PERS

Public Employees Retirement System of Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 1993

Public Employees Retirement System of Ohio

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 1993

Richard E. Schumacher, Executive Director
Mark Snodgrass, Assistant Director-Controller

277 East Town Street, Columbus, Ohio 43215-4642

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees Retirement System of Ohio

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1992

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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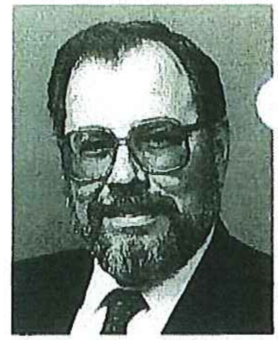
The Retirement Board

ELECTED MEMBERS

Charlie R. Adkins
Representing College and
University Employees

Steven Hawk
Representing Miscellaneous Employees

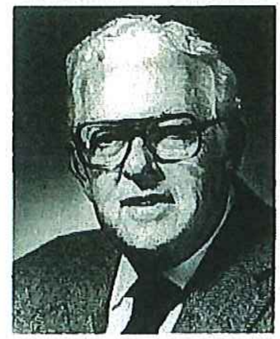
John W. Maurer
Representing State Employees



Barbara J. Thomas
Representing County Employees

Ken Thomas
Representing Municipal Employees

William G. Wilcox
Representing Retirants



STATUTORY MEMBERS

James Conrad
Director of Administrative Services

Thomas E. Ferguson
Auditor of State

Lee Fisher
Attorney General

TERMS ENDED IN 1993

John M. Hurley
Represented Municipal Employees
Retired March 31, 1993

W. Emerson "Dusty" Rhodes
Represented Miscellaneous Employees
Term Expired Dec. 31, 1993

The Retirement Board is the governing body of PERS, with responsibility for administration and management. Six of the nine members are elected by the groups they represent: retirants; employees of the state; employees of counties; employees of municipalities; non-teaching employees of state colleges and universities; and miscellaneous employees. The Auditor of State, Attorney General, and the Director of Administrative Services are statutory members.

The Retirement Board appoints the Executive Director, an actuary, and other employees necessary for the transaction of business. The Board meets monthly and receives no compensation, but is reimbursed for necessary expenses. By law, the State Treasurer is custodian of the funds of PERS.

Organizational Structure

ADVISERS:

ctuary—
abriel, Roeder, Smith & Company
Detroit, Michigan

Investments—
Comstock Partners Inc.
New York, New York

Economic—
A. Gary Shilling
Short Hills, New Jersey

AUDITORS:

KPMG Peat Marwick
Columbus, Ohio
(Under contract with the
Auditor of the state of Ohio)

RETIREMENT BOARD

EXECUTIVE DIRECTOR
Richard E. Schumacher

Assistant Director
Investments
Robert A. McLaughlin

Assistant Director
Benefits Administration
Danny L. Drake

Assistant Director
Legal and Legislation
Toba Jeanne Feldman

Assistant Director
Controller
Mark Snodgrass

Assistant Director
Data Information Systems
Blake W. Sherry

PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO
277 EAST TOWN STREET COLUMBUS, OHIO 43215-4642
TELEPHONE (614) 466-2085

Dear Chairman and Members of the Board:

It is our privilege to submit to you the Comprehensive Annual Financial Report for the Public Employees Retirement System of Ohio for the fiscal year ended December 31, 1993. We believe this report reflects a careful stewardship of the System's assets and dedicated service to members and retirants.

The State Employees Retirement System was established January 1, 1935 to provide a secure means for employees of the state of Ohio to provide for their retirement. In 1938 the System expanded to include employees of counties, municipalities, health departments and park and conservancy districts. At that time the name was changed to the Public Employees Retirement System of Ohio. Membership was made optional for elected officials in 1941. Survivor benefits were made part of the PERS benefit structure in 1951. From 1935 to the present the System has experienced continuous growth and provided benefit enhancements.

Participating employers are divided, for actuarial purposes, into state, local government and law enforcement divisions. A complete description of membership in PERS is contained in the Plan Statement on page 47.

PERS provides retirement, disability and survivor benefit protection for thousands of public employees throughout the state. Employees, along with their employers, pay into the System during their working years. PERS, in turn, pays benefits to these members throughout their retirement, and to qualified beneficiaries upon a member's or retirant's death. For additional information on benefits available, see the Plan Statement on page 47.

The Comprehensive Annual Financial Report consists of six sections: (1) an Introductory Section which contains a Letter of Transmittal, along with the identification of the administrative organization and consulting services utilized by the System; (2) a Financial Section which contains a letter expressing the opinion of the independent certified public accountants and the financial statements of the System; (3) an Actuarial Section which contains a letter stating the independent actuary's opinion and results of their annual actuarial valuation; (4) a Statistical Section which includes significant data pertaining to the Retirement System; (5) an Investment Section which contains the investment report, portfolio summary, and the portfolio listings; and (6) the System's plan statement.

Major Initiatives

PERS exists for the purpose of providing quality retirement benefits to Ohio's public employees. Prudent management and wise investments have allowed the System to provide three decades of substantial benefit increases while constantly maintaining a sound level of funding. This will continue to be our focus.

A major concern over the past few years has been the rapidly escalating cost of providing health care to retirants. In response to this concern, PERS has implemented a variety of measures including: a preferred pharmacy network, a preferred provider organization, individual case management, mail order prescriptions and a patient pre-certification program. In the coming year, PERS will be aggressively pursuing other innovative ways to control health care costs. Even though health care is not a statutorily required benefit, we understand its importance to our benefit recipients and are dedicated to providing quality health care to the extent our resources will permit. The cooperation of all benefit recipients will be a key ingredient for continuing a high standard of health care coverage.

Changes Enacted:

Effective February 9, 1994, Ohio law was amended by House Bill 151 to require a six-month waiting period before a PERS retirant could be re-employed in any position covered by the Retirement System. Under the new law, a PERS retirant forfeits his retirement allowance for each month employed within the six-month waiting period. Also, if the retirant elects to receive both the retirement allowance and salary for the re-employment period, the employer must provide health care coverage if it is available to employees in comparable positions. H.B. 151 also provides that an elected official who runs for re-election will be penalized for retiring with an effective date which occurs between 31 days before the election and 31 days after the new term begins. If this does occur, the elected official will forfeit the new term of office if re-elected.

Economic Condition and Outlook

The recovery, which commenced over two years ago, continued throughout 1993. The growth in Gross Domestic Product (GDP) for the year 1993 was 2.8 percent, down a bit from 1992's revised figure of 3.85 percent. Unemployment fell a full percent to 6.4. The average work week in the manufacturing sector is the highest it has been since 1945. Manufacturing overtime is at the highest point ever. This combined with the lowest ever inventory to sales ratio bodes well for real job growth in 1994. It is expected that the GDP and the Consumer Price Index will continue to grow at approximately a 3.0 percent rate during 1994. All in all it appears that 1994 will continue the pattern of sustained moderate growth with low inflation.

Investment Strategies:

Since 1985 net revenues from investments have comprised the majority of the annual total revenues of the Retirement System. Investment income will increase in importance in the years to come. PERS is constantly looking for ways to increase yield while maintaining acceptable levels of risk. A new investment approach in 1994 will be securities lending. This is a program under which securities owned by the Retirement System are loaned. We anticipate significant earnings from the lending program.

Financial Information

The management of PERS is responsible for the information contained in this report and has implemented and continues to maintain systems of internal accounting controls which are designed to provide responsible assurances for the safeguarding of assets and the reliability of financial records. We believe that the internal accounting controls currently in place are adequate to meet the purpose for which they were intended. We also believe the financial statements, supporting schedules and statistical tables to be fairly presented in all material respects.

Accounting System and Reports

The accrual basis of accounting is used in recording financial transactions. Expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Interest earned is accrued on a monthly basis. Entries for amortization of premium and accumulation of discount are accrued on a monthly basis. Deferred gains and losses are also accrued monthly. Gains and losses on bond exchanges are accounted for under the deferral and amortization method. Accounts receivable at year end, in addition to accrued interest receivable, reflect accrued employer charges and investment proceeds due on sales that have not yet settled. Investments are recorded at cost. On the balance sheet, bonds and mortgages are carried at amortized book value while stocks are carried at cost. Fixed assets are listed at cost less accumulated depreciation. Under our cash management program, receipts are immediately deposited and are recorded as undistributed deposits until such time as they are allocated to member contributions, employer receivables, employer contributions, and investment income.

Revenues

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment income. The 1993 revenue from employee and employer contributions totaled $1,652.2 million. Contribution rates for employees and employers in all divisions remained unchanged. Net investment income for the period was $2,415.1 million.

Expenses

Benefit payments are the primary disbursements of a retirement system. Recurring benefit payments prescribed by the plan, refunds of contributions to terminated employees, and the cost of administering the System comprise total expenses. Administrative expenses are funded wholly through investment income.

Benefit disbursements for 1993 totaled $1,350.8 million. Of this amount $1,265.7 million was paid to fulfill the System's obligation to its retirants. Refunds to members or beneficiaries for reasons of separation from service or death totaled $85.1 million.

