania Consolidated Statutes, Section 5931(a):

"The members of the board shall be the trustees of the fund and shall have exclusive control and management of the said fund and full power to invest the same, subject, however, to all the terms, conditions, limitations and restrictions imposed by this part or other law upon the making of investments. Subject to like terms, conditions, limitations and restrictions, said trustees shall have the power to hold, purchase, sell, assign, transfer or dispose of any of the securities and investments in which any of the moneys in the fund shall have been invested as well as the proceeds in said investments and of any moneys belonging to said fund."

The purpose of this Statement of Investment Policy is to formalize the Board's investment objectives, policies, and procedures; to define the duties and responsibilities of the various entities involved in the investment process; and to establish guidelines for investment of the assets of the Fund in various investment vehicles.

No provision of this Statement of Investment Policy shall be construed in contravention of the enabling legislation found in Title 71, P.C.S., Section 5931 and Title 72, P.C.S., Sections 301.1 and 3603, copies of which are incorporated herein as Appendices I, II, and III, respectively.

II. Investment Policy

Under Title 71, P.C.S., Section 5931(e), the members of the Board, employees of the Board, and agents thereof stand in a fiduciary relationship to the members of the system regarding the investment and disbursement of any of the moneys of the Fund. In exercising this fiduciary responsibility, the Board is governed by the "prudent man" rule which requires

the exercise of that degree of judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds considering the probable income to be derived therefrom as well as the probable safety of their capital.

Within this framework and the constraints on the making of investments under applicable state law, the Board seeks to optimize the total return on the Fund's portfolio through a policy of diversified investment to achieve maximum rates of return within a parameter of prudent risk, as measured on the total portfolio.

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Board's policy favors investments which will have a positive impact on the economy of Pennsylvania.

III. Investment Objectives

To assure an adequate accumulation of reserves in the Fund at the least cost to the citizens of the Commonwealth and to provide some protection against the erosion of principal by inflation, the minimum total return objectives of the Fund, including income and both realized and unrealized gains and losses, over full economic cycles, are:

- A. The total return on fixed-income investment, exclusive of residential and commercial mortgages, but including mortgage-backed pass-through certificates, should exceed the total return of the of the Salomon Brothers High-Grade Long-Term Corporate Bond Index;
- B. The total return on residential and commercial mortgage investment should be competitive with the total returns realized by major life insurance company mortgage portfolios;
- C. The total return on common stock, convertible preferred stock, and convertible bonds should exceed the total return of the Standard and Poor's 500 Stock Composite Index;
- D. The return on equity real estate investment should be competitive with the market returns for similar types of real estate investment.

Total return includes income and both realized and unrealized gains and losses and is computed on market value.

The minimum net income return on the book value of the total Fund is six percent (6%) annually. Net income includes interest, dividends, and realized gains and losses.

The Board seeks to meet these objectives within acceptable parameters of risk through adherence to a policy of diversification of investments by type, industry, and geographic location. In addition, investments are selected in accordance with quality guidelines contained in Section V of this statement.

IV. Duties and Responsibilities

The members of the State Employees' Retirement Board are responsible as trustees for the proper management of the assets of the Fund. In discharging this responsibility, the Board has delegated certain functions to the staff and to various contractors who provide professional services to the Board. All persons who act as agents of the Board shall adhere to the highest standards of professional integrity and honesty and are prohibited by law from profiting, directly or indirectly, from the investments of the Fund.

A. Investment Advisors

The Board continually seeks to employ investment advisors which possess superior capabilities in the management of assets of public retirement systems. Currently, Alliance Capital Management Corporation, the Fidelity Bank, N.A., and the Mellon Bank, N.A., serve as investment advisors and are charged with the following:

1. To recommend actions which, in their best professional judgment, are in the best interests of the Fund to meet the investment objectives. Such recommendations include, but are not limited to:

- a) the allocation of funds among alternative types of investments;
- b) specific investment opportunities regarding the acquisition, retention, and disposition of investments;
- c) the addition, deletion, or modification of authorized investments.

2. To execute investment transactions on behalf of the Board at the best net price, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Fund.

3. To report to the Board at least quarterly on the composition and relative performance of the investments in their designated portfolios; the economic and investment outlook for the near and long term; significant changes in the portfolio during the quarter; and the reasons for any significant differences between the performance of their portfolios and the appropriate market indices.

4. Additional responsibilities as detailed in each advisor's contract with the Board.

B. State Treasurer

The State Treasurer serves as the custodian of the Fund (Title 71, Pa. C.S., §5931(c)). In this capacity the State Treasurer is responsible for the safe physical custody of investment instruments or the adequate control of any evidences of investment which are not physically housed in the State Treasury. The State Treasurer is also responsible for preparing and delivering securities for settlement as authorized by the Board and for preparing payment for securities transactions upon presentation of warrants properly signed and authorized.

The State Treasurer's office is responsible for the temporary investment of cash flow until funds are required to meet disbursements or to acquire permanent investments.

C. Investment Policy Advisor

The Board's Investment Policy Advisor, Ronald A. Karp Assoc., Inc., provides quarterly reports to the Board on emerging trends and issues of concern to public pension funds generally and to the Pennsylvania Fund in particular. The Policy advisor also analyzes and makes recommendations with respect to the Board's policy, the Investment Advisors implementation of policy and strategy, the appropriate investment horizon for the Fund given its actuarial characteristics, and provides such other research as may be required from time to time.

D. Portfolio Evaluation Advisor

The A. G. Becker Company, Inc., provides quarterly investment performance evaluation and analysis to the Board. The Board obtains from A. G. Becker comparative performance measurement against a universe of pension funds, public pension funds, and statewide pension funds.

E. State Employees' Retirement Board Staff

The Secretary and Assistant Secretary of the State Employees' Retirement System are charged with the following responsibilities:

1. To authorize payment for the acquisition of investments;
2. To act as liaison on behalf of the Board with all contractors;
3. To review and analyze all investment transactions for conformity to applicable law, regulation, and policy;
4. To review all investment proposals presented by the investment advisors and to review and summarize same for action to the Board;
5. To analyze and summarize for the Board relevant publications, discussions, meetings, and research on current investment-related topics;
6. To respond to inquiries from the Legislature, the membership, the press, other governmental representatives, and the public concerning the investments of the Fund;
7. To prepare recommendations for action to implement Board policy and achieve the Board's investment objectives;
8. To perform such other duties as may be required to implement the Board's Statement of Investment Policy.

V. Investment Guidelines

The State Employees' Retirement Fund is a mature, positive cash flow fund and is projected to remain a positive cash flow fund over the near

and intermediate term. Therefore, liquidity is not a major consideration in the present investment of funds. The appropriate investment horizon is intermediate to long-term with due consideration of the use of short-term investments in order to maximize potential future investment opportunities.

The allocation of funds to various types of investment is of utmost importance in structuring an efficient portfolio which will meet the investment objectives. In order to assure the most beneficial allocation of funds the Board shall, with the advice of its investment advisors, draft and adopt an annual Investment Plan.

The Investment Plan shall serve as the controlling guide in the allocation of funds during the year to competing types of investments. The Plan shall at all times conform to the requirements of law as to the maximum allocation of funds to equities. If at any time during the year the economic, fiscal, or investment environment should change significantly, it shall be the duty of the investment advisors and counselors to so inform the Board and to recommend modifications to the Plan and a re-allocation of investment authority.

A. Short-Term Investment Guidelines

Short-Term Investments are made by the State Treasurer's office on behalf of the Fund in such amounts as are necessary to meet the disbursements of the Fund and to accumulate funds for future permanent investment. The benefits of all such investments shall accrue solely to the Fund.

Permissible short-term investments are U.S. Treasury bills and notes, high-grade commercial paper, and repurchase agreements secured by U.S. Treasury obligations as enumerated in Appendices II and III.

B. Equity (Common and Preferred Stock) Guidelines

At the beginning of each calendar year the Board shall establish the maximum commitment to equities provided by law as follows:

1. The total value invested in equities shall not exceed 25% of the book value of the assets of the Fund.
2. The total net new investment in any one year shall not exceed 5% of the book value of the assets of the Fund as of the last day of December of the preceding year, except that any uncommitted allocation from prior years may be carried forward, provided that the amount of net new investment in any one year shall not exceed 8% of the book value of the assets of the Fund as of December 31 of the preceding year.

The actual investment commitment to the equities shall be in accordance with the Investment Plan, subject to these maximums.

The equity portfolio is to be managed on a total return basis; that is, equities will be selected on the basis of their anticipated total return over a three to five year time horizon considering both dividends and

capital appreciation. The equity portfolio shall be constructed on four fundamental principles: 1) portfolio diversification, 2) quality, 3) growth, and 4) value. The investment advisors are obligated to submit to the Board a list of equities which, in their opinion, represent attractive potential investment opportunities. All purchases must be drawn from this list unless specific prior authorization is obtained from the Board to invest in a security not on the approved list.

The investment advisors are not obligated to commit all or any part of the allocation to equities in any given month and may decommit any amount if, in their opinion, the investment climate favors such action. Allotments uncommitted in any month, as well as the proceeds from equity sales, may be committed in later periods.

Investments in common, preferred, and convertible preferred stock shall be subject to the following restrictions:

1. Any stock other than that of a bank or insurance company must be listed, or eligible to be listed and application so made, on the New York and American Stock Exchanges or any exchange approved by the Secretary of Banking.

2. The maximum investment in any company shall not exceed, at cost, 2% of the book value of the assets of the Fund.

3. The maximum investment in any company shall not exceed 2½% of its outstanding stock.

4. Notwithstanding any of the limitations above, no liquidation of investments shall be required solely due to changes in market value.

C. Fixed-Income Investment Guidelines

Fixed-income investments, as authorized by Title 71, Pa.C.S., Section 5931 and Title 72, Pa.C.S. Section 3603, are subject to the following additional constraints.

1. Corporate Bonds

Corporate bonds shall be limited to marketable issues, rated A or higher by one of the three major rating services (Moody's, Standard & Poor's, and Fitch's). No single issue shall account for more than 3% of the total par value of the Fund's bond portfolio, nor shall the bonds of any one issuer account for more than 6% of the total par value of the Fund's bond portfolio. The Fund shall not acquire more than 10% of any one issuer's outstanding debt at the time of the purchase. The Fund's exposure to any one industry sector shall not exceed 25% of market value of the Fund's corporate bond portfolio.

The bond portfolio shall be actively managed within the constraints of the bond substitution guidelines (Appendix IV), and within any restrictions imposed on the taking of losses. Although it is not the policy of the

Board to make commitments in the private placement market (securities not offered to the general public), it is the responsibility of the investment advisor to provide counsel to the Board if opportunities of advantage present themselves in that market.

2. U.S. Government Securities

Issues of the United States government and its agencies may be used without limit, provided that such securities are backed by the full faith and credit of the United States.

3. Mortgages

Investment in residential and commercial mortgages is subject to specific guidelines for each category of mortgage as contained in Appendix V. No investment or commitment to mortgages shall be made at a yield below that available on U.S. Treasury Bonds of similar maturity.