Health care costs which have far out-paced inflation for over a decade were held in check during 1993. In 1993 health care costs increased by less than 1.5 percent from the previous year. The introduction of preferred provider networks in April 1993 accounted for a large portion of the cost savings. In fact, when comparing only the nine months in 1993 during which the network was in operation, with the same period in 1992, health costs were reduced by over $7.5 million or 3.3 percent. This decrease is especially significant when considering that the number of PERS benefit recipients increased by over 2,000 and the national health care inflation rate for the year was in excess of 5 percent. The Public Employees Retirement System is self-insured, therefore health care costs are paid by the Retirement System. Claims processing is administered under this agreement by the Aetna Insurance Company and Blue Cross Blue Shield of Ohio.

Funding and Reserves

Funds, derived from the excess of revenues over expenses, are accumulated by the Retirement System in order to meet current and future benefit obligations to retirants and beneficiaries. The higher the level of funding, the larger the accumulations of assets and the greater the investment income potential. Continuous improvement in the funding of the System is sought through suitable reserves, higher investment earnings, and effective cost containment programs. As of December 31, 1993, funds established by the System totaled $29,104 million. The actuarial valuation dated December 31, 1992 reflects an unfunded actuarial accrued liability of $5,032 million. This is the difference between net assets available for benefits and the actuarially calculated liability for the fund. These "unfunded actuarial accrued liabilities" are being amortized over future years. The state government liability is being funded over 25 years, the local government portion over 27 years, and the law enforcement portion over 8 years. By pursuing a conscientious management approach, PERS has been able to meet the goals of level funding, thereby holding member and employer contribution rates relatively constant.

The Pension Benefit Obligation is a standardized disclosure measure of the present value of pension benefits. The measure is the actuarial present value of credited projected benefits, excluding health care benefits and projected service credit, and is intended to help users assess a public employees retirement system's funding status. The total Pension Benefit Obligation at December 31, 1992 was $21,579 million. The net assets available for benefits, excluding health care costs, were $20,783 million.

Investments

The investment portfolio provided net revenues of $2,414.5 million in 1993. Net revenues are comprised of bond interest, accumulation of discount, amortization of premium, dividend income, recognized gains and losses on the sale of securities, and amortization of deferred gains and losses on bonds sold. Total yield on all investments was 8.79 percent. A detailed listing of the portfolio is presented on pages 42 to 45.

Professional Services

Professional services are provided to the Public Employees Retirement System by consultants appointed by the Board to aid in efficient and effective management of the System. Actuarial services are provided by Gabriel, Roeder, Smith & Company, Detroit, Michigan. The investment adviser is Comstock Partners Inc., New York, New York. Economic advice was provided by A. Gary Shilling of Short Hills, New Jersey. The financial records of the System, for the year ending Dec. 31, 1993, were audited by KPMG Peat Marwick, Certified Public Accountants, Columbus, Ohio, under contract with the Auditor of the state of Ohio.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Public Employees Retirement System of Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 1992. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Retirement Board. Our sincere appreciation is extended to all who assisted in and contributed toward its completion.

The purpose of this report is to provide complete and reliable information as a basis for making management decisions, as a means for determining compliance with the legal provisions, and as a means for determining responsible stewardship over the assets contributed by the members and their employers.

This report is being mailed to all employer units of the System, each state legislator, and other interested parties.

Respectfully submitted,

Richard E. Schumacher

RICHARD E. SCHUMACHER, CPA
Executive Director

Mark Snodgrass

MARK SNODGRASS, CPA
Assistant Director—Controller
June 1, 1994, Columbus, Ohio

The Comprehensive
Annual Financial Report

For the Year Ended December 31, 1993

FINANCIAL SECTION

PERS

KPMG Peat Marwick

Certified Public Accountants

Two Nationwide Plaza
Columbus, OH 43215

Telephone 614 249 2300

Telecopier 614 249 2348

Independent Auditors' Report

To the Retirement Board of the
Public Employees Retirement System of Ohio:

We have audited the accompanying balance sheet of the Public Employees Retirement System of Ohio (PERS) as of December 31, 1993, and the related statement of revenues, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the PERS' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of PERS as of December 31, 1992, were audited by other auditors whose report thereon dated May 7, 1992, expressed an unqualified opinion on these statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PERS at December 31, 1993, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Additional Information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Additional Information is the responsibility of the System's management. The Additional Information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick

April 15, 1994

Balance Sheets

As of December 31, 1993 and 1992

	1993	1992
ASSETS		
Cash and Short-Term Securities (Note 3):		
Cash	$ 39,539,358	$ 12,462,796
Short-Term Securities	5,546,536,188	1,916,329,870
	5,586,075,546	1,928,792,666
Receivables:		
Employers	194,439,915	82,270,880
Retirement Incentive Plan	25,659,360	41,953,848
Investment Sales Proceeds	3,030,931	222,127,314
Accrued Interest and Dividends	295,162,655	324,212,542
	518,292,861	670,564,584
Investments (Notes 3 and 4):		
Bonds	18,405,674,880	17,976,851,554
Mortgage Backed	289,972,882	254,386,268
Stocks	3,185,949,990	4,517,960,575
Real Estate	1,439,619,652	1,341,169,255
Venture Capital	14,285,170	18,462,133
	23,335,502,574	24,108,829,785
Fixed Assets:		
Land	1,708,409	1,708,409
Building and Building Improvements	16,987,218	16,894,666
Furniture, Fixtures, and Equipment	11,825,082	10,974,590
	30,520,709	29,577,665
Accumulated Depreciation	(7,487,263)	(6,191,356)
	23,033,446	23,386,309
Other Assets:		
Deferred Losses on Bonds Sold (Note 4)	46,438,784	112,942,022
Prepaid Expenses and Other (Note 10)	1,949,475	1,641,964
	48,388,259	114,583,986
TOTAL ASSETS	$29,511,292,686	$26,846,157,330
LIABILITIES AND FUND BALANCES		
Liabilities:		
Undistributed Deposits	$ 23,119,477	$ 14,269,328
Medical Benefits Payable	43,942,630	50,433,075
Investment Commitments Payable	12,947,043	5,508,987
Accrued Administrative Expenses (Notes 9 and 10)	3,567,898	3,151,932
Deferred Gains on Bonds Sold (Note 4)	324,212,881	366,812,111
Total Liabilities	407,789,929	440,175,433
Fund Balances (Note 1h):		
Employees' Savings Fund	4,481,207,801	4,062,437,463
Employers' Accumulation Fund [Unfunded Actuarial Accrued Liability: 1992 - $5,032,032,268 (Note 5)]	14,960,346,360	13,402,940,081
Annuity and Pension Reserve Fund	9,037,634,958	8,350,397,078
Survivors' Benefit Fund	597,112,911	571,975,780
Income Fund	27,918,198	17,105,279
Expense Fund	(717,471)	1,126,216
Total Fund Balances	29,103,502,757	26,405,981,897
TOTAL LIABILITIES AND FUND BALANCES	$29,511,292,686	$26,846,157,330

See Notes to Financial Statements

Statements of Revenues, Expenses, and Changes in Fund Balances

For The Years Ended December 31, 1993 and 1992

	Employees' Savings	Employers' Accumulation	Annuity And Pension Reserv
Revenues:			
Members' Contributions	$ 639,365,141		
Employers' Contributions		$ 1,012,814,909	
Investment Income			
Other			$ 55,110
Total Revenues	639,365,141	1,012,814,909	55,110
Expenses:			
Benefits			1,185,266,689
Refunds	83,464,689	1,619,937	
Administrative			
Total Expenses	83,464,689	1,619,937	1,185,266,689
Excess (Deficit) of Revenues Over Expenses	555,900,452	1,011,194,972	(1,185,211,579)
Transfers—Increase (Decrease):			
Retirement Benefits	(168,437,606)	(404,347,333)	572,784,939
Disability Benefits	(23,420,522)	(166,882,671)	190,303,193
Survivor Benefits	(7,736,348)	(36,765,842)	
Retirement To (From) Other Systems	(3,117,137)	(1,419,480)	4,536,617
Statutory Interest	67,977,063	(67,977,063)	
Annual Interest		1,038,681,740	641,534,231
Actuarial Funding Interest and Other	(2,395,564)	184,921,956	463,290,479
Total Transfers	(137,130,114)	546,211,307	1,872,449,459
Balance, Beginning of Year	4,062,437,463	13,402,940,081	8,350,397,078
Balance, End of Year	$4,481,207,801	$14,960,346,360	$9,037,634,958

Revenues:			
Members' Contributions	$ 589,698,548		
Employers' Contributions		$ 971,602,348	
Investment Income			
Other			$ 65,240
Total Revenues	589,698,548	971,602,348	65,240
Expenses:			
Benefits			1,116,799,375
Refunds	92,148,085	10,615,535	
Administrative			
Total Expenses	92,148,085	10,615,535	1,116,799,375
Excess (Deficit) of Revenues Over Expenses	497,550,463	960,986,813	(1,116,734,135)
Transfers—Increase (Decrease)			
Retirement Benefits	(199,246,585)	(510,297,832)	709,544,417
Disability Benefits	(18,979,126)	(120,030,601)	139,009,727
Survivor Benefits	(6,915,754)	(30,249,764)	
Retirement To (From) Other Systems	(3,140,270)	(1,472,035)	4,612,305
Statutory Interest	76,731,962	(76,731,962)	
Annual Interest		887,276,253	599,732,154
Actuarial Funding Interest and Other	(3,362,557)	823,550,749	261,681,789
Total Transfers	(154,912,330)	972,044,808	1,714,580,397
Balance, Beginning of Year	3,719,799,330	11,469,908,460	7,752,550,821
Balance, End of Year	$4,062,437,463	$13,402,940,081	$8,350,397,078

See Notes to Financial Statements

1993 Survivors' Benefits	Income	Expense	Total
		$ 1,577	$ 639,366,718
			1,012,814,909
	$ 2,414,522,053		2,414,522,053
$ 2,441	534,844		592,395
2,441	2,415,056,897	1,577	4,067,296,075
80,472,137			1,265,738,826
	460	11	85,085,097
		18,951,292	18,951,292
80,472,137	460	18,951,303	1,369,775,215
(80,469,696)	2,415,056,437	(18,949,726)	2,697,520,860
44,502,190			
43,369,826	(1,723,585,797)		
17,734,811	(680,657,721)	17,106,039	
105,606,827	(2,404,243,518)	17,106,039	
571,975,780	17,105,279	1,126,216	26,405,981,897
$597,112,911	$ 27,918,198	$ (717,471)	$29,103,502,757

1992			
		$ 2,009	$ 589,700,557
			971,602,348
	$ 2,648,454,472		2,648,454,472
$ 8,278	(262,660)		(189,142)
8,278	2,648,191,812	2,009	4,209,568,235
74,783,513			1,191,582,888
	447	66	102,764,133
		16,178,012	16,178,012
74,783,513	447	16,178,078	1,310,525,033
(74,775,235)	2,648,191,365	(16,176,069)	2,899,043,202
37,165,518			
41,687,001	(1,528,695,408)		
20,118,183	(1,119,714,715)	17,726,551	
98,970,702	(2,648,410,123)	17,726,551	
547,780,313	17,324,037	(424,266)	23,506,938,695
$571,975,780	$ 17,105,279	$ 1,126,216	$26,405,981,897

Statements of Cash Flows

For The Years Ended December 31, 1993 and 1992

	1993	1992
Cash Flows from Operating Activities:		
Excess of Revenues Over Expenses	**$ 2,697,520,860**	$ 2,899,043,202
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:		
Net Gain on Sale of Investments	**(522,672,943)**	(560,221,595)
Depreciation	**1,387,604**	1,302,038
Loss on Disposal of Fixed Assets	**3,832**	327,916
Amortization of Net Bond (Premium) Discount	**21,234,729**	(53,162,073)
Amortization of Net Deferred (Gains) Losses	**(68,351,423)**	(42,692,998)
Net Deferred Gains Recognized on Sales Prior to Maturity	**(562,639,649)**	(520,715,939)
Increase (Decrease) in Cash due to Changes in:		
Employers' Receivables	**(112,169,035)**	25,237,133
Retirement Incentive Plan Receivables	**16,294,488**	(34,434)
Accrued Interest and Dividends Receivable	**29,049,887**	(153,434,732)
Prepaid Expenses and Other	**(307,511)**	(311,560)
Undistributed Deposits	**8,850,149**	(4,053,361)
Medical Benefits Payable	**(6,490,445)**	(446,257)
Accrued Administrative Expenses	**415,966**	(519,820)
Net Cash Provided by Operating Activities	**1,502,126,509**	1,590,317,520
Cash Flows from Investing Activities:		
Purchase of Investments:		
Short-Term Securities	**(17,120,478,589)**	(12,647,006,067)
Bonds	**(39,978,433,667)**	(41,511,839,248)
Mortgage Backed	**(305,282,911)**	(1,702,236,359)
Stocks	**(798,584,522)**	(2,789,546,834)
Real Estate	**(480,592,117)**	(351,711,783)
Venture Capital	**(4,934,019)**	(2,271,911)
Proceeds from Sale of Investments:		
Short-Term Securities	**13,624,748,611**	14,079,746,124
Bonds	**40,047,839,304**	33,642,863,897
Mortgage Backed	**272,195,419**	6,082,918,063
Stocks	**2,874,386,916**	3,564,572,680
Real Estate	**383,579,200**	47,170,018
Venture Capital	**11,545,001**	968,499
Net Cash Used by Investing Activities	**(1,474,011,374)**	(1,586,372,921)
Cash Flows from Capital and Related Financing Activities	**(1,038,573)**	(3,850,577)
Net Increase in Cash	**27,076,562**	94,022
Cash at Beginning of Year	**12,462,796**	12,368,774
Cash at End of Year	**$ 39,539,358**	$ 12,462,79[illegible]

See Notes to Financial Statements

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Public Employees Retirement System of Ohio (PERS):

a. Basis of Accounting—The financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date.

Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

b. Cash and Cash Equivalents—For purposes of reporting cash flows, cash equals cash deposits with the State Treasurer.

c. Investments—Section 145.11 of the Ohio Revised Code authorizes PERS to invest in various instruments (meeting various rating criteria) which include obligations of the U.S. Treasury and U.S. agencies, state and local governments, various mortgage-backed securities, corporate bonds, common and preferred stock, commercial paper, and real estate. PERS did not engage in any repurchase or reverse repurchase transactions during either 1993 or 1992.

Short-term securities consisting of commercial paper and U.S. Treasury obligations are carried at amortized cost. Equity securities are carried at cost. Fixed income investments are carried at amortized cost, using the straight-line basis which does not differ materially from the effective interest rate method of amortization. Investments in real estate and venture capital are valued using the equity method. All investments are subject to adjustment for market declines judged to be other than temporary.

The gain or loss on investment transactions is determined using the average cost of securities sold for equity securities and the specific cost of securities sold for all other investments. Dividend income is recognized based on the ex-dividend date. Interest income is recognized as earned.

d. Deferred Gains and Losses on Bonds Sold—Gains and losses on bond exchanges are accounted for under the deferral and amortization method of accounting whereby gains and losses on bonds exchanged are deferred and amortized over the shorter of the life of the bond sold or purchased (see Note 4). Gains and losses are deferred on bond exchanges only if the exchange involves the sale and simultaneous purchase of another bond of equal or better rating and/or an improvement in net yield to maturity or the quality of the bond held. Gains and losses are deferred only on the first exchange of a security. On the subsequent sale of any bond purchased as part of a bond exchange on which a gain or loss was deferred, any unaccumulated gain or unamortized loss is immediately recognized.

e. Fixed Assets—Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The range of estimated useful lives is as follows:

	Years
Buildings and building improvements	50
Furniture, fixtures, and equipment	3 - 10

f. Undistributed Deposits—Cash receipts are recorded as undistributed deposits until such time as they are allocated to employers' receivables, members' contributions, or investment income.

g. Federal Income Tax Status—PERS is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

h. Funds—Various funds are established to account for the reserves held for future and current benefit payments as follows:

- The Employees' Savings Fund represents members' contributions held in trust pending their refund or transfer to a benefit disbursement fund. Upon an employee's retirement, such employee account is credited with an amount of interest (statutory interest) on the employee's contributions based on a rate of 3 percent to 4 percent compounded annually as required by Chapter 145 of the Ohio Revised Code. Such statutory interest does not vest with the employee.
- The Employers' Accumulation Fund is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire or become eligible for disability benefits and to the Survivors' Benefit Fund for benefits due dependents of deceased members.
- The Annuity and Pension Reserve Fund is the fund from which annuity and disability pensions are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 1992, and accordingly, there are sufficient assets available to this fund to pay the vested benefits of all retirants and beneficiaries as of that valuation date.
- The Survivors' Benefit Fund is the fund from which benefits due dependents of deceased members of the Retirement System are paid. This fund was fully funded as of December 31, 1992.
- The Income Fund is the fund which is credited with all investment earnings and miscellaneous income. The balance in this fund is transferred to other funds to aid in the funding of future benefit payments and administrative expenses.
- The Expense Fund provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

2. DESCRIPTION OF PERS

a. Organization—PERS is a cost-sharing multiple-employer public employee retirement system for all public employees in Ohio except those covered by one of the other state or local retirement systems in Ohio. PERS is administered in accordance with Chapter 145 of the Ohio Revised Code.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." This statement requires that financial statements of the reporting entity include all of the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. PERS does not have financial accountability over any entities.

PERS is not part of the state of Ohio financial reporting entity. Responsibility for the organization is vested in the System's Retirement Board; there is no financial interdependency with the state of Ohio, nor does the state of Ohio provide oversight authority for the System. The Retirement Board is the governing body of PERS, with responsibility for administration and management. Six of the nine members are elected by the groups they represent: retirants; employees of the state; employees of counties; employees of municipalities; non-teaching employees of state colleges and universities; and miscellaneous employees. The Auditor of State, Attorney General, and the Director of Administrative Services are statutory members.