Mortgage investment shall be limited to:

- a) first mortgages on one to four family dwellings in the Commonwealth of Pennsylvania;
- b) participation in federally insured or conventional mortgage pass-through pools or participation agreements secured by mortgages on residential dwellings within the United States;
- c) Federally insured or conventional first mortgages on commercial property located in the United States.

D. Equity Real Estate Guidelines

Title 71, Section 5931(k) provides that real estate which is subject to a lease to one or more financially responsible tenants which lease shall not require managerial responsibility by the Board, is an authorized investment for the Fund.

Real estate investment may include office buildings, free-standing commercial buildings, shopping centers, light industrial buildings, and warehouse properties. Principal leases must be with reliable companies with credit ratings equal to or better than Baa ratings by Standard and Poor's or Moody's.

Any individual acquisition shall not exceed 2% of the total book value of the assets of the Fund. Not more than 3% of the total book value of the assets of the Fund are to be invested in properties occupied solely by the same tenant, at the time of acquisition. The amount paid for a property shall not exceed the fair market value as determined by an independent qualified appraiser.

VI. Prohibited Transactions

The purchase of commodities, mineral rights, warrants, options, and foreign securities except those previously authorized is specifically prohibited. Short selling and the purchase of securities on margin are prohibited.

Investment advisors are prohibited from entering into any transactions on behalf of this Fund in any investment vehicle not expressly authorized by this policy or the enabling legislation incorporated as Appendices hereto.

VII. Investment Performance Evaluation

The Board shall review and analyze the performance of each investment advisor and of the total Fund at least annually. The Board shall require each advisor to provide satisfactory explanation and justification if, at any time, total rate of return falls below the median returns of the A.G. Becker public funds universe or the appropriate market indices.

The Board shall not make any final decision about the retention of an advisor on the basis of performance for at least three years from the original date of contract with the advisor in the absence of any extreme compelling circumstances. This policy recognizes that investment strategies must be assessed over full market cycles.

VIII. Proxy Voting Procedures

Stock proxies are voted in accordance with the following procedures:

A. The Secretary or Assistant Secretary receive and review all proxy statements.

B. The Secretary or Assistant Secretary may vote any proxies that do not involve issues of public or social policy and those that involve uncontested management or shareholder proposals on which no question had previously been raised by a Board member, advisor, counselor, or staff member.

C. The Secretary or Assistant Secretary may also vote any proxy involving other issues essentially the same as those on which the Board had previously established guidelines either through resolution or the establishment of a voting pattern.

D. All other proxies and pertinent reference materials shall be sent to each Board member by the Secretary. Each member will register his choices with the Secretary as to how the proxies should be voted. The Secretary will then vote the proxies in accordance with the wishes of the majority of the Board members voting.

E. The Secretary shall regularly report to the Board the types of issues that are being considered or that have been voted.

F. The Secretary shall maintain a file of all proxy votes and issue an annual summary report to the Board. This report along with all individual actions shall be available for public inspection.

IX. Public Access to Records

All records of investment transactions maintained by the State Employees' Retirement System are available for public inspection during normal business hours at the offices of the State Employees' Retirement System, located in

Room 204 of the Labor and Industry Building, Harrisburg, Pa. 17120. Inquiries should be directed to Secretary Robert L Cusma.

Requests for copies of documents which are a matter of public record will be honored upon payment of a copying and handling charge of one dollar (\$1.00) per page.

X. Procedures for Amending Policy Statement

This Statement of Investment Policy may be amended from time to time by a majority vote of the Board. Recommendations for policy changes should be directed to the Assistant Secretary of the State Employees' Retirement System, Room 204, Labor and Industry Building Harrisburg, Pa. 17120. The Assistant Secretary shall review all such recommendations and submit same for Board consideration with a written staff recommendation for action.

APPENDIX I

§5931. Management of fund and accounts

(a) The members of the board shall be the trustees of the fund and shall have exclusive control and management of the said fund and full power to invest the same, subject, however, to all the terms, conditions, limitations and restrictions imposed by this code or other law upon the making of investments. Subject to like terms, conditions, limitations and restrictions, said trustees shall have the power to hold, purchase, sell, assign, transfer or dispose of any of the securities and investments in which any of the moneys in the fund shall have been invested as well as of the proceeds of said investments and of any moneys belonging to said fund.

(b) The board, annually, shall allow the required interest on the mean amount for the preceding year to the credit of each of the accounts. The amount so allowed shall be credited thereto by the board and transferred from the interest reserve account.

(c) The State Treasurer shall be the custodian of the fund.

(d) All payments from the fund shall be made by the State Treasurer in accordance with requisitions signed by the secretary of the board and ratified by resolution of the board.

(e) The members of the board, employees of the board and agents thereof shall stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto.

(f) By the name of "The State Employees' Retirement System" or "The State Employees' Retirement System" all of the business of the system shall be transacted, its fund invested, all requisitions for money drawn and payments made, and all of its cash and securities and other property shall be held, except that, any other law to the contrary notwithstanding, the board may establish a nominee registration procedure for the purpose of registering securities in order to facilitate the purchase, sale or other disposition of securities pursuant to the provisions of this law.

(g) For the purpose of meeting disbursements for annuities and other payments in excess of the receipts, there shall be kept available by the State Treasurer an amount, not exceeding ten per cent (10%) of the total amount in the fund, on deposit in any bank or banks in this Commonwealth organized under the laws thereof or under the laws of the United States or with any trust company or companies incorporated by any law of this Commonwealth, provided any of such banks or trust companies shall furnish adequate security for said deposit, and provided that the sum so deposited in any one bank or trust company shall not exceed twenty-five per cent (25%) of the paid-up capital and surplus of said bank or trust company.

(h) Preferred and common stock as defined in subsection (i) of any corporation as defined in subsection (j) organized under the laws of the United States or of any commonwealth or state thereof or of the District of Columbia shall be an authorized investment of the fund, regardless of any other provision of law provided that:

(1) such stock be purchased with the exercise of that degree of judgment and care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital;

(2) in the case of any stock other than stock of a bank or insurance company, the stock be listed or traded (or if unlisted or not entitled to trading privileges shall be eligible for listing and application for such listing shall have been made) on the New York Stock Exchange or any other exchange approved by the Secretary of Banking;

(3) no investment in common stock be made which at that time would cause the book value of the investments in common stock to exceed twenty-five per cent (25%) of the total assets of the fund;

(4) no more than five per cent (5%) of the total assets of the fund be invested in common stocks in any one year, provided that any unused portion may be used in subsequent years, but in no event shall more than eight per cent (8%) of such assets be invested in common stocks in any one year;

(5) the amount invested in the common stock of any one company not exceed at cost two per cent (2%) of the book value of the assets of the fund at the time of purchase and shall not exceed five per cent (5%) of the issued and outstanding common stock of that company; and

(6) no sale or other liquidation of any investment be required solely because of any change in market values whereby the percentages of stocks hereinabove set forth are exceeded.

(i) "Common stock" as used in subsection (h) shall include the stock certificates, certificates of beneficial interests or trust participation certificates issued by any corporation or unincorporated association included under the definition of "corporation" in the following paragraph.

(j) "Corporation" as used in subsection (h) shall include a voluntary association, a joint-stock association or company, a business trust, a Massachusetts trust, a common-law trust and any other organization organized and existing for any lawful purpose and which like a corporation, continues to exist, notwithstanding changes in the personnel of its members or participants and conducts its affairs through a committee, a board or some other group acting in a representative capacity.

(k) Real estate subject to a lease to one or more financially responsible tenants which lease shall not require managerial responsibility by the board; and bonds, notes and deeds of trust, of individuals or corporations secured by mortgages on real estate located in any state, district or territory of the United States, shall be an authorized investment of the board regardless of any other provision of law. The board shall promulgate regulations to implement the foregoing to insure the safety of investments made pursuant to this subsection which regulations shall be in accordance with generally accepted standards and investment principles for pension funds of comparable size. All instruments, transfers

of interest, and all records pertaining to real estate, mortgages or bonds invested in by the board, shall be open to public inspection. Reports as requested by the board, shall be submitted on all real estate and mortgage investments by mortgage advisors and correspondents.

1974, March 1, P.L.125, No. 31 § 1, imd. effective. As amended 1975, Oct. 7, P.L.348, No.101, § 2, imd. effective.

APPENDIX II

Title 72, Pa.C.S., Section 301.1

Section 301.1 Investment of Moneys. -- (a) The Treasury Department may, from time to time, invest in direct short-term obligations of the United States government such amounts of the moneys of the Commonwealth, with the exception of moneys in any fund authorized by law to be invested by any board, commission or State officer, on deposit from time to time in State depositories, as shall have accumulated beyond the ordinary needs of various funds. The Treasury Department shall, from time to time as necessary, sell such short-term obligations and deposit the proceeds in State depositories as provided by this act. The Treasury Department shall not, at any one time, have invested in short-term obligations of the United States government more than an aggregate of such total sum as the Board of Finance and Revenue shall, by resolution, with the Governor's approval, have prescribed.

(b) The Treasury Department may, from time to time, subject to the hereinafter stated conditions and limitations, invest and reinvest the moneys of any fund as shall have accumulated beyond the ordinary needs of the various funds, and which are not authorized by law to be invested by any board, commission or State officer in prime rated commercial paper.

As used herein, "commercial paper" shall mean unsecured promissory notes issued at a discount from par by any industrial, common carrier or finance company, and

"Prime commercial paper" shall mean notes issued by corporations whose credit has been approved by the National Credit Office, Inc., New York, or its' successor.

The Treasury Department shall have obtained the following, prior to any commitment to purchase commercial paper:

(1) A certification or other evidence that such commercial paper is rated prime by the National Credit Office, Inc.;

(2) A certification or other evidence that the paper proposed to be delivered is not subordinated to any other debt of the issuer;

(3) A certification or other evidence that there is no litigation pending or threatened affecting said paper;

(4) A certification or other evidence that the issuer is not in default as to the payment of principal or interest upon any of its outstanding obligations; and

(5) A certification or other evidence that the issuer was incorporated within the United States, is transacting business within the United States, and has assets of one billion dollars or more, or is a wholly owned subsidiary of a Pennsylvania corporation having assets of one billion dollars or more.

The Treasury Department shall not, at any time, have invested in prime commercial paper more than an aggregate of such total sum as the Board of Finance and Revenue shall, by resolution, with the Governor's approval, have prescribed. (Subsection (b) amended, June 18, 1968, P.L.215, No. 102)

APPENDIX III

§3603. Investments of funds, except sinking fund

Any administrative department, board, commission, or officer of the State Government, authorized by law to make investments of funds in the custody or under the control of such department, board, commission, or officer, excepting only the moneys in the State Sinking Fund, may lawfully invest such funds in any of the following securities:

(1) United States. Obligations of the United States or the United States treasury or those for the payment of which the faith and credit of the United States is pledged, including obligations of the District of Columbia;

(2) Pennsylvania. Obligations of the Commonwealth of Pennsylvania or those for the payment of which the faith and credit of the Commonwealth is pledged;

(3) State and local government. Obligations of any commonwealth or state of the United States or any county, city, borough, town, township, school district, institution district, or other political subdivision having the power to levy taxes of any such commonwealth or state: Provided, That the faith and credit of such commonwealth, state or political subdivision thereof is pledged for the payment of said obligations: And provided further, That at the date of the investment in such obligations, such commonwealth, state or political subdivision is not in default in the payment of any part of the principal or interest owing by it upon any part of its funded indebtedness:

(4) National housing administration. Obligations issued pursuant to any housing act of the United States heretofore or hereafter enacted, but only if fully and unconditionally guaranteed as to principal and interest by the United States;

(5) General State Authority and other State Authorities. Obligations issued by the General State Authority and other authorities created by the General Assembly of the Commonwealth of Pennsylvania for the payment of which the faith and credit of the authority is pledged;

(6) Housing Authorities. Obligations of any Pennsylvania housing authority issued pursuant to the laws of the Commonwealth relating to the creation or operation of housing authorities;

(7) Redevelopment authorities. Obligations of any redevelopment authority issued pursuant to the laws of the Commonwealth relating to the creation or operation of redevelopment authorities;

(8) Municipality Authorities.