The Retirement Board appoints the Executive Director, an actuary, and other employees and consultants necessary for the transaction of business. The Board meets monthly and receives no compensation, but is reimbursed for necessary expenses.

Employer, employee and retirant data as of December 31, 1992 and 1991 (per latest available actuarial data) follows:

	1992	1991
Employer Units:		
State group	265	263
Local government group	3,069	3,081
Law enforcement group	211	212
Employee Members and Retirants:		
Retirants and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	139,983	126,487
Active employees:		
Vested	167,575	160,784
Nonvested	166,273	164,164

All public employees in Ohio, except for certain specific exclusions and exemptions, are required to become contributing members of PERS. For actuarial purposes, vested employees represent those employees who have earned sufficient service credit (5 years or 60 contributing months) to be entitled to a future benefit from PERS.

b. Benefits

- Age and Service Benefits—Benefits are calculated on the basis of age, final average salary, and service credit. Members are eligible for retirement benefits at age 60 with 5 years or 60 contributing months of service credit, age 55 with 25 or more years of service credit, or at any age with 30 or more years of service credit. The annual benefit is based on 2.1 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. Persons retiring before age 65 or with less than 30 years of service credit receive a percentage reduction in benefit amounts. Upon reaching minimum retirement age, benefits are vested at the time of eligibility for monthly benefits.
- Law Enforcement Officers' Benefits—Law enforcement officers, as defined in Chapter 145 of the Ohio Revised Code, are eligible for special retirement options. These options are available to such members at age 52 or older with 25 or more years of credited service. The annual benefit is calculated by multiplying 2.5 percent of final average salary by the actual years of service for the first 20 years of service credit and 2.1 percent of final average salary for each year of service over 20 years. These options also permit early retirement under qualifying circumstances as early as age 48.
- Early Retirement Incentive—Employers under PERS may establish an early retirement incentive plan utilizing the purchase of service credit. To be eligible, employees must be able to retire under existing plan provisions after the purchase of the additional credit. Electing employers must contribute all such additional costs as are actuarially determined to fund the benefit. Such plan, if adopted by an employer, must be offered to a minimum of 5 percent of covered employees and provide for the purchase of up to five years credit, limited to a maximum of 20 percent of total service credit.
- Disability Benefits—Senate Bill 346 revised the disability plan in order to comply with the federal Older Workers Benefit Protection Act. Members on the rolls as of July 29, 1992 could elect by April 7, 1993 coverage under either the original plan or the revised plan. All members who entered the system after July 29, 1992 are automatically covered under the revised plan.

  A member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit under the original plan. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. After the disability benefit ends, the member has an opportunity to apply for a service retirement benefit, or a refund of contributions which are not reduced by the amount of disability benefits received.

  Law enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury.
- Survivor Benefits—Dependents of deceased members may qualify for survivor benefits if the deceased employee had at least 18 months of service credit with at least three months of credit within the two and one-half years immediately preceding death. Chapter 145 of the Ohio Revised Code specifies the dependents and the conditions under which they qualify for survivor benefits.

- Health Care Benefits—The System provides comprehensive health care benefits to retirants with 10 or more years of qualifying service credit and offers coverage to their dependents on deduction basis. Coverage includes hospitalization, medical expenses, prescription drugs and reimbursement of monthly Medicare premiums. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System. The System has adopted cost containment measures that require annual deductible payments on claims by retirants, their covered spouses, and other dependents.
- Other Benefits—Annually, after retirement, retirement benefits are increased 3 percent if the cost of living, as measured by the Consumer Price Index, has increased by at least 3 percent on a cumulative basis. A death benefit of $500 - $2,500, determined by number of years of service credit of the retirant, is paid to the beneficiary of a deceased retirant.
- Money Purchase Annuity—PERS age and service retirants who become re-employed in a PERS-covered position must contribute to the System. All re-employed PERS retirants must elect to either: 1) have their retirement allowance suspended for the re-employment period and contribute toward a formula benefit, or 2) continue to receive their retirement allowance and contribute toward a money purchase annuity (based on the calculation of employee contributions for the period of re-employment plus allowable interest, multiplied by two).
- Refunds—Upon termination of employment, a member may withdraw accumulated contributions made to PERS. The law requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund cancels the individual's rights and benefits in PERS. Employer contributions to PERS are not refundable.

c. Contributions—PERS' funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate adequate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, which represents the estimated amount necessary to pay for benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to plan inception and subsequent benefit increases, which represents the amount necessary to pay for unfunded accrued liabilities over a period of 25 and 32 years for state, 27 and 45 years for local government, and 8 and 34 years for law enforcement divisions for retirement allowances and survivor benefits and for health care benefits, respectively. As of December 31, 1993 the rates based on covered payroll were:

	Employee Rate	Employer Rate
State group	8.5%	13.31%
Local government group	8.5%	13.55%
Law enforcement group	9.0%	16.00%

The rates above fall within the ranges set by the Ohio Revised Code.

d. Litigation—PERS is a party in various litigation relating to plan benefits. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on PERS' financial position.

3. CASH AND INVESTMENTS

At December 31, 1993, the carrying amount of PERS' cash deposits was $39,539,358 and the bank balance was $44,369,172. Of the bank balance, $100,000 was insured by Federal Deposit Insurance Corporation (Category 1 as defined by the Government Accounting Standards Board). The remaining bank balance cash deposits were uninsured and uncollateralized and were held in the name of PERS' pledging financial institution, as required by the Ohio Revised Code (Category 3).

At December 31, 1992, the carrying amount of PERS' cash deposits was $12,462,796 and the bank balance was $17,380,614. Of the bank balance, $100,000 was insured by Federal Deposit Insurance Corporation (Category 1). The remaining bank balance cash deposits were uninsured and uncollateralized and were held in the name of PERS' pledging financial institution, as required by the Ohio Revised Code (Category 3).

A summary of short-term securities and investments held at December 31, 1993 and 1992 is as follows:

	December 31,1993	
	Book Value	Market Value
Short-term Securities:		
Commercial Paper	$ 139,180,238	$ 139,180,238
U.S. Treasury Obligations	5,407,355,950	5,407,355,950
Total Short-term Securities	$ 5,546,536,188	$ 5,546,536,188
Investments:		
Bonds—par value	$ 20,159,323,000	
Net unamortized discount	(1,753,648,120)	
Bonds—net	18,405,674,880	$ 18,738,766,756
Mortgage-backed—par value	280,329,116	
Net unamortized premium	9,643,766	
Mortgage-backed—net	289,972,882	260,538,859
Stocks—common	3,185,949,990	3,648,024,926
Real estate	1,439,619,652	1,472,028,406
Venture capital	14,285,170	15,285,170
Total Investments	$ 23,335,502,574	$ 24,134,644,117

	December 31,1992	
	Book Value	Market Value
Short-term Securities:		
Commercial Paper	$ 230,524,621	$ 230,524,621
U.S. Treasury Obligations	1,685,805,249	1,685,805,249
Total Short-term Securities	$ 1,916,329,870	$ 1,916,329,870
Investments:		
Bonds—par value	$ 17,873,813,400	
Net unamortized premium	103,038,154	
Bonds—net	17,976,851,554	$ 18,169,023,098
Mortgage-backed—par value	262,662,119	
Net unamortized discount	(8,275,851)	
Mortgage-backed—net	254,386,268	254,815,555
Stocks—common	4,517,960,575	5,017,273,915
Real estate	1,341,169,255	1,190,307,366
Venture capital	18,462,133	19,462,133
Total Investments	$ 24,108,829,785	$ 24,650,882,067

a. Market Value—If available, quoted market prices have been used to value investments including short-term securities as of December 31, 1993 and 1992. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings. Venture capital not having quoted market prices are valued at cost. The market value of real estate is based upon appraisals of the properties held.

Weighted average purchase yields are as follows:

	1993	1992
Short-term securities	3.14%	3.15%
Other investments	4.93%	5.59%
Total yield	4.61%	5.41%
Total yield adjusted for amortization of deferred gains and losses on bonds sold	4.83%	5.58%

Statement No. 3 of the Government Accounting Standards Board requires governmental entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by PERS or by its agent in the name of PERS. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of PERS. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in PERS' name.

All investments of PERS meet the criteria of Category 1 except real estate and venture capital, which by their nature are not required to be so categorized. Investments are held in the name of PERS or its nominee by the Treasurer of the State of Ohio as custodian.

4. DEFERRED GAINS AND LOSSES ON BONDS SOLD

PERS defers gains and losses on the sale of bonds under a program to reinvest the proceeds in similar bonds. These exchanges are made to increase annual income, to shorten or lengthen maturity as market conditions change, or to improve the quality of the bond portfolio. The following presents the activity in these accounts for the years ended December 31, 1993 and 1992.

	1993	1992
Deferred Gains on Bonds Sold:		
Beginning Balance	$ 366,812,111	$ 88,366,413
Gains Deferred on Bonds Exchanged	692,679,455	949,017,171
Gains Accumulated	(78,793,994)	(49,820,637)
Gains Recognized on Sales Prior to Maturity	(656,484,691)	(620,750,836)
Ending Balance	$ 324,212,881	$ 366,812,111
Deferred Loss on Bonds Sold:		
Beginning Balance	$ 112,942,022	$ 37,684,023
Losses Deferred on Bonds Exchanged	37,784,376	182,420,535
Losses Amortized	(10,442,572)	(7,127,639)
Losses Recognized on Sales Prior to Maturity	(93,845,042)	(100,034,897)
Ending Balance	$ 46,438,784	$ 112,942,022

5. ACTUARIAL ASSUMPTIONS AND METHODS

Significant actuarial assumptions employed by the actuary for funding purposes as of December 31, 1992, the date of the latest actuarial study, and 1991 include:

- Investment Return—7.75 percent, compounded annually, for all members, retirants, and beneficiaries.
- Salary Scale—As of December 31, 1992 and 1991 the active member payroll is assumed to increase 5.25 percent annually, which is the portion of the individual pay increase assumption attributable to inflation. Also assumed are additional projected salary increases ranging from 0 percent to 5.1 percent per year at December 31, 1992 and 1991, depending on age, attributable to seniority/merit.
- Benefit payments—Benefit payments are assumed to increase 3 percent per year after retirement.
- Multiple Decrement Tables

Death—For determination of active and inactive members' mortality, the 1960 Basic Group Mortality Table was used. For retirants' mortality, the 1971

Group Annuity Mortality Male and Female Tables, projected to 1984 were used.

Disability—Based upon PERS' experience.

Withdrawal—Based on PERS' experience.

- Health Care Benefits—Assumed liabilities are based on PERS' experience adjusted for a 5.25 percent annual increase in costs at December 31, 1992 and 1991. All benefit recipients were assumed to be eligible for Medicare on attainment of age 65, or immediately if receiving a disability benefit.

For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus a percentage of realized and unrealized investment gains and losses.

PERS' actuarial valuation is calculated separately for retirants and beneficiaries and for active and inactive members.

The actuarial present value of benefits to be paid retirants and beneficiaries currently receiving benefits and deferred survivor beneficiaries, whose benefits have been determined, is calculated using the assumptions noted above. The reserves in the Annuity and Pension Reserve Fund and the Survivors' Benefit Fund together with interest credited thereon from the Income Fund are compared to the actuarial accrued liability for the remaining lifetimes of the retirants and beneficiaries, and any deficiency is then funded by a transfer from the Employers' Accumulation Fund. Consequently, all such determined benefits are fully funded.

The actuarial accrued liability for active and inactive members is calculated on the projected benefit basis using the entry age normal actuarial cost method under which the present value of each member's expected benefit payable at retirement or death is determined. The assets of the Employees' Savings Fund, Employers' Accumulation Fund, and the market value adjustment are subtracted from this present value to arrive at the unfunded actuarial accrued liability.

The unfunded actuarial accrued liability (includes unfunded health care costs for members and retirants) based upon the two most recent annual actuarial valuations is as follows:

	December 31, 1992				December 31, 1991
	State Group	Local Government Group	Law Enforcement Group	Total	Total
Present value of actuarial accrued liability for active and inactive accounts	$8,488,837,920	$12,475,092,846	$634,008,989	$21,597,939,755	$19,889,147,207
Less:					
Employers' Accumulation Fund*	5,068,035,137	7,381,258,629	472,621,025	12,921,914,791	11,188,108,488
Employees' Savings Fund	1,621,498,261	2,321,581,251	119,357,951	4,062,437,463	3,719,799,330
Market Value Adjustment	(166,935,332)	(239,823,867)	(11,685,568)	(418,444,767)	(392,753,122)
Unfunded actuarial accrued liability	$1,966,239,854	$ 3,012,076,833	$ 53,715,581	$ 5,032,032,268	$ 5,373,992,511

*Amounts shown reflect transfers out of the Employers' Accumulation Fund to fully fund the Annuity and Pension Reserve Fund and Survivors' Benefit Fund.

6. DISCLOSURES REQUIRED BY GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 5

GASB Statement No. 5 established standard disclosure of pension information by public employee retirement systems. The Statement pertains to pension obligations only, and does not address health care benefits.

The amounts shown below as "pension benefit obligation" are a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits, excluding health care benefits, and is intended to help users assess a public employees retirement system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among such systems. The measure is independent of the actuarial funding method used to determine contributions to PERS discussed below.

The pension benefit obligations were determined as part of actuarial valuations at December 31, 1992 and 1991. The significant actuarial assumptions used to compute the pension benefit obligations are the same as those used for funding purposes and to compute contribution requirements. At December 31, 1992 and 1991, the unfunded pension benefit obligation was $796 million and $1,300 million, respectively, determined as follows (in millions):

	1992	1991
Pension benefit obligation:		
Retirants and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 9,699	$ 8,916
Current employees:		
Accumulated employee contributions including allocated investment income	3,937	3,622
Employer-financed vested	7,660	7,031
Employer-financed nonvested	283	232
Total pension benefit obligation	21,579	19,801
Net assets available for benefits (excluding amounts allocated to health care costs), at cost (market value: 1992—$21,210; 1991—$20,076)	20,783	18,501
Unfunded pension benefit obligation	$ 796	$ 1,300

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The total 1993 employer contribution rate for state employers is 13.31 percent of covered payroll; 9.02 percent was the portion used to fund pension obligations. For local government employer units the rate was 13.55 percent of covered payroll; 8.44 percent was the portion used to fund pension obligations. The law enforcement employer rate was 16.00 percent of covered payroll and 10.81 percent was the portion used to fund pension obligations for the year 1993. The difference between the total employer rate and the portion used to fund pension obligations (4.29 percent, 5.11 percent, and 5.19 percent for the year 1993 for state, local and law enforcement employers, respectively) was the amount used to fund the health care program for retirants.

Contributions for 1993 totaling $1,255,654,996 (employers—$635,806,298; employees—$619,848,698) were made in accordance with the actuarially determined contribution requirements at December 31, 1992. All other actuarially determined contributions to the System were used for the purpose of funding health care.

The contributions used to fund the pension obligations represented 8.7 percent and 8.5 percent of active member payroll for employers and employees, respectively. Employers' contributions consisted of: a) $376,608,085 normal cost, b) $176,041,359 amortization of unfunded actuarial accrued liability, and c) $83,156,854 to fund survivor benefits. Employees contributions were devoted 100 percent to funding normal cost.

Historical trend information is unavailable for years prior to 1986. The information for 1986 through 1992 is presented below (dollar amounts in millions):

Fiscal Year	(1) Net Assets Available For Benefits	(2) Pension Benefit Obligation (PBO)	(3) Percent Funded (1) ÷ (2)	(4) Unfunded PBO (2) − (1)	(5) Annual Covered Payroll	(6) Unfunded PBO as a Percentage of Covered Payroll (4) ÷ (5)
1986	$10,841	$13,284	81.6%	$2,443	$4,543	53.8%
1987	11,900	14,469	82.2%	2,569	4,864	52.8%
1988	13,290	15,658	84.9%	2,368	5,307	44.6%
1989	14,730	16,699	88.2%	1,969	5,597	35.2%
1990	16,388	18,017	91.0%	1,629	6,036	27.0%
1991	18,501	19,801	93.4%	1,300	6,651	19.5%
1992	20,783	21,579	96.3%	796	6,889	11.6%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

PERS of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to disability recipients. Health care coverage for primary survivor benefit recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. See Note 6 for disclosure of employer contribution rates.

The post-retirement benefit obligations are advance-financed and were determined as part of the actuarial valuation at December 31, 1992. The significant actuarial assumptions used to compute the post-employment benefit obligations are described in Note 5 and are the same as those used for funding and to compute contribution requirements. At December 31, 1992 the actuarially accrued liability and unfunded actuarial accrued liability based on the actuarial cost method used were $7,039.8 million and $1,435.3 million, respectively. At December 31, 1993, the number of active contributing participants was 347,937.

Historical trend information is unavailable for years prior to 1987. The information for 1987 through 1992 is presented below (dollar amounts in millions).

Fiscal Year	(1) Net Assets Available for Other Postemployment Benefits	(2) Other Postemployment Benefit Obligation (OPEB)	(3) Percent Funded (1) ÷ (2)	(4) Unfunded OPEB (2) − (1)	(5) Annual Covered Payroll	(6) Unfunded OPEB as a Percentage of Covered Payroll (4) ÷ (5)
1987	$2,924.4	$4,051.1	72.2%	$1,126.7	$4,864	23.2%
1988	3,266.2	5,132.0	63.6%	1,865.8	5,307	35.2%
1989	3,921.1	5,485.6	71.5%	1,564.5	5,597	28.0%
1990	4,409.9	6,067.6	72.7%	1,657.7	6,036	27.5%
1991	4,988.9	6,444.1	77.4%	1,455.2	6,651	21.9%
1992	5,604.5	7,039.8	79.6%	1,435.3	6,889	20.8%

Analysis of the dollar amounts of net assets available for OPEB, OPEB obligation and unfunded OPEB obligation in isolation can be misleading. Expressing the net assets available for OPEB as a percentage of the OPEB obligation provides one indication of the plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded OPEB obligation and annual covered payroll are both affected by inflation.