(i) Obligations of any Pennsylvania municipality authority other than obligations issued for school purposes, as hereinafter provided, issued pursuant to the laws of the Commonwealth relating to the creation or operation of municipality authorities, if the obligations are not in default in the payment of the principal or interest owing by it upon any part of its funded debt, and if, for the period of five fiscal years next preceding the date of acquisition, the income of such authority available for fixed charges has averaged not less than one and one-fifth times its average annual fixed charges of such obligations over the life of such

obligations. As used in this clause, the term "income available for fixed charges" shall mean income after deducting operating and maintenance expenses, and, unless the obligations are payable in serial annual maturities or are supported by annual sinking fund payments, depreciation, but excluding extraordinary non-recurring items of income or expenses, and the term "fixed charges" shall include principal, both maturity and sinking fund, and interest on bonded debt. In computing such income available for fixed charges for the purposes of this section, the income so available of any corporation acquired by any municipality authority may be included, such income to be calculated as though such corporation had been operated by a municipality authority and an equivalent amount of bonded debt were outstanding. The eligibility for investment purposes of obligations of each project of a municipality authority shall be separately considered hereunder; and

(ii) Obligations of any Pennsylvania municipality authority issued pursuant to the laws of the Commonwealth relating to the creation or operation of municipality authorities for the purposes of acquiring, holding, constructing, improving or operating public school buildings and other school projects acquired, constructed or improved for public school purposes, if the obligations are not in default, and if the said school buildings or school project has been leased to a school district or school districts under an agreement of lease by the terms of which the lessee school district or districts is or are obligated to pay to the authority regular annual net rentals available for fixed charges in an amount that will average not less than one and one-fifth times the authority's average annual fixed charges of such obligations over the life of such obligation. The term "fixed charges" shall include principal and interest on bonded debt;

(9) Delaware River Joint Commission. Obligations of the Delaware River Joint Commission issued pursuant to the act, approved the twelfth day of June, one thousand nine hundred thirty-one (Pamphlet Laws 575), and its amendments and supplements heretofore or hereafter enacted;¹

(10) Delaware River Joint Toll Bridge Commission. Obligations of the Delaware River Joint Toll Bridge Commission issued pursuant to the act, approved the twenty-fifth day of June, one thousand nine hundred thirty-one (Pamphlet Laws 1352), and its amendments and supplements heretofore or hereafter enacted;²

(11) Delaware Tunnel Board. Obligations issued by or with the approval of the Delaware Tunnel Board pursuant to the act, approved the eighth day of July, one thousand nine hundred forty-seven (Pamphlet Laws 1452), and its amendments and supplements heretofore or hereafter enacted;³

(12) Pennsylvania Turnpike Commission. All revenue bonds, notes or other obligations of the Commonwealth payable solely from revenues or other funds of the Pennsylvania Turnpike Commission and issued by the Pennsylvania Turnpike Commission pursuant to the laws of the Commonwealth;

(13) Corporate Bonds. Any fixed interest-bearing obligation, including bonds, notes, debentures and equipment obligations, including equipment trust certificates, conditional sale agreements or assignments of conditional sale agreements and participations therein issued, guaranteed or assumed by a corporation organized under the laws of the United States or any commonwealth or state thereof, or the District of Columbia, shall be an authorized investment, if —

(i) Purchased in the exercise of that degree of judgment and care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income to be derived therefrom as well as the probable safety of their capital;

(ii) Either the issuing corporation or a guaranteeing or assuming corporation has earned a net profit in eight of the preceding ten fiscal years, as reflected in its statements; and

(iii) Either the issuing corporation or an assuming corporation has not defaulted in the payment of principal or interest on any of its outstanding funded indebtedness during the preceding ten fiscal years.

When a corporation has acquired a substantial part of its property within ten years immediately preceding such investment by consolidation or merger or by the purchase of a substantial part of the property of any other corporation or corporations, the earnings of the predecessor or constituent corporations shall be consolidated so as to ascertain whether the requirements of this section have been satisfied.

"Corporation", as used in this clause, shall include a voluntary association, a joint-stock association or company, a business trust, a Massachusetts trust, a common-law trust, and any other organization organized and existing for any lawful purpose and which, like a corporation, continues to exist notwithstanding changes in the personnel of its members or participants, and conducts its affairs through a committee, a board, or some other group acting in a representative capacity; and

(14) Other First Mortgages and Bonds or Other Obligations. Mortgages on or bonds of individuals secured by mortgages on Pennsylvania real estate and also mortgages or bonds of individuals or corporations secured by insurance of the Veterans Administration under the provisions of the Servicemen's Readjustment Act of one thousand nine hundred forty-four, as amended,⁴ and the Federal Housing Administration under the provisions of the Housing Administration Act, approved the twenty-seventh day of June, one thousand nine hundred thirty-four, as amended,⁵ and also bonds or other obligations in connection with which the obligor gives one or more mortgages on Pennsylvania real estate to indemnify the Farmers Home Administration, United States Department of Agriculture, the insurer of the obligations pursuant to the Bankhead-Jones Farm Tenant Act of July twenty-second, one thousand nine hundred thirty-seven (50 Stat.522), and its amendments and supplements heretofore or hereafter enacted,⁶ or pursuant to the act of August twenty-eighth, one thousand nine hundred thirty-seven (50 Stat.869), and its amendments and supplements heretofore or hereafter enacted.⁷

(15) Bonds, notes or other obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development, which contain an unconditional promise to pay by the International Bank for Reconstruction and Development or an unconditional guarantee by the International Bank for Reconstruction and Development of the payment of the interest thereon regularly, and the principal thereof on or before a specified date, in lawful currency of the United States.

Not more than two per cent of the funds in the custody or under the control of the department, board, commission, or officer, shall be invested in such bonds, notes or obligations. The principal office of the obligor shall be located within the United States at the time the investment is made.

(16) Any fixed interest bearing obligation, including bonds, notes and debentures secured by mortgages or deeds of trust on improved real estate, which shall constitute a first lien on such real estate in fee simple, located within the United States, its territories or possessions, and further secured by the perfected assignment of all rentals and other moneys due under leases to, or guaranteed by, corporations that satisfy the requirements for corporations established by clause 13 hereof, or to the United States: Provided further, That such corporations or the United States have accepted occupancy under the terms of such leases and the rentals and other moneys payable thereunder by such corporations or by the United States are equal to or exceed the sums payable under such fixed interest bearing obligation and are adequate to service the obligation and to pay the principal obligation in full by its maturity.

(17) Bonds, notes or other obligations issued, assumed or guaranteed by the Inter-American Development Bank which contain an unconditional promise to pay by the Inter-American Development Bank or an unconditional guarantee by the Inter-American Development Bank of the payment of the interest thereon regularly and the principal thereof on or before a specified date in lawful currency of the United States. Not more than two per cent of the funds in the custody or under the control of the department, board, commission, or officer shall be invested in such bonds, notes or obligations. The principal office of the obligor shall be located within the United States at the time the investment is made.

(18) Short term discount notes of the Federal National Mortgage Association.

APPENDIX IV

Bond Substitution Guidelines

For the purpose of obtaining higher interest yields on permitted investments of the State-administered Retirement Funds, the following guidelines and accounting procedures relative to the exchange or substitution of securities held by such Funds have been adopted.

1. That for the purpose stated above, security exchange shall mean the sale or other disposition of any bond or other obligation in order to acquire, within a thirty-day period of such sale or other disposition, a substantially identical bond or other obligation of equal par value.
2. That any gain or loss realized on the security disposed of in such exchange be recognized only to the extent of any unamortized premium or discount and that such gain or loss be reflected in the accounts of the Funds during the period in which it occurs.
3. That the security acquired in such exchange be reflected in the accounts of the Funds at par value.
4. That the difference between the market values of the securities exchanged, at the time of sale or other disposition and the time of purchase or other acquisition, be reflected in the accounts of the Funds as a premium or discount on the security acquired and amortized over its remaining life.
5. That such security exchanges be transacted in accordance with the applicable statutes governing the investment of Commonwealth funds and subject to such conditions and authorizations approved by the Retirement Boards, all of which shall be set forth in their minutes.
6. That the guidelines and procedures contained herein were effective November 1, 1970.

APPENDIX V

APPENDIX V

A. Mortgage Standards and Guidelines for Individual Federally-insured Residential Mortgage Investment.

1. Mortgage must be insured by the Federal Housing Administration under section 203 or 221 (d-2) or by the Veteran's Administration under section 501;
2. Interest rate must be the maximum as permitted by FHA and VA at creation of the mortgage;
3. Mortgage must be secured by single family, owner-occupied, individually mortgageable units, the structure containing not less than 800 square feet of living space including 3 bedrooms, but excluding basements, utility rooms and garage space unless such space is modified for living use. Areas which are convertible into living space through finishing will be considered. On-site parking facilities are required.
4. The property must be located in an area primarily improved with or to-be-improved with properties of comparable value. Areas must have a satisfactory economic and neighborhood environment to support the desirability, use, and value of the property. Adequate retail services shall be within reasonable distance to service the general area where the property is situated. Access shall be by public road.
5. The Retirement Funds' purpose is to provide financing for Pennsylvania residents to acquire new and used housing. Since refinancing an existing property typically involves bill consolidation or the use of leveraged funds for the individual borrower to pursue other investment opportunities, it is inconsistent with the aforementioned purpose. Accordingly, refinances for property extension or remodeling will be considered. All other mortgage loan submissions which involve refinancing of the property will be considered only when the mortgage is currently part of the portfolio and/or the real estate and borrower's past credit and payment record are judged satisfactory.

B. Guidelines and Standards for Individual Conventional Residential Mortgage Investments.

1. Type of Mortgages

- (a) All loans must be approved by the Advisor and meet the yield parameters and guidelines approved by the Board of Trustees.
- (b) Mortgage Papers - Conventional permanent first mortgage loans on standard pre-approved mortgage papers. The mortgages are to be prepared by attorneys suggested by the Advisor and approved by counsel for the Board.
- (c) Title Insurance - Each loan shall be supported by a paid-up mortgagee's title insurance policy issued by a company approved by the Advisor on standard American Land Title Association forms in the full amount of the loan subject only to such exceptions as may be acceptable to the Advisor and counsel for the Board.