Expressing the unfunded OPEB obligation as a percentage of annual covered payroll approximately adjusts for effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay OPEB when due. Generally, the smaller this percentage, the stronger the plan.

8. LEASES

PERS leases equipment with lease terms of one year or less. Total lease expense was $455,540 and $406,047 for the years ended December 31, 1993 and 1992, respectively.

9. VACATION AND SICK LEAVE

As of December 31, 1993 and 1992, $1,332,566 and $1,287,505, respectively, was accrued for unused vacation and sick leave for PERS' employees. Employees who resign or retire are entitled to full compensation for all earned unused vacation. Unused sick leave pay is lost upon termination. However, employees who retire are entitled to receive payment for a percentage of unused sick leave.

10. DEFERRED COMPENSATION PLAN

PERS offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all PERS employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of PERS (without being restricted to the provisions of benefits under the plan), subject only to the claims of PERS' general creditors. Participants' rights under the plan are equal to those of general creditors of PERS in an amount equal to the fair market value of the deferred account for each participant.

PERS has no liability for losses under the plan and believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The deferred compensation assets of $1,784,953 and $1,480,366, at market value, and the related liability to PERS employees are included in the accompanying financial statements as of December 31, 1993 and 1992, respectively.

11. DEFINED BENEFIT PENSION PLAN

GASB Statement Nos. 5 and 12 established standards for disclosure of information on pension benefits and other postemployment benefits (OPEB), respectively, by all state and local government employers. PERS of Ohio is required to make such disclosures.

All employees of the System are eligible for membership in PERS. The payroll for such employees for the year ended December 31, 1993 was $9,071,579. Covered payroll paid to System employees participating in PERS was $8,593,501 for the year ended December 31, 1993. The System's contributions and its employees' contributions for the year ended December 31, 1993 were $1,164,419 and $730,448, respectively. These contributions represented employer contributions of 13.55 percent of covered payroll and employee contributions of 8.5 percent of covered payroll. Of the $1,164,419 in employer contributions for 1993, $725,317 was the portion used to fund the pension benefit obligation and $439,102 was the portion used to fund the OPEB obligation.

Information relating to eligibility, benefits and the System's asset valuations, unfunded actuarial accrued liabilities, pension benefit obligation and OPEB obligation can be found elsewhere in the Notes to the Financial Statements.

12. PROFESSIONAL TRENDS

The Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), previously the National Council on Governmental Accounting (NCGA), have both issued financial reporting standards for state and local government pension plans.

In March 1980, the Financial Accounting Standards Board issued Statement No. 35 (FASB No. 35) titled "Accounting and Reporting by Defined Benefit Pension Plans." The principal impact of this Statement on financial statements is to require that all of the investments be stated at fair market value, and the elimination of deferred gains and losses on bond investment exchanges.

In a release dated August 1, 1980, the National Council on Governmental Accounting (NCGA) expressed its concern "that acceptance of FASB No. 35 as generally accepted accounting principles for governmental pension plans could create a situation resulting in the preparation of financial statements for public pension plans that may be subject to misinterpretations, especially in determining the proper level of funding for the plan." Accordingly, the NCGA statement urged government accountants to continue preparing financial statements in accordance with the principles stated in NCGA Statement 1.

In April 1983, the NCGA adopted Statement 6 "Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers." In September of 1983, NCGA Statement 6 was deferred indefinitely. In November 1983, the FASB issued Statement No. 75 which deferred indefinitely the application of FASB No. 35 to pension plans of state and local governmental units.

In July 1984, GASB Statement 1 "Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide" was issued stating that NCGA Statement 1, NCGA Statement 6, or FASB Statement No. 35 were acceptable accounting and reporting principles pending issuance of a new GASB Statement(s).

Accordingly, PERS has elected not to change its present accounting principles until such time as consensus is reached among the various standard setting authorities.

Investment Summary

For The Year Ended December 31, 1993

	January 1, 1993 Book Value	Market Value	Purchases
Bonds and Notes			
U.S. Government & Agencies	$17,201,130,548	$17,397,677,383	$38,984,893,553
Corporate	764,890,981	760,616,615	993,540,114
Canadian Obligations	10,830,025	10,729,100	
Mortgage Backed	254,386,268	254,815,555	305,282,911
Stocks—Common	4,517,960,575	5,017,273,915	806,022,577
Real Estate	1,341,169,255	1,190,307,366	480,592,117
Venture Capital	18,462,133	19,462,133	4,934,019
Total	$24,108,829,785	$24,650,882,067	$41,575,265,291

Revenues by Source

Year	Members' Contributions	Employers' Contributions	Employers' Contributions as a Percentage of Covered Payroll	Investment Income (Net)	Other	Total
1984	$ 345,368,439	$ 557,498,416	13.94%	$ 713,857,919	$ 187,347	$1,616,912,121
1985	370,005,032	597,079,409	13.94	1,601,928,648	251,641	2,569,264,730
1986	391,193,417	627,520,315	13.94	1,830,721,267	209,457	2,849,644,456
1987	420,977,772	741,840,413	13.92	1,325,054,638	362,986	2,488,235,809
1988	446,091,129	769,144,695	13.93	1,441,226,325	10,160,620	2,666,622,769
1989	476,415,655	804,745,875	13.95	1,823,780,073	2,535,968	3,107,477,571
1990	517,629,799	858,207,902	13.96	1,876,319,720	159,017	3,252,316,438
1991	562,818,132	925,097,737	13.75	2,418,425,646	84,878	3,906,426,393
1992	589,700,557	971,602,348	13.51	2,648,454,471	(189,141)	4,209,568,235
1993	639,366,718	1,012,814,909	13.51	2,414,522,053	592,395	4,067,296,075

		December 31, 1993		
Maturities, Sales & Accruals	Book Value	Market Value	% of Portfolio (Book Value)	Purchase Yield
$38,802,655,500	$17,383,368,601	$17,699,039,984	74.50%	5.50%
736,124,816	1,022,306,279	1,039,726,772	4.38	5.81%
10,830,025				
269,696,297	289,972,882	260,538,859	1.24	7.24%
2,138,033,162	3,185,949,990	3,648,024,926	13.65	3.26%
382,141,720	1,439,619,652	1,472,028,406	6.17	
9,110,982	14,285,170	15,285,170	.06	2.80%
$42,348,592,502	$23,335,502,574	$24,134,644,117	100.00%	4.93%

Expenses by Type

Year	Benefit Payments	Refunds	Administrative Expenses	Total
1984	$ 522,466,256	$ 85,108,060	$ 9,137,846	$ 616,712,162
1985	581,512,580	76,636,067	9,144,206	667,292,853
1986	653,440,281	80,552,059	9,467,193	743,459,533
1987	723,438,025	81,802,444	10,271,197	815,511,666
1988	841,373,200	81,220,133	11,256,093	933,849,426
1989	914,787,338	85,276,351	12,040,343	1,012,104,032
1990	984,711,577	105,565,487	13,398,269	1,103,675,333
1991	1,099,858,227	96,957,455	15,421,235	1,212,236,917
1992	1,191,582,888	102,764,133	16,178,012	1,310,525,033
1993	1,265,738,826	85,085,097	18,951,292	1,369,775,215

Administrative Expenses

For The Years Ended December 31, 1993 and 1992

	1993	1992
Personal Services:		
Salaries and Wages	$ 9,071,579	$ 7,033,300
Retirement Contributions	1,385,859	1,307,652
Insurance	1,573,065	1,370,856
Bureau of Employment Services	9,002	247
	12,039,505	9,712,055
Supplies:		
Office Supplies	236,778	246,670
Printing and Publications	244,186	242,089
Dues and Subscriptions	35,529	35,298
	516,493	524,057
Other Services and Charges:		
Professional Services:		
Auditing	41,692	56,196
Actuarial and Technical	288,402	375,444
Investment	149,513	249,209
Treasurer of State Charges	227,371	256,093
Medical	520,803	278,418
Pension Review	4,840	28,121
Employee Training	84,794	56,413
Data Processing Contract	34,459	25,751
Disaster Recovery	14,400	14,400
Communication:		
Telephone and Telegraph	157,509	127,607
Freight, Express, and Drayage	77,868	9,081
Postage	1,339,497	1,188,486
Transportation and Travel	190,967	186,723
Utilities	245,063	236,883
Rental and Maintenance:		
Equipment	934,811	856,658
Building	419,482	432,234
Microfilm	33,508	52,151
Retirement Study Commission	194,601	188,452
Miscellaneous	48,110	21,542
	5,007,690	4,639,862
Depreciation On:		
Building	364,806	356,553
Equipment and Fixtures	1,022,798	945,485
	1,387,604	1,302,038
TOTAL ADMINISTRATIVE EXPENSES	$18,951,292	$16,178,012

Summary Schedule of Commissions and Payments to Brokers and Consultants

Year Ended December 31, 1993

Individual or Firm Name	Fees and Commissions Paid
CONSULTANTS	
Comstock Partners, Inc.	$ 34,500
A. Gary Shilling	78,000
BROKERS	
Adler Coleman	45,660
Advest, Inc.	6,900
Alex Brown & Sons	6,000
Alpha Management	37,314
Autranet Inc.	15,000
Baird, Robert W. & Company	12,500
Bear Stearns & Company	544,051
Bernstein, Sanford C.	126,090
Bridge Trading Company	264,144
Broadcort Capital	25,230
Chicago Corp.	96,510
Conning & Company	19,704
Cowen & Company	88,077
Credit Lyonais	5,166
Dean Witter, Reynolds, Inc.	217,803
Dominion Securities	25,500
Donaldson, Lufkin & Jenrette Securities	361,503
Edwards, A.G. & Sons Inc.	12,000
Ernst & Company	30,396
First Boston Corp.	148,437
Goldman Sachs & Company	238,429
Instinet Corp.	14,115
Keefe, Bruyette & Woods Inc.	15,012
Kemper Securities	22,200
Kidder, Peabody & Company	230,901
Lawrence, C.J. & Sons	142,332
Legg Mason & Company Inc.	12,000
Lehman Brothers, Inc.	142,956
McDonald & Co.	49,326
Merrill Lynch, White Weld, Inc.	286,308
Montgomery Securities	294,897
Morgan Stanley & Company	131,393
O'Neil, William & Company	51,000
Ohio Company	30,930
Paine Webber Mitchell Hutchins, Inc.	128,564
Pershing & Company	179,724
Prudential Securities	181,799
Raymond James	22,386
Roney & Company	17,892
Roulston & Company	12,576
Salomon Brothers	319,255
Smith Barney & Company	191,939
Steiner Diamond Institutional Services	6,240
Tucker Anthony & Day Inc.	39,000
U.S. Clearing Corp.	36,360
UST Securities	10,542
Wagner Stott Clearing Corp.	106,494
Weiss Peck and Greer	106,392
Wellington & Company	205,434
Wertheim, Schroder & Company, Inc.	155,793
TOTAL	**$5,582,674**

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The Comprehensive Annual Financial Report

For the Year Ended December 31, 1993

ACTUARIAL SECTION

PERS

Report of the Actuary

GABRIEL, ROEDER, SMITH & COMPANY
Actuaries & Consultants

1000 Town Center • Suite 1000 • Southfield, Michigan 48075 • 810-799-9000

March 15, 1994

The Retirement Board
Public Employees Retirement System of Ohio
277 East Town Street
Columbus, Ohio 43215

Ladies and Gentlemen:

The basic financial objective of PERS is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Ohio citizens, and will be sufficient to provide benefits promised and being promised to present and future PERS members and their beneficiaries.

In order to measure progress toward this fundamental objective, PERS conducts annual actuarial valuations. The latest completed actuarial valuations were based upon data and assumptions as of December 31, 1992. These valuations indicate that the contribution rates, established by the Retirement Board for benefits then in effect, meet the basic financial objective.

The actuarial valuations are based upon data, which is prepared by retirement system staff, assumptions regarding future rates of investment income and inflation, and assumptions regarding rates of retirement, turnover, death, and disability among PERS members and their beneficiaries. The data is reviewed by the actuary for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuations. The assumptions were adopted by the Retirement Board and were based upon actual experience of the Public Employees Retirement System of Ohio during the years 1986 to 1990.

Combined experience was, in total, more favorable than assumed in 1992, leading to a reduction in the periods over which unfunded accrued liabilities are being funded. Regarding the Post Retirement Health Care Program, experience began to moderate somewhat during 1992. There is reason to believe that initiatives recently adopted by the Board will have a continued moderating influence on experience under that program.

Based upon the valuation results it is our opinion that the Public Employees Retirement System of Ohio continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY

Norman L. Jones Brian B. Murphy

Norman L. Jones, F.S.A. Brian B. Murphy, F.S.A.

NLJ:rmd

Summary of Assumptions

Adopted by Retirement Board After Consulting with Actuary.

Funding Method. An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed and actual experience (actuarial gains and losses) become part of unfunded actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments which are level percents of payroll contributions. Adopted 1975.

Assets Valuation Method. For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus a percentage of realized and unrealized investment gains and losses. Adopted 1988.

Valuation Data. The data about persons now covered and about present assets was furnished by the System's administrative staff. Data is examined for general reasonableness and year-to-year consistency, but is not audited by the Actuary.

Economic Assumptions. The following economic assumptions are used by the Actuary.

Investment Return. 7.75 percent, compounded annually, for all members and beneficiaries. Adopted 1989.

Active Employee Total Payroll. Increasing 5.25 percent annually, compounded annually, which is the base portion of the individual pay increase assumption. In effect, this assumes no change in the number of active employees.

Individual Employee Pay Increases. An employee's pay is assumed to increase each year, in accordance with a table consisting of a percent increase for each age. For sample ages, the following table describes annual increase percents. Adopted 1991.

Age	Merit & Seniority		Base (Economy)	Increase Next Year	
	State	Local		State	Local
30	3.2%	3.2%	5.25%	8.45%	8.45%
40	2.2	2.1	5.25	7.45	7.35
50	1.4	1.3	5.25	6.65	6.55
60	0.7	0.7	5.25	5.95	5.95

Decrement Assumptions. The following tables of probabilities, adopted in 1981, for the indicated risk areas are used by the Actuary.

Mortality. The tables used in evaluating allowances to be paid were the 1971 Group Annuity Mortality Male and Female tables, projected to 1984.

Retirement. Probabilities of age and service retirement applicable to members eligible to retire (adopted 1991) are:

Retirement Age	% Retiring Next Year				
	State		Local		Law Enforcement
	Men	Women	Men	Women	
50-54	17%	15%	20%	15%	20%
55-58	12	15	15	15	20
59	15	15	15	15	20
60	15	17	15	17	20
61	15	17	15	17	20
62	15	17	16	17	20
63	15	17	16	17	20
64	20	20	20	20	25
65	25	25	25	25	30
66	25	25	25	25	25
67	25	25	25	25	25
68	25	25	25	25	25
69	30	30	30	30	40
70	100	100	100	100	100

Turnover. Probabilities of separation from employment before age and service retirement because of death, withdrawal or disability are:

Sample Ages	Years of Service	% Separating Within Next Year								
		Death		Withdrawal					Disability	
				State		Law Enforcement	Local			
		Men	Women	Men	Women		Men	Women	Men	Women
	0			30.00%	30.00%	16.00%	36.00%	34.50%		
	1			19.00	19.00	13.00	23.75	25.00		
	2			16.00	16.00	11.00	16.00	17.00		
	3			11.00	13.00	9.00	11.00	14.00		
	4			9.00	11.00	7.00	9.00	11.00		
30	5 & Over	.12%	.11%	7.20	8.90	4.80	7.20	10.00	.10%	0.06%
40		.25	.15	4.40	5.40	3.60	5.00	6.40	.35	.21
50		.71	.43	2.50	3.40	2.40	3.20	4.20	.98	.69
60		1.80	1.16	0.60	0.80	0.60	0.80	1.00	2.46	1.51

Actuarial Valuation Data

Valuation Year	Active Members: Number	Annual Payroll ($ Millions)	Average Pay	% Increase in Average Pay	Retired Lives: Number	Annual Allowance ($ Millions)	Average Allowance
1983	248,307	$ 3,814	$15,361	4.62%	85,594	$369	$4,285
1984	248,483	4,044	16,278	5.97	90,302	424	4,691
1985	251,748	4,282	17,007	4.48	93,867	471	5,021
1986	254,619	4,543	17,842	4.91	97,906	519	5,298
1987	258,981	4,864	18,782	5.27	100,010	565	5,652
1988	264,868	5,307	20,036	6.68	103,150	630	6,108
1989	270,683	5,597	20,677	3.20	105,643	715	6,768
1990	277,963	6,036	21,715	5.02	107,177	762	7,109
1991	324,948	6,651	20,468	(5.74)	108,971	820	7,525
1992	333,848	6,889	20,635	0.82	111,779	896	8,016

Summary of Unfunded Accrued Liabilities

Each time a new benefit is added which applies to service already rendered, an "unfunded accrued liability" is created. Laws governing PERS require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to unfunded accrued liabilities.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. Unfunded accrued liabilities divided by active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active member payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Summary of Assets and Actuarial Accrued Liabilities ($ Amounts in Millions)

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
1983	$13,976	$ 8,156	$5,820	58%	$3,814	153%
1984	15,473	9,156	6,317	59	4,044	156
1985	17,138	11,049	6,089	64	4,282	142
1986	18,558	13,403*	5,155	72	4,543	113
1987	20,282	14,899*	5,383	73	4,864	111
1988	22,378	16,515*	5,863	74	5,307	110
1989	23,794	18,550*	5,244	78	5,597	94
1990	26,193	20,655*	5,538	79	6,036	92
1991	28,471	23,097*	5,374	81	6,651	81
1992	31,001	25,969*	5,032	84	6,889	73

*Includes market adjustment

Short-Term Solvency Test

The PERS financing objective is to pay for the benefits through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the system are level in concept and soundly executed, the system will *pay all promised benefits when due—the ultimate test of financial soundness.*

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (cash and investments) are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities for service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (1) and the liabilities for future benefits to present retired lives (2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (3) will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of 3 will increase over time. Column 3 being fully funded is very rare.