- (d) Fire & Casualty Insurance - Each mortgaged property must be insured by a pre-paid mortgagee insurance policy covering the building or buildings and other improvements constituting the mortgaged premises. Such insurance must insure against such things as physical damage caused by fire and other risks in amounts, with coverages, and issued by companies satisfactory to the Advisor. The amount of the insurance is to be a minimum of the mortgage amount or 100% of the appraised value of the property improvements, whichever is less.

Acceptable insurers and their limits include any insurer whose General Policy holders' rating is appropriate for the risk according to "Best's Insurance Guide". Initially, such insurance requirements will be as follows:

1. Policies under \$500,000 require the insured to have a Best Rating of A or better.
2. Policies \$500,000 or over require the insurer must be rated A+ by Best.

In any event, the amount of insurance acceptable on a single risk will not exceed 10% of policy surplus for any one particular insurer.

2. Area

Each area in which a mortgage investment is made shall be improved with properties of comparable value.

3. Security

One to four-family individually mortgageable units, which are easily sold in the market place, and, at the very least, meet basic FHA requirements: i.e. Containing not less than 800 square feet of living space, including 3 bedrooms, but excluding basements, utility rooms and garage space - unless such space is modified for living use. Areas which are convertible into living space through finishing may be considered on an individual basis. On-site parking is required.

Condominium financing also is to be permitted when such condominiums meet the guidelines established for single family homes.

4. Amount

Maximum single family loans will not exceed 150% of the existing FHA maximum except for loans that are 50% or less than the appraised value of the property. In any event, all single family lending will be limited to 80% of appraised value. The appraised value is to be determined by a qualified real estate appraiser recommended by the Correspondent and approved by the Advisor. The appraised value must also be certified by the Correspondent.

5. Rate

Prevailing market rates are to be predetermined on a quarterly basis by the Advisor for the Board and approved by the Board subject to interviewing market modifications.

6. Term

A maximum term of 30 years.

7. Credit

The mortgagor shall meet standards on single-family homes similar to FHA insurance and/or VA guaranty requirements. Particular emphasis shall be placed on the borrower's security of income, his credit payment record, and his financial status. The required annual payments, including real estate taxes, insurance deposits and, in the case of a condominium, the annual maintenance contribution, shall not exceed 25% of the borrower's annual gross income and all debts with 10 months or more in term should not exceed 35% of the annual gross income. The residential property, or a portion thereof, must be occupied by the owner (borrower) and be his principal residence.

C. Guidelines for Underwriting Federally Insured Project Mortgages.

1. The Federal insurance must pay the lender in cash rather than in debentures in the event of default.
2. The actual operating statements or pro-forma statements must indicate a positive cash flow after payment of all expenses and debt service.
3. The ownership and management must be financially sound and knowledgeable and possess a successful record in multi-family development.
4. The physical improvements securing the mortgage must be good and well located.
5. If the mortgage involved is already in existence, the payment record by the owner must be a good one.

D. Guidelines and Standards for Conventional Commercial Mortgage Investments.

1. Type of Mortgages

- (a) All loans must be approved by the Advisor.
- (b) Mortgage Papers - Conventional permanent first mortgage loans on standard pre-approved mortgage papers. The mortgage papers are to be prepared for each State, Territory, or the District of Columbia by attorneys suggested by the Advisor and approved by Counsel for the Board.
- (c) Title Insurance - Each loan will be supported by a paid-up mortgagee's title insurance policy issued by a company approved by the Advisor on American Land Title Association forms in the full amount of the loan subject only to such exceptions as may be acceptable to the Advisor and Counsel.
- (d) Fire and Casualty Insurance - Each mortgage property must be insured by a pre-paid mortgagee insurance policy covering the building or buildings and other improvements constituting the mortgaged premises. Such insurance must insure against such things as physical damage caused by fire and other risks in amounts, on forms, and issued by companies satisfactory to the Advisor. An exception may be made

where the lease agreement, approved by Counsel for the Fund, provides for replacement of the property, and the credit of the Lessee is approved by the Advisor.

2. Area

The loans may be located in any State, Territory, or the District of Columbia but must be originated by correspondents approved by the Board.

Each area in which a mortgage investment is made shall be improved with properties of comparable value and be situated in areas which have satisfactory neighborhood and economic environments so as to support the desirability, use, and value of the property. Emphasis to be placed on Pennsylvania properties.

3. Security

Commercial Properties currently to be recommended include office buildings, retail buildings, shopping centers, and industrial buildings.

Each investment must be compatible with the requirements of the community and, since each community varies as to type of construction, structural standards, market requirements, etc., it is the responsibility of the Advisor to satisfy the Board that the property does meet the specific requirements of the community; such as, zoning, sub-division, environmental and utility standards.

4. Amount

No single Commercial Property Loan is to exceed 3% of the total assets of the fund. Moreover, not more than 3% of the total fund assets is to be loaned to any one individual borrower or to any entity in which a single individual has an interest, if such interest would represent a loan in excess of these limits. Commercial Property Loans are not to exceed 85% of appraised value. The value must be certified by the correspondent and approved by the Advisor for the Board.

5. Rate

Prevailing market rates are to be predetermined on a quarterly basis by the Advisor for the Board and approved by the board subject to intervening market modifications.

6. Term

A maximum term and full amortization of 32 years on Commercial Properties when the loan amount is less than \$5,000,000. A maximum term and amortization period of 40 years on loans in excess of \$5,000,000.

7. Credit

Commercial Property credit reviews are a function of the appraiser and must be certified as satisfactory by the correspondent and approved by the Advisor.

Investment Data

Investments by category as of December 31, 1980

<u>Category</u>	<u>Book value (millions)</u>	<u>% of total</u>	<u>Market value (millions)</u>
Cash	.20	0.01	.20
Short-term investments	128.05	4.21	128.05
Common and preferred stock	623.77	20.52	787.93
Corporate and govt. bonds	1810.54	59.56	1176.88
Residential mortgages ¹	175.82	5.78	146.70
Commercial mortgages ²	139.40	4.59	123.16
GNMA certificates ³	161.86	5.33	138.47
Total	<u>\$3039.64</u>	<u>100.00%</u>	<u>\$2501.39</u>

¹Government insured first mortgages on dwellings located in Pennsylvania.

²Government insured project mortgages on properties located throughout the United States.

³Representing pools of government insured first-mortgages in residential properties throughout the United States.

Investment Data

Assets under management, by advisor, as of December 31, 1980:

<u>Advisor</u>	<u>Book value of assets managed (millions)</u>	<u>Percent of total</u>
Alliance Capital Management New York, N.Y.	97.27	3.2%
Fidelity Bank Philadelphia, Pa	483.30	15.9%
Mellon Bank, N.A. Pittsburgh, Pa	2,401.32	79.0%
State Treasurer's Office Harrisburg, Pa	57.75	1.9%

Investment Data

Performance and characteristics:

I. Total time-weighted rates of return for the year ended December 31, 1980:

Common Stock:

SERS (Mellon)	+ 19.4%
SERS (Alliance)	+ 34.6%
S&P 500	+ 32.2%

Fixed-income:

SERS (Mellon)	- .3%
SERS (Alliance)	+ 1.8%
Salomon Bros Index	- 2.6%

Note: Alliance Capital Management became an advisor to the Fund effective March 1, 1980. Their portfolio was funded by new cash throughout the year. Mellon Bank manages a mature portfolio of investments. Therefore, conclusions about the relative performance of the two managers cannot be drawn simply by a comparison of the return figures.

II. Data on corporate and government bonds as of December 31, 1980:

	SERS (Mellon)	SERS (Alliance)
Average quality	AA	AA+
Average coupon	8.72%	12.97%
Average final maturity	April, 1996	June, 1998
Current yield on market	12.23%	14.10%

III. Data on mortgage investments as of December 31, 1980:

Residential mortgages - net yield on cost based on 12 yr average Life:	8.21%
Project mortgages - net yield on cost based on 12 yr average Life:	9.38%
GNMA certificates - net yield on cost based on 12 yr average Life:	10.77%

Investments of the
 State Employees' Retirement Fund
 at Book and Market Values
 as of
 December 31, 1980

Short-Term Investments Portfolio: Treasury

Par value	Description	Market Value	Book Value
500000	1ST MD BANCORP/LEHMAN 1/16/81 18.31%	4959300	4959311.11
2050000	AMER GENL INV/LEHMAN 1/27/81 20.76%	2025175	2025174.50
575000	BANKERS TRUST NY 20.01% 1/5/81	568606	568607.92
2100000	BRIT OIL/LEHMAN 1/9/81 19.41%	2081877	2081884.00
7800000	CARGILL/BECKER 1/13/81 17.70%	7750158	7750145.00
3300000	FORD MOTOR CREDIT 1/6/81 20%	3300000	3300000.00
2025000	ITT FINANCIAL 1/6/81 20.375%	2025000	2025000.00
2000000	NESTLES/LEHMAN 1/16/81 18.31%	1983720	1983724.44
3000000	PO GIB EN/LEH COM 20.31% 1/2/81	2971230	2971227.50
4100000	PORT GIBSON/LEHMAN 1/12/81 18.31%	4072899	4072891.03
7000000	PORT GIBSON/LEHMAN 1/14/81 18.31%	6950160	6950156.11
16300000	R/P / EQUIBANK 16.75% 1/30/81	16300000	16300000.00
5250000	RP W/ EQUIBANK 1/8/81 17%	5250000	5250000.00
6383000	ST LUCIE FUEL/SAL BR 1/77/81 20.625%	6324468	6324489.17
4000000	TO INT/BANK TR NY 20.01% 1/5/81	3955520	3955533.33
4400000	U.S T/BILLS 3/5/81 15.80%	4232008	4231993.33
6800000	US T BILLS 1/15/81 10.93%	6612116	6612125.45
6250000	US T BILLS 1/22/81 11.56%	6067375	6067368.06
5620000	US T BILLS 1/8/81 11.52%	5456346	5456345.60
6275000	US T BILLS 2/12/81 13.08%	6067549	6067527.59
9200000	US T BILLS 2/26/81 14.18%	8873860	8873860.00
825000	US T BILLS 2/5/81 13.07%	798938	798941.69
6300000	US T BILLS 3/12/81 16.83%	6031998	6031982.25
3550000	US T BILLS 3/26/81 14.12%	3428874	3428862.17
8075000	US T BILLS 3/5/81 14.75%	7773964	7773925.87
2275000	US T BILLS 3/5/81 16.95%	2183955	2183952.60

Corporate Bonds Portfolio: Mellon

Par Value	Description	Market Value	Book Value...
1500000	ALABAMA POWER CO 4.875% 09/01/95	615000	1511250.00
7000000	ALLIED CHEMICAL CORP 5.20% 11/01/91	5153750	5988290.00
3000000	AMERICAN CYANAMID CO 7.375% 04/15/01	1770000	3114870.00
3500000	ARIZONA PUBLIC SERV 7.45% 03/15/02	2030000	3495625.00
1500000	ARIZONA PUBLIC SERV 4.400% 12/01/92	880650	1500000.00
750000	ARIZONA PUBLIC SERV 4.500% 09/01/93	437625	750000.00
2500000	ARIZONA PUBLIC SERV 4.800% 11/01/91	1580000	2500000.00
500000	ARIZONA PUBLIC SERV 5.125% 10/01/87	364500	501910.00
14500000	ARMCO STEEL CORP 9.20% 07/15/00	9588125	14485855.27
21565000	ASHLAND OIL INC 8.20% 08/15/02	12992913	21500608.68
9780000	ATLANTIC RICHFIELD C 5.625% 05/15/97	5501250	9531177.61
6000000	AVCO CORP 12% 6/15/90	4927500	6741180.00
26826000	AVCO FIN SERVICES 9.875% 4/15/87	21896723	32435267.57
7459000	AVCO FINANCIAL SERV 9.375% 10/01/98	5146710	7350670.00
9000000	AVCO FINANCIAL SERVI 7.625% 12/01/97	4961250	8944825.00
9000000	AVCO FINANCIAL SERVI 9.75% 8/1/99	6345000	10660985.00
10000000	AVCO FINANCIAL SERVIC 8.35% 11/15/98	5525000	9978108.20
5000000	B.F. GOODRICH CO 8.25% 11/15/94	3212500	4965000.00
1500000	BALTIMORE GAS & ELEC 4.625% 08/01/90	810000	1505535.00
6000000	BANKAMERICA 8.35% 5/15/07	3930000	5981148.00
4000000	BANKAMERICA CORP 7.875% 12/1/03	2525000	4000000.00
9000000	BANKERS TRUST CO 8.125% 01/15/99	5715000	8549700.00
1000000	BAXTER LABORATORIES 4.75% 01/01/01	1130000	1000000.00
9923000	BENDIX CORP 11.20% 5/15/05	8136860	8331053.11
6300000	BENEFICIAL CORP 8.35% 2/15/88	4693500	8292066.77
3100000	BENEFICIAL FINANCE CO 4.75% 05/15/93	1619750	3035273.86
3250000	BENEFICIAL FINANCE CO 6.75% 08/01/94	2091798	3284682.50
10000000	BETHLEHEM STEEL 8.375% 3/1/01	5900000	10896000.00
10533000	BETHLEHEM STEEL CORP 4.50% 01/01/90	5319165	10336077.19
12223000	BETHLEHEM STEEL CORP 5.40% 01/15/92	7333800	11153892.83
7000000	BETHLEHEM STEEL CORP 9.00% 05/15/00	4585000	7000000.00
21025000	BP NORTH AMER FIN 9.25% 2/1/01	14086750	22367999.20
1500000	BROOKLYN UNION GAS 4.625% 04/01/90	776250	1515000.00
3450000	BROWN GROUP INC 7.375% 01/15/98	2026875	3294750.00
3000000	C.I.T. FINANCIAL COR 4.625% 05/01/89	1953750	2960210.00
1000000	CATERPILLAR TRACTOR CO 06/30/00	1145000	1000000.00
2000000	CEN VERMONT PUB SER 10.000% 12/01/99	1957200	2000000.00
3000000	CENT ILL PUB SERV 7.500% 05/01/02	1725000	3000000.00
5500000	CHEMICAL NY CORP 8.25% 8/1/02	3368750	5500000.00
1000000	CHES POT TEL OF MD 4.375% 01/01/02	411250	974040.00
5000000	CIT FINANCIAL 8.80% 3/15/93	3600000	5159000.00
31423000	CIT FINANCIAL CORP 9.50% 6/1/95	22192494	33686482.53
17334000	CITICORP NOTES 8.125% 07/01/07	10942088	17245573.05
8000000	CITIES SERVICE CO 6.125% 11/01/97	4730000	7754870.00
5865000	CITIES SERVICE CO 6.625% 08/01/99	3343050	5954842.62
4310000	COLUMBIA GAS SYSTEM 7.50% 10/01/97	2700363	4434820.27
2818000	COLUMBIA GAS SYSTEM 4.625% 05/01/90	1609783	2773182.66
5100000	COLUMBIA GAS SYSTEM 7.000% 10/01/93	3359625	5012232.16
8395000	COLUMBIA GAS SYSTEM 7.500% 03/01/97	5026506	8316842.70
8500000	COLUMBIA GAS SYSTEM 7.500% 06/01/97	5185000	8389560.00
8986000	COMMERCIAL CREDIT CO 7.75% 02/15/92	5751040	8823902.22
5000000	COMMERCIAL CREDIT CO 7.75% 04/01/93	3012500	4975366.19
1000000	COMMONWEALTH EDISON 5.75% 11/01/96	649100	1000000.00
2500000	CONN LIGHT & POWER 7.375% 12/01/01	1318750	2493750.00
2500000	CONN LIGHT & POWER 7.625% 04/01/03	1353125	2512500.00
3000000	CONS EDISON OF NY 6.85% 10/01/98	1620000	3000000.00
1000000	CONS EDISON OF NY 4.400% 06/01/93	562300	1000000.00
4500000	CONS NATURAL GAS CO 7.625% 05/01/97	2846250	4390835.00
2500000	CONSUMER POWER CO 7.500% 06/01/02	1303125	2506250.00

Corporate Bonds Portfolio	Description	Market Value	Book Value
1000000	CONSUMER POWER CO 7.500% 10/01/02	516250	878110.00
11000000	CONTINENTAL GR, INC. 8.85% 11/15/04	7053750	10994795.87
7500000	DIANA CORP 9% 2/15/00	5400000	8691706.86
1000000	DAYTON POWER & LIGHT 4.450% 06/01/93	583300	1000000.00
50679000	DEERE & CO 8.00% 11/15/02	32434560	55655286.91
2500000	DELMARVA POW & LIGHT 7.500% 08/01/02	1468750	2512500.00
500000	DETROIT EDISON CO 4.875% 08/15/87	351300	500000.00
2500000	DIAMOND SHAMROCK 7.70% 12/15/01	1818750	2527075.00
10000000	DIAMOND SHAMROCK 9.125% 11/15/00	7025000	11038169.95
3500000	DIGITAL EQUIPMENT 8 7/8% 6/15/05	4611250	3500000.00
5000000	DOW CHEMICAL 7.75% 7/15/99	3162500	5152611.59
11110000	EATON CORP 7.875% 12/01/03	6610450	10791559.56
7450000	ENGELHARD MIN CHEM 11.75% 8/1/05	6332500	8227681.63
3500000	ENSERCH CORP 7.500% 12/01/96	2209375	3483750.00
2162000	ENSERCH CORP 7.650% 03/15/98	1405300	2143273.80
8325000	ENSERCH CORP 8.950% 03/15/99	5577750	8296721.21
6294000	EXXON CORP 6% 11/1/97	3666255	3599412.72
5000000	F. W. WOOLWORTH CO. 7.375% 4/1/96	3056250	4857000.00
10021000	FEDERAL MUGUL 13% 8/15/05	9018900	10484418.75
2800000	FIDELITY BANK 6.125% 09/01/92	1949500	2737262.20
2000000	FLORIDA POW & LIGHT 4.625% 03/01/95	1230000	2037600.00
6000000	FORD MOTOR 14.25% 4/1/90	5610000	7115448.00
5000000	FORD MOTOR CO 14.75% 4/1/85	4950000	5796950.00
5000000	FORD MOTOR CO 7.85% 1/15/94	2950000	5796950.00
22378000	FORD MOTOR CO. 9.25% S/F DEB 7/15/94	14881370	23090361.06
14517000	FORD MOTOR CREDIT 7.875% 07/15/93	8419860	14672602.70
14800000	FORD MOTOR CREDIT 9.125% 06/01/01	8880000	14782499.70
4000000	FORD MOTOR CREDIT 9.45% 6/15/89	2935000	4743632.00
16500000	FORD MOTOR CREDIT CO 9.50% 1/15/95	11220000	16344040.00
2750000	FORD MOTOR CREDIT CO 9.75% 1/15/01	1801250	2750000.00
19500000	FORD MOTOR CREDIT CO 9.85% 3/15/04	16185000	19493655.00
2000000	G C MURPHY CO 7.375% 01/01/97	1220000	1980000.00
4500000	G.M.A.C. 8.20% NOTES 2/15/88	3465000	5117361.35
25704000	GENERAL MILLS 8% 2/15/99	16482690	25185731.38
7100000	GENERAL TEL & ELECTRN 6.25% 12/01/91	4615000	7060368.67
	GENERAL TEL OF CALIF 4.500% 03/01/95	1364880	2887336.46
	GENERAL TEL OF CALIF 5.000% 12/01/95	3619000	7936992.48
7700000	GENERAL TEL OF FLA 7.500% 08/01/02	2325000	3983400.00
4000000	GENERAL TEL OF IND. 6.250% 07/01/97	1571590	2300000.00
2300000	GENERAL TEL OF MICH 5.5% 03/01/97	624800	992500.00
1000000	GENERAL TEL OF MICH 4.875% 11/01/95	587200	1000000.00
430000	GENERAL TEL OF MICH 5.125% 12/01/90	288014	430000.00
1000000	GENERAL TEL OF OHIO 4.75% 10/01/93	602200	983800.00
300000	GENERAL TEL OF PA 5.625% 07/01/96	192090	300000.00
2416000	GENERAL TEL OF SW 7.5% 10/01/02	1491880	2400657.09
750000	GENERAL TEL OF SW 4.875% 03/01/92	475050	750000.00
3575000	GEORGIA PACIFIC 10.10% 6/15/90	2886813	3902122.00
3500000	GEORGIA POWER CO 4.875% 09/01/95	1496250	3506906.31
9000000	GMAC 13% 4/26/85	0	10880926.24
16500000	GMAC 13.50% 10/15/84	0	20127464.31
6750000	GMAC 13.50% MED TERM NOTES 4/13/84	6816825	7406000.00
13500000	GMAC 14.25% 4/15/83	0	16466313.00
2000000	GMAC 7.25% 3/1/95	1235000	2222694.06
7817000	GMAC 7.85% 11/1/98	5071279	8496016.81
5500000	GMAC 8% 1/15/02	3375625	5881562.50
8073000	GMAC 9.75% 3/30/84	7478419	9358071.04
22000000	GMAC 12.50% 9/6/84	22064020	25495673.45
20882000	GOODYEAR TIRE & RUBBR 7.35% 09/15/97	11615613	20650908.17

Corporate Bonds Portfolio: Mellon

Par Value	Description	Market Value	Book Value
3000.	GREAT NORTHERN RAIL 3.125% 01/01/00	900	2857.50
250000.	HACKENSACK WATER CO 3.5% 06/01/85	165938	255865.00
1500000.	HOUSEHOLD FINANCE 7.5% 10/01/97	909375	1500000.00
1500000.	HOUSEHOLD FINANCE 4.75% 01/01/89	1022550	1500000.00
10505000.	HOUSEHOLD FINANCE 4.875% 09/15/93	5121188	10346417.98
5000000.	INGERSOLL-RAND CO. 12.375% 9/1/90	4825000	5556735.94
5000000.	INLAND STEEL CO 9.5% 09/01/00	3418750	5000000.00
7030000.	INTER AMER DEV BANK 15% 4/15/81	7047575	7741568.57
10000000.	INTER AMER DEVELOP BK 8.75% 7/15/01	7025000	10753330.01
6040000.	INTER-AMER DEV BANK 8.375% 06/01/02	4061900	5990004.65
4548000.	INTL BANK RECON DEV 4.5% 02/01/90	2649210	4486924.16
6445000.	INTL BANK RECON DEV 6.5% 03/15/94	3987844	6400210.38
10950000.	INTL BANK RECON DEV 5.375% 04/01/92	6351000	10987373.75
7224000.	INTL BANK RECON DEV 5.375% 07/01/91	4198950	7162516.08
4250000.	INTL BANK RECON DEV 5.875% 09/01/93	2502188	4229605.00
13400000.	INTL BANK RECON DEV 6.375% 10/01/94	8056750	13484202.24
8500000.	INTL BANK RECON DEV 9.35% 12/15/00	6300625	9771791.25
4500000.	INTL TEL & TEL 8.9% 10/01/95	3150000	4500000.00
8372000.	INTL TEL & TEL 10% 6/1/00	6613880	9931363.92
600000.	IOWA ELEC LT & POWER 5.125% 01/01/91	400320	600000.00
2237000.	IRVING BANK CORP DEBS 5.75% 08/01/91	1633010	2230307.13
4500000.	ITT FINANCIAL 11% 6/15/88	3870000	4777470.38
13165000.	J. C. PENNEY CO. 8.875% 7/15/95	9758556	14172758.10
8716000.	J. C. PENNEY FIN CO. 10.20% 10/15/94	6406260	9358470.49
300000.	JAMAICA WATER SUPPLY 3.875% 05/01/81	283500	306000.00
25650000.	JC PENNEY 9% 6/15/99	18468000	27123891.26
5500000.	JOHN DEERE CREDIT CO 7.50% 04/30/98	3334375	5496046.60
4920000.	JOHNS MANSVILLE 7.85% 1/1/04	3247200	5701759.70
3500000.	JONES LAUGHLIN STEEL 4.75% 04/01/87	2583350	3465000.00
3000000.	JONES LAUGHLIN STEEL 9.875% 04/01/95	1991250	2962500.00
12250000.	JOS SCHLITZ BREWING 9.50% 12/1/99	7855313	12218690.00
1000000.	JF MORGAN 4.75% CONV 11/1/98	682500	710000.00
1400000.	K MART CORP CONV 6% 7/15/99	882000	1305000.00
212000.	KAISER ALUM & CHEM 5.5% 06/01/87	169240	212000.00
1000000.	KANSAS POWER & LIGHT 4.75% 09/01/91	638900	1000000.00
3760000.	LONE STAR INDUSTRIES 4.875% 07/01/90	2824700	3669196.00
1000000.	LONG ISLAND LIGHTING 4.4% 04/01/93	577200	1000000.00
2500000.	LONG ISLAND LIGHTING 7.625% 09/01/02	1418750	2506250.00
500000.	LOUISIANA POWER & LIGHT 5% 04/01/90	263750	490250.00
3250000.	MACK TRUCKS 10 3/4% 10/1/85	2681250	3561772.50
2000000.	MAINE YANK ATOM POW 7.625% 05/01/02	1120000	1985000.00
1000000.	MANUFACTR & TDR TRUST 4.75% 06/01/90	642500	993049.50
1500000.	MARINE MIDLAND CORP 5% 07/15/89	886875	1481100.00
3500000.	MICH CONSOLIDAT GAS 7.625% 07/01/97	2174375	3458525.00
2000000.	MICH CONSOLIDAT GAS 8.125% 07/15/98	1167500	1995000.00
500000.	MISSOURI PACIFIC RR 4.25% 01/01/05	200000	488750.00
750000.	MISSOURI PUBLIC SERVICE 6% 03/15/97	482325	750000.00
20000000.	MONSANTO CO 8.50% 6/15/00	13225000	20450633.04
7308000.	MONTGOMERY WARD & CO 4.875% 08/01/90	4485285	6261347.28
1000000.	MOUNTAIN FUEL SUPPLY 4.6% 06/01/89	571250	1000000.00
5000000.	NCNB CORP 8.375% 03/01/99	3006250	4896840.00
2500000.	NEW ENG TEL & TEL 4.625% 07/01/05	1025000	2425175.00
20000000.	NIAGARA MOHAWK POWER 12.60% 10/1/81	19600000	22971049.33
415000.	NIAGARA MOHAWK POWER 4.625% 12/01/94	188825	424183.98
9500000.	NL INDUSTRIES 9.375% 7/1/2000	7125000	9351780.00
6000000.	NORTH AMER PHILIPS 9.75% 8/1/00	4222500	6346800.00
5565000.	NORTHERN NATURAL GAS 7.375% 5/1/92	5646375	8918946.87
250000.	NORTHERN PACIFIC Rwy 4.00% 01/01/97	197500	283912.50

Par Value	Description	Market Value	Book Value
1700000	NORTHWEST BANCORP 5 1/8% 10/15/90	932875	1690660.00
1000000	OHIO POWER CO 5% 01/01/96	422500	746000.00
1000000	PA ELECTRIC CO 5% 09/01/90	453750	1021590.00
1500000	PA FOWER & LIGHT 4.625% 03/01/94	879150	1515000.00
500000	PACIFIC TEL & TEL 3.625% 08/15/91	242500	512735.00
1198000	PACIFIC TEL & TEL 4.625% 05/01/00	491180	1146593.82
750000	PACIFIC TEL & TEL 5.125% 02/01/93	390000	758985.00
1550000	PACIFIC TEL & TEL 4.625% 04/01/99	633563	1520702.00
3000000	PHILA ELECTRIC CO 8% 10/01/96	2411100	3000000.00
5000000	PHILA ELECTRIC CO 7.5% 01/15/99	2812500	4958419.07
2500000	PHILA ELECTRIC CO 7.5% 06/15/98	1387500	2512500.00
1500000	PHILA NATIONAL BANK 5.5% 03/01/92	1020000	1540755.00
300000	PHILA SUBURBAN WATER 5% 09/01/89	206940	300000.00
500000	PHILA SUBURBAN WATER 3.5% 01/01/86	351400	500000.00
7250000	POLAROID CORP 11 7/8% 8/15/90	6851250	8843477.50
250000	PUB SERV OF COLORADO 4.625% 03/01/92	155575	250000.00
1200000	RALSTON PURINA CONV 5.75% 04/01/00	876000	1158750.00
5000000	RCA CORP 12.25% 5/1/05	4431250	5456745.26
16800000	REPUBLIC NEW YORK 13.75% 9/15/05	14112000	18408018.75
1894000	ROCKWELL INTL CORP 5.75% 02/15/91	1643045	1912940.00
500000	SAN JOSE WATER WORKS 5% 11/01/90	328350	500000.00
6000000	SCOTT PAPER CO 8.875% 6/1/00	4200000	6254246.91
51395000	SEARS ROEBUCK & CO 7.875 2/1/07	31479438	54196303.16
14750000	SEARS ROEBUCK 8% 4/1/06	9218750	16127079.37
9160000	SHELL OIL CO 8.50% 9/1/00	6366200	9974080.31
3000000	SO CALIFORNIA GAS 8.75% 05/01/96	2130000	2890590.00
3000000	SO CALIFORNIA GAS 7.625% 09/01/97	1785000	3000000.00
12851000	SOCONY MOBIL OIL 4.25% 04/01/93	6859221	12765901.37
750000	SOUTH CAROLINA ELEC & GS 5% 06/01/91	489150	750000.00
1500000	SOUTH CAROLINA ELEC & GS 5% 09/01/90	996900	1485000.00
1800000	SOUTHRN BELL TEL&TEL 4.375% 08/01/03	747000	1776351.00
4282000	SUN OIL CO 4.625% 11/15/90	2397920	4188522.90
2000000	TENN VALLEY BANCORP 8.5% 01/01/99	1880000	1990000.00
17818000	TENNECO INC 8.875% 04/15/03	13029413	17245923.09
16775000	TENNECO INC 12.125% 5/1/05	14342625	15915281.25
7500000	TENNECO INC 8.375% 4/1/02	5550000	5128425.00
500000	TEXAS & NEW ORLEANS 3.375% 04/01/90	175000	503750.00
10000000	TEXAS INSTRUMENTS 12.70% 2/1/05	9500000	11485524.71
5000000	TEXASGULF INC 9.375% 12/15/00	3443750	5000000.00
2500000	TRANSCONTL GAS PIPELN 7.25% 04/15/89	1668750	2500000.00
3000000	TRW INC 8.125% 01/15/04	1650000	3000000.00
500000	TUCSON GAS & ELECTRIC 4.55% 02/01/95	284500	500000.00
13702000	U S GYPSUM CO 7.875% 01/01/04	8152690	13472089.60
57293000	U S STEEL CORP 4.625% 01/01/96	24922455	55607795.58
2000000	U S STEEL CORP CONV 5.75% 07/01/01	1090000	2000000.00
14768000	UNION CARBIDE CORP 5.3% 03/01/97	8048560	13723587.91
7230000	UNION CARBIDE CORP 7.5% 12/15/06	4084950	7129078.04
1272000	UNITED CALIF BANK 4.5% 01/15/90	850650	1268951.02
2000000	UNITED CALIF BANK 4.5% 09/17/88	1335800	2000000.00
500000	UNITED GAS IMPROVEMNT 4.75% 05/15/90	275000	511070.00
400000	UNITED TEL OF INDIANA 5% 09/01/90	266320	400000.00
1305000	UNITED TEL OF INDIANA 6.25% 09/01/97	890532	1305000.00
24600000	UT CREDIT CORP 8.25% 7/1/02	15006000	24600000.00
2994000	VERMONT YANK NUC POW 7.7% 10/01/98	1830083	2961566.33
5500000	VIRGINIA ELEC & POW 7.375% 06/01/02	3031875	5448750.00
1000000	WESTERN PA WATER 4.375% 05/01/93	567900	990000.00
7250000	WESTINGHOUSE CREDIT 7.60% 10/15/97	4640000	7116505.00

Corporate Bonds Portfolio: Alliance

Par Value	Description	Market Value	Book Value
1000000	AIR PRODUCTS & CHEM 11 5/8% 5/15/10	947500	1045580.00
1000000	BELL TELEPHONE OF PA 11 7/8% 4/15/20	876250	1005000.00
1000000	BURLINGTON NORTHERN 12 7/8% 8/1/05	890000	983070.00
1000000	CONTINENTAL GROUP 12.30% 5/1/05	1000000	962500.00
1000000	ENGELHARD MIN CHEM 11.75% 8/1/05	850000	995000.00
500000	FORD MOTOR CO 9.15% 8/1/04	298750	328925.00
1000000	NATL RURAL UTILITIES 13 1/2% 9/15/10	980000	1000000.00
1000000	NEW ENGLAND TEL & TEL 12.20% 5/15/17	861250	980000.00
1000000	PAC NW BELL TEL 11% 5/1/20	821250	993750.00
400000	ROWAN COS, INC 8.75% 6/15/00	660000	400000.00
1000000	STHWSTRN BELL TEL 11 3/8% 1/15/20	880000	990000.00
1000000	TENNECO INC 12.125% 5/1/05	855000	1082500.00
1000000	UNION PACIFIC 11.875% 9/1/10	870000	1020000.00
1000000	WISCONSIN TELEPHONE 11 3/8% 6/1/17	865000	995000.00

Par Value	Description	Market Value	Book Balue
661000	BROOKLYN UNION GAS 4.375% 05/28/88	437714	661000.00
1320000	CENT TEL CO OF ILL 6.75% 04/01/93	995808	1320000.00
450000	CENT VERMONT PUB SER 4.875% 05/01/87	319725	450000.00
1260000	CENT VERMONT PUB SER 7.000% 05/01/93	944370	1260000.00
457500	EQUITABLE GAS CO 4.500% 04/01/83	382516	457500.00
1252000	EQUITABLE GAS CO 6.250% 09/01/92	888795	1252000.00
341000	ERIE LACKAWANNA RAILROAD 7% 5/1/80	0	341000.00
1535771	FAIRLANE EQUIP CO 7.75% 03/15/84	1441936	1535771.44
620000	INDIANA GAS CO 5.125% 10/01/86	478380	620000.00
1200000	NORTH PENN GAS 6.5% 07/01/92	900480	1200000.00
1066666	PENN CENTRAL CO 7.50% 08/15/88	909227	1066666.63
858666	PENN CENTRAL CO 9.00% 08/01/84	826123	858666.63
1040000	PENN CENTRAL CO 10.50% 12/15/84	1060384	1040000.00
100000	PENNA RAILROAD CO 6.50% 02/01/82	92830	100000.00
432000	PORTLAND GENL ELEC 4.75% 04/01/94	249005	432000.00
490000	PORTLAND GENL ELEC 5.25% 06/01/90	327124	490000.00
822000	PORTLAND GENL ELEC 5.125% 11/01/91	523203	812866.76
412000	UNITED GAS IMPROVEMENT 4.5% 07/01/88	278965	412000.00
150000	UNITED TEL OF PA 3.6% 12/01/85	105840	150000.00
1994205	VOLKSWAGEN MFG CORP 8.5% 09/15/91	1868411	1994205.71

Government Bonds and Notes Portfolio: Mellon

Par Value	Description	Market Value	Book Value
10000000	US TREAS NOTES 15% 3/31/82	10212500	10030000.00
16775000	US TREASURY BONDS 7 7/8% 2/15/93	12172443	12853843.75
27655000	US TREASURY NOTES 11.75% 11/15/85	26998194	27738156.25
15000000	US TREASURY NOTES 12 1/8% 9/30/84	14775000	15009375.00
23635000	US TREASURY NOTES 12% 5/15/87	23339563	25128015.62
20000000	US TREASURY NOTES 12.125% 10/31/82	19712600	19957202.25
2250000	US TREASURY NOTES 12.625% 10/31/81	2231730	2227792.50
16686000	US TREASURY NOTES 13% 11/15/90	17217950	16683600.00
16380000	US TREASURY NOTES 13.25% 5/15/84	16636019	16015125.00
11300000	US TREASURY NOTES 13.875% 2/28/82	11377744	11182254.00
5000000	US TREASURY NOTES 8.75% 11/15/88	4109400	4300000.00

Government Bonds and Notes Portfolio: Alliance

1000000	US TREAS BONDS 10% 5/15/10	854060	963242.19
500000	US TREAS BONDS 7% 5/15/98	325000	372656.25
2000000	US TREASURY BONDS 10 3/8% 5/15/95	1743760	1977500.00
2500000	US TREASURY BONDS 11 1/2% 11/15/95	2355475	2682421.88
1000000	US TREASURY NOTES 13.25% 5/15/84	1015630	1003437.50

Preferred Stock Portfolio: Mellon

Shares	Description	Market Value	Book Value
29000	COOPER INDUSTRIES, INC.	1566000	1028060.00
34000	WEYERHAEUSER CO. PFD-CONV \$2.80	1564000	1646825.00

Preferred Stock Portfolio: Alliance

24000	WHEELABRATOR FRYE 8.25% CONV PEF	1068000	1200000.00
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Shares	Description	Market Value	Book Value
334000	ABBOTT LABORATORIES, INC.	18871000	11644955.00
380516	AIR PRODUCTS AND CHEMICALS	15743850	10868362.50
163900	ALUMINUM CO OF AMERICA	9772538	8625669.00
477700	AMERICAN HOME PRODUCTS CORP.	13435313	14231777.99
264000	AMERICAN HOSPITAL SUPPLY CORP	12705000	8055179.50
15000	AMERICAN INTERNATIONAL GROUP.	1125000	1005750.00
357063	AMERICAN TELEPHONE AND TELEGRAPH	17094391	19260093.63
277200	AMP INC.	14379750	8201188.96
377600	ATLANTIC RICHFIELD CO.	24024800	9894139.86
22500	AVON PRODUCTS INC.	767813	1811610.50
40000	BAKER INTERNATIONAL CORP	1945000	750162.50
264200	BANKAMERICA CORP.	7992050	6544200.00
288500	BEATRICE FOOD CO.	5553625	6995249.00
320300	BLACK & DECKER MFG CO.	5885513	7389228.73
105500	BURROUGHS CORP.	5683813	8215814.75
271900	CAPITAL HOLDING CORP.	4826225	5772544.40
145500	CARNATION CO.	3983063	4608476.06
223900	CATERPILLAR TRACTOR CO.	12986200	10099209.42
64500	CENTRAL TELEPHONE & UTILITIES CORP.	1580250	1502206.00
493800	CHESEBROUGH FONDS INC.	13888125	12026747.39
130000	CLARK EQUIPMENT CO	4160000	4655075.00
134400	COCA COLA COMPANY	4485600	5686543.38
45000	COLGATE PALMOLIVE CO.	658125	1173951.49
200550	CONNECTICUT GENERAL INSURANCE	9325575	6357950.00
214800	CONOCO INC	14042550	6278170.91
21500	DART & KRAFT, INC.	1040063	931959.00
369200	DEERE AND CO.	17721600	9135244.06
179100	DOW CHEMICAL CO.	5753588	6422029.25
520800	DRESSER INDUSTRIES INC.	27862800	10150111.80
231300	E. I. DUPONT DE NEMOURS	9714600	8865340.04
264100	EASTMAN KODAK CO.	18420975	18319643.13
171900	ELI LILLY CO.	10958625	9204867.42
316400	EMERSON ELECTRIC CO.	11548600	10280901.92
51000	ENGELHARD MINERALS & CHEMICALS	2811375	3008992.50
227000	EXXON CORP.	18301875	10141399.59
106000	FIRST BANK SYSTEM INC.	4213500	4288075.00
127875	FIRST INT'L BANCSHARES INC.	6345797	4375727.50
160000	GANNETT CO.	8800000	5811287.50
289500	GENERAL ELECTRIC CO.	17731875	14348330.54
140000	GENERAL MOTORS CORP.	6300000	6776237.12
309500	GENERAL TEL & ELECTRONICS CORP.	8433875	9373670.00
264381	GEORGIA PACIFIC CORP.	6609525	6943434.08
107200	HALLIBURTON CO.	8951200	2943253.66
223600	HEWLETT PACKARD CO.	20012200	9184651.50
288700	IBM CORP.	19595513	17887975.30
32400	INGERSOLL RAND CO.	2425950	2165059.81
405844	INT'L FLAVORS AND FRAGRANCES INC.	9232951	9475304.22
73868	INT'L PAPER CO.	3102456	4023428.49
147100	J.C. PENNEY CO.	3456850	6377774.50
162700	JOHNSON AND JOHNSON	16229325	12750422.84
214000	K-MART CORPORATION	3825250	5842970.77
283000	KIMBERLY CLARK	11874750	9377955.00
108933	LIBERTY NAT'L LIFE INS. CO.	2083344	3151266.93
51500	LUBRIZOL CORP	3399000	3627375.00
158600	HCA INC	7592975	7506565.00
18100	MCDONALD'S CORP.	882375	1032644.50
144900	MERCK AND CO.	12280275	9371355.87
306900	MINNESOTA MINING AND MFG. CO.	18107100	15943484.96
162700	MONSANTO CO.	11165288	9979743.00

Shares	Description	Market Value	Book Value
190000	PFIZER, INC.	10165000	6849762.50
298200	PHILLIPS PETROLEUM CO.	17519250	9218939.00
135200	PROCTOR AND GAMBLE CO.	9311900	11318268.61
23000	QUAKER OATS CO.	701500	834185.35
355500	RALSTON PURINA CO.	3732750	4848768.03
63000	SEARS, ROEBUCK AND CO.	960750	2445460.17
219500	SMITHKLINECORP	17560000	10300095.00
111000	SQUARE D CO.	3219000	2963356.33
118200	STANDARD OIL CO. OF CALIF.	11760900	4019138.00
21200	STANDARD OIL CO. OF IND.	1693350	487445.07
90000	TEKTRONIX INC	5501250	4401419.00
177400	TEXTRON INC.	5299825	4738338.10
286700	TIMES MIRROR CO.	11898050	8762047.50
242600	UNION CAMP CORP.	12220975	12367974.50
284000	UNION PACIFIC CORP.	22365000	7471980.00
330000	UNITED TELECOMMUNICATIONS, INC.	5692500	6173325.00
108100	WACHOVIA CORP.	1959313	2405245.02
51644	WALT DISNEY PRODUCTIONS	2646755	2759309.64
205200	WEYERHAEUSER CO.	7002450	7018364.00
51700	XEROX CORP.	3095538	3819681.63

Common Stock Portfolio: Alliance

Shares	Description	Market Value	Book Value
40000	AMERICAN BROADCASTING CO	1075000	1236625.00
50000	AMERICAN EXPRESS	2012500	1743482.20
19000	AMERICAN INTERNATIONAL GROUP	1425000	1154450.00
40000	BAKER INTERNATIONAL CORP	1945000	1339507.50
50000	BOEING CO.	2206250	1860725.00
30000	BOISE CASCADE CORP	1023750	1018825.00
70000	BURLINGTON INDUSTRIES	1260000	1460212.50
50000	CHAMPION INTERNATIONAL	1225000	1187545.00
30000	COMBUSTION ENGINEERING INC	1398750	862037.50
25000	CPC INTERNATIONAL	1575000	1621350.00
50000	DATA PRODUCTS CORP.	1843750	1520061.70
20000	DIGITAL EQUIPMENT	1900000	1504875.00
40000	DONNELLEY RR & SONS	1415000	1336354.50
40000	DRESSER INDUSTRIES INC.	2140000	1204000.00
30000	E-SYSTEMS	1500000	1061725.00
10000	ENGELHARD MINERALS & CHEMICALS	551250	316875.00
35000	ENSERCH CORP	1754375	1329245.00
30000	GENERAL SIGNAL	1342500	1031750.00
50000	GEORGIA PACIFIC CORP.	1250000	1315720.00
20000	HEWLETT PACKARD CO.	1790000	1445275.00
30000	HILTON HOTELS	1267500	917400.00
20000	IBM CORP.	1357500	1158000.00
35000	JR MCDERMOTT	1435000	976512.50
20400	LITTON INDUSTRIES INC	1813050	1038805.00
50000	MCDONNELL DOUGLAS CORP	2468750	1770367.50
20000	MELVILLE SHOE CORP.	695000	622675.00
40000	MESA ROYALTY TRUST	1530000	1436741.40
35000	MILTON BRADLEY	1089375	1033985.00
20000	MOBIL CORP	1615000	1443107.50
25000	MONSANTO CO.	1715625	1654625.00
20000	MOTOROLA INC	1460000	1117702.50
30000	NEWMONT MINING CORP	1395000	1371164.60
42100	PETROLANE INC	2183938	1646468.50
25000	PHILLIPS PETROLEUM CO.	1468750	1404475.00
40000	R.J. REYNOLDS IND. INC.	1825000	1773587.50
50000	RAYMOND INTL	1462500	1471694.70
20000	RITE AID CORP	657500	493200.00
85000	SCA SERVICES	1423750	1222762.60
20000	SCIENTIFIC ATLANTA	745000	364970.00
40000	SIGNAL COMPANIES, INC	1210000	1553962.50
30000	ST PAUL COMPANIES	1162500	1077250.00
8000	SUPERIOR OIL CO	1584000	1280000.00
20000	TIME INC	1252500	1153785.50
15000	VIACOM INTERNATIONAL INC	825000	529312.50
40000	WALT DISNEY PRODUCTIONS	2050000	1865850.00
20000	WHEELABRATOR FRYE, INC.	1052500	738250.00
30000	WILLIAM COS	1417500	1043104.30

Residential Mortgages Portfolio: Fidelity

Par Value	Market Value	Book Value
178,079,968	146,706,464	175,822,667

Project Mortgages Portfolio: Fidelity

163,902,886	113,092,991	127,592,549
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Project Mortgages Portfolio: Mellon

11,810,223	10,073,014	11,810,223
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GNMA Certificates

167,359,006	136,875,797	160,261,056
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GNMA Certificates Portfolio: Alliance

2,033,490	1,586,098	1,601,345
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Budgetary Data

Administrative Budget (000's omitted)

	Proposed 1981 - 82	Authorized 1980 - 81	Actual 1979 - 80
Major object 100-Personnel			
Salaried positions	1109	1043	880
Wage position costs	7	6	5
Overtime	11	5	-
Employee benefits	406	364	300
Out-service training	2	2	1
	<hr/>	<hr/>	<hr/>
Total	1535	1420	1186
Actual	1,535,479	1,419,442	1,187,149
Number of full-time positions	72	74	72

Major object 300 - Operating Expense	Proposed 1981 - 82	Authorized 1980 - 81	Actual 1979 - 80
Investment expenses:			
Investment Advisors	880	400	290
Mortgage Advisory & Supervision	205	170	159
Performance Evaluation	25	21	29
Investment Policy Advisor	10	8	-0-
Computer Services	41	45	36
Publications	2	1	1
Total	1163	645	515
Specialized Services:			
Auditor General	70	110	60
State Treasury	198	131	164
Actuarial Services	47	53	42
Comptroller's Operations	45	45	40
Others ¹	11	10	8
Total	371	349	314
Benefits administration and overhead:			
Data Processing - CMIC	154	150	160
Legal Services	121	40	23
Medical Review Services	37	20	20
Postage	175	130	108
Printing	47	30	41
Telephones	22	22	15
Contracted Maintenance	25	25	18
Office Equipment			
Independent Audit	60	200	-0-
Other ²	47	57	27
Total	688	674	411
Total Operating Expense	2222	1668	1240
Actual	\$2,220,500	\$1,668,558	\$1,239,214

¹ Other Specialized Services includes inter-agency billings for services of Civil Service Commission, OBA Classification and Pay, DGS Purchasing Services, State Records Center, and Employee Liability Insurance.

² Other Benefits Administration and Overhead Expense includes office supplies, rental of postage meters, leased parking, publications, national organization dues, and travel and Board expenses.

Major object 400 - Fixed Assets	Proposed 1981 - 82	Approved 1980 - 81	Actual 1979 - 80
Equipment and Furniture Actual	45 \$45,000	45 \$45,000	15 \$15,185
Grand Total:	3,800,979	\$3,133,000	\$2,441,548

Other Appropriations

General Fund to SERS	Proposed 1981 - 82	Approved 1980 - 81	Actual 1979 - 80
Annuitant's Medical/ Hospital Insurance	16587	21086	17328
Annuitant's Benefit Increase	-0-	6963	-0-
Employer Contribution - National Guard Technicians	1157	1157	-0-
Total	<u>17744</u>	<u>29206</u>	<u>17328</u>

Description:

Annuitant's Medical/Hospital Insurance represents the cost to the General Fund of providing Blue Cross, Blue Shield, and Major Medical Insurance coverage to eligible retirees. The amount proposed for fiscal 1981-82 reflects a decrease in General Fund costs. The Special Funds will begin paying the cost of providing coverage for their retirees in fiscal 1981-82.

Annuitant's Benefit Increase represents the annual required appropriation each year for twenty years to fund the cost-of-living adjustment granted to retirees by Act 130 of 1979; for 1981-82, the amount is included in the Employer Contribution Rate which is part of each agency's benefits cost.

Employer Contribution - National Guard Technicians represents the amount required to cure the deficiency in employer contributions made by the Federal Government on behalf of civilian technicians of the National Guard who are members of the SERS.

Comparative Statistics

Membership in SERS

<u>As of December 31</u>	<u>Active members</u>	<u>Retirees and Beneficiaries</u>	<u>Total</u>	<u>Ratio Active/Retired</u>
1980	123066	48783	171849	2.5/1
1979	124812	46137	170949	2.7/1
1978	127417	41997	169414	3.0/1
1977	127183	37811	164994	3.4/1
1976	128675	34761	163436	3.7/1
1975	129396	31312	160708	4.1/1
1970	113007	18530	131537	6.1/1

Annualized average rate of increase (decrease) 1975-1980:

Total membership	:	1.35%
Active membership	:	(100%)
Retirees and beneficiaries	:	9.27%

Comparative Statistics

Benefit payments

<u>Year</u>	<u>Total benefits paid⁽¹⁾</u>	<u>Average monthly retirement benefit</u>
1980	293,631,679	351.98
1979	258,976,617	345.42
1978	212,824,229	291.31
1977	185,395,663	262.53
1976	164,178,144	252.94
1975	139,650,584	242.65

¹Includes retirement, disability, and death benefits and members' withdrawals.

Annualized average rate of increase 1975-1980 : 16.02%

Comparative Statistics

Assets of the Fund

<u>As of December 31</u>	<u>Assets at book value</u>
1980 ⁽¹⁾	3,121,181,191
1979	2,941,866,016
1978	2,567,413,664
1977	2,265,589,466
1976	1,971,508,803
1975	1,695,146,113
1970	851,326,580

Annualized average rate of increase 1975-1980 : 12.99%

(1) Estimated closing value as of 12/31/80.

Liabilities of the System (Present value of all benefits accrued and projected)

<u>As of December 31</u>	<u>Total Liabilities</u>	<u>Ratio Assets/Liabilities</u>
1979	7,266,828,252	40.48%
1978	6,385,913,639	40.20%
1977	5,923,222,006	38.25%
1976	5,393,300,251	36.55%
1975	4,700,570,992	36.06%
1970	2,300,013,761	37.01%

Annualized average rate of increase 1975-1979 : 11.5%

Data as of December, 1980 to be available upon completion of actuarial valuation in May, 1981.

New data developed for the first time in 1979:

<u>As of December 31</u>	<u>Present value of accrued, vested benefits</u>	<u>Ratio Assets/Vested Liability</u>
1979	3,890,787,562	75.6%
1978	3,248,220,906	79.0%

Member Employers of SERS

757 Administrative Office of PA Courts
010 Aging
004 Agriculture
908 Allegheny County Community College
943 Appalachian Regional Commission
702 Auditor General

005 Banking
961 Bloomsburg State College - College Store
906 Bucks County Community College
992 Bucks County Department of Health
939 Bucks County Intermediate Unit #22
907 Butler County Community College

962 California State College - Student Association, Inc.
938 Central Susquehanna Intermediate Unit #16
950 Chester County Health Department
963 Cheyney State College - Student Government Cooperative Assn.
032 Civil Service Commission
996 Clarion Manor Intermediate Unit #6
964 Clarion State College - Students Association
024 Commerce
029 Community Affairs
011 Corrections
014 Crime Commission

987 Delaware River Joint Toll Bridge Commission (free)
988 Delaware River Joint Toll Bridge Commission (toll)
990 Delaware River Port Authority
989 Delaware Valley Regional Planning Commission

965 East Stroudsburg State College - College Cooperative Store -
Student Activities Assn.
983 Edinboro State College - Student Government Activities
016 Education
012 Employment Security
035 Environmental Resources
977 Erie County Department of Health

022 Fish Commission

023 Game Commission
015 General Services

001 Governor's Council on Drug & Alcohol Abuse
 001 Governor's Office

004 Harness Racing Commission
 910 Harrisburg Area Community College
 007 Health
 039 Higher Education Assistance Agency
 030 Historical & Museum Commission
 033 Horse Racing Commission
 753 House Appropriation Committee (D)
 951 House Appropriation Committee (R)
 742 House of Representatives
 751 House Special Leadership Account (D)
 752 House Special Leadership Account (R)
 001 Human Relations Commission

967 Indiana University - Student Cooperative Assn., Inc.
 009 Insurance

955 Joint Air & Water Control Commission
 981 Joint State Government Commission
 011 Justice

968 Kutztown State College - Student Government Assn.

012 Labor & Industry
 940 Lancaster Lebanon Intermediate Unit #13
 776 Legislative Budget & Finance Committee
 745 Legislative Data Processing
 744 Legislative Reference Bureau
 911 Lehigh County Community College
 028 Lieutenant Governor's Office
 985 Lincoln Intermediate Unit #12
 026 Liquor Control Board
 775 Local Government Commission
 969 Lock Haven State College - Students Cooperative Council
 912 Luzerne County Community College
 937 Luzerne Intermediate Unit #18

994 Mansfield State College - Student Services
 013 Military Affairs
 027 Milk Marketing Board
 993 Millersville State College - Student Services, Inc.
 913 Montgomery County Community College

880 National Guard Technician
914 Northampton County Area Community College

759 Office of Research & Liaison

025 Parole Board
786 Penn State University
031 Pennsylvania Emergency Management Agency
978 Pennsylvania Housing Finance Agency
071 Pennsylvania Municipal Retirement Board
034 Pennsylvania Public Television Network Commission
006 Pennsylvania Securities Commission
909 Philadelphia Community College
904 Port Authority Transit Corporation
798 Public School Building Authority
072 Public School Employees' Retirement System
017 Public Utility Commission
021 Public Welfare

915 Reading Area Community College
018 Revenue

741 Senate
746 Senate Majority Appropriation Committee
747 Senate Majority Leader's Expenses
741 Senate Majority & Minority Legislative Management Comm.
749 Senate Minority Appropriation Committee
748 Senate Minority Leader's Expenses
982 Shippensburg State College - College Store
973 Slippery Rock State College - Cooperative Activities
019 State
070 State Employees' Retirement System
045 State Ethics Commission
020 State Police
036 State Tax Equalization Board
960 Susquehanna River Basin Commission

008 Transportation
003 Treasury
791 Turnpike Commission

979 University of Pittsburgh

012 Vocational Rehabilitation

974 West Chester State College - Intra Collegiate Government
916 Westmoreland County Community College
917 Williamsport Area Community College