It is wise to pay attention to both fundamental and short-term solvency tests.

Accrued Liabilities ($ Amounts in Millions)

Valuation Year	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
1983	$1,843	$4,011	$ 8,123	$ 8,156	100	100	28
1984	2,011	4,486	8,976	9,156	100	100	30
1985	2,190	5,031	9,917	11,049	100	100	40
1986	2,358	5,540	10,660	13,403*	100	100	52
1987	2,615	6,111	11,556	14,899*	100	100	53
1988	2,843	6,884	12,651	16,515*	100	100	54
1989	3,076	7,510	13,208	18,550*	100	100	60
1990	3,386	7,981	14,826	20,655*	100	100	63
1991	3,720	8,582	16,169	23,097*	100	100	67
1992	4,062	9,403	17,536	25,969*	100	100	71

*Includes market adjustment.

Actual vs. Recommended Contribution Rates

The Board adopted all contribution rates as recommended by the Actuary.

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities
Resulting From Differences Between Assumed Experience & Actual Experience

Type of Activity	Gain (or Loss) For Year $ in Millions 1992	1991	1990	1989	1988	1987
Age & Service Retirements. If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	**$ 20.6**	$ 12.5	$ 38.0	$ 16.7	$ 22.0	$ 4.2
Disability Benefits. If disability claims are less than assumed, there is a gain. If more claims, a loss.	**15.2**	18.9	23.4	35.6	14.5	5.6
Death-In-Service Annuities. If survivor claims are less than assumed, there is a gain. If more claims, a loss.	**38.9**	38.2	35.6	21.4	19.9	27.9
Other Separations. If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	**(213.4)**	(183.0)	(256.8)	(117.7)	(243.3)	(150.9)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	**312.0**	198.7	165.4	352.7	(244.9)	66.9
Investment Return. If there is a greater investment return than assumed, there is a gain. If less return, a loss.	**823.2**	382.9	382.1	492.9	233.1	133.6
Health Insurance & Medicare Premiums. If there are smaller increases than assumed, there is a gain. If greater increases, a loss.	**(124.2)**	(554.1)	(188.5)	40.5	(390.8)	(244.8)
Gain (or Loss) During Year From Financial Experience	**$872.3**	($85.9)	$199.2	$842.1	($589.5)	($157.5)

The Comprehensive Annual Financial Report

For the Year Ended December 31, 1993

STATISTICAL SECTION

Employer Contribution Rates

		Current			Unfunded Liability		
	Year	Normal	Health	Survivor Benefits	Past Service	Health	Total
State	1984	4.61%	1.70%	0.80%	5.13%	1.47%	13.71%
	1985	4.73	2.17	0.84	4.47	1.50	13.71
	1986	4.84	2.23	0.75	4.35	1.54	13.71
	1987	4.98	2.19	0.84	4.22	1.48	13.71
	1988	5.43	2.78	1.06	3.36	1.08	13.71
	1989	5.63	2.91	1.07	3.21	0.89	13.71
	1990	5.15	3.16	1.01	3.07	1.32	13.71
	1991	5.48	3.34	1.01	2.40	1.08	13.31
	1992	5.49	3.34	1.02	2.51	0.95	13.31
	1993	5.49	3.24	1.08	2.45	1.05	13.31
Local	1984	4.83	2.20	0.88	4.56	1.48	13.95
	1985	4.99	2.53	0.91	4.02	1.50	13.95
	1986	4.95	2.76	0.80	3.87	1.57	13.95
	1987	5.11	2.69	0.90	3.75	1.50	13.95
	1988	5.00	3.18	1.05	3.49	1.23	13.95
	1989	5.08	3.49	1.06	3.26	1.06	13.95
	1990	4.65	3.92	0.99	2.89	1.50	13.95
	1991*	4.99	4.13	0.99	2.31	1.13	13.55
	1992	5.02	4.17	1.00	2.42	0.94	13.55
	1993	4.95	4.20	1.00	2.49	0.91	13.55
Law Enforcement	1984	8.15	2.32	1.57	5.14	0.92	18.10
	1985	8.19	2.90	1.56	4.35	1.10	18.10
	1986	8.07	3.12	1.53	4.30	1.08	18.10
	1987	7.99	3.05	1.52	4.45	1.09	18.10
	1988	8.58	3.45	1.55	3.52	1.00	18.10
	1989	8.64	3.90	1.55	2.89	1.12	18.10
	1990	7.73	4.33	1.45	3.34	1.25	18.10
	1991	8.23	4.37	1.45	1.13	0.82	16.00
	1992	8.08	4.46	1.44	1.29	0.73	16.00
	1993	7.87	5.06	1.45	1.49	0.13	16.00

*Rate effective July 1, 1991

Disbursements by Category

Year	Annuities	Disabilities	Other Systems	Survivors	CPI	Post Retirement Legislative Incr.
	Benefits					
1984	$266,061,642	$ 32,411,456	$3,227,849	$27,608,949	$46,263,861	$40,967,243
1985	297,771,528	36,811,337	3,818,776	29,136,086	54,905,210	40,238,117
1986	330,641,045	41,693,306	2,902,443	31,076,948	64,319,209	38,034,762
1987	363,424,328	46,658,177	3,231,189	33,044,661	73,612,942	35,800,025
1988	416,758,803	51,625,775	3,223,604	34,735,329	80,357,076	33,742,346
1989	463,455,461	57,151,688	4,061,810	36,392,135	92,146,600	53,475,739
1990	493,081,656	63,546,647	3,229,381	37,764,185	106,013,735	50,389,589
1991	531,188,927	70,423,067	3,484,009	39,601,327	120,558,352	47,510,253
1992	577,820,133	78,697,614	4,550,956	41,737,122	135,927,483	44,686,312
1993	620,080,348	91,337,107	4,636,808	43,855,109	151,763,785	41,860,355

MEMBER COUNT

Year-end	Active Contributing	Inactive	Total
1984	250,796	53,931	**304,727**
1985	254,797	54,746	**309,543**
1986	258,608	56,710	**315,318**
1987	262,208	60,291	**322,499**
1988	268,460	63,642	**332,102**
1989	266,866	80,630	**347,496**
1990	278,969	73,882	**352,851**
1991	328,981	71,216	**400,197**
1992	349,674	73,660	**423,334**
1993	347,937	96,268	**444,205**

MEMBER CONTRIBUTION RATES

Year	Regular Rate	Law Enforcement Rate
1984	8.5%	9.5%
1985	8.5	9.5
1986	8.5	9.5
1987	8.5	9.5
1988	8.5	9.5
1989	8.5	9.5
1990	8.5	9.5
1991	8.5	9.0
1992	8.5	9.0
1993	8.5	9.0

			Refunds		
Health Care	Death Benefits	Separation	Beneficiaries	Other	Total All Payments
$104,257,965	$1,667,291	$80,620,354	$3,154,663	$1,333,043	**$607,574,316**
117,178,501	1,653,025	72,916,583	3,135,948	583,536	**658,148,647**
143,141,885	1,630,683	76,349,378	3,243,057	959,624	**733,992,340**
166,021,858	1,644,845	78,282,220	3,302,041	218,183	**805,240,469**
219,010,835	1,919,432	76,778,952	4,099,350	341,831	**922,593,333**
203,624,998	4,478,907	80,927,621	3,751,617	597,113	**1,000,063,689**
225,610,040	5,076,344	78,847,373	4,080,822	22,637,292	**1,090,277,064**
281,799,972	5,292,320	74,682,948	4,434,088	17,840,419	**1,196,815,682**
302,486,109	5,677,159	81,001,038	4,130,148	17,632,947	**1,294,347,021**
307,001,902	5,203,412	76,066,042	5,123,185	3,895,870	**1,350,823,923**

NUMBER OF EMPLOYER UNITS

Calendar Year	State	County	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Townships	Totals
1984	270	184	148	330	561	371	254	1,296	**3,414**
1985	239	197	174	296	599	355	249	1,302	**3,411**
1986	239	235	175	338	603	288	251	1,306	**3,435**
1987	240	236	177	342	607	299	252	1,306	**3,459**
1988	240	239	186	341	601	298	251	1,309	**3,465**
1989	260	241	197	341	605	309	254	1,310	**3,517**
1990	263	239	206	341	613	327	255	1,310	**3,554**
1991	263	237	212	339	611	327	256	1,311	**3,556**
1992	265	234	211	336	613	320	256	1,310	**3,545**
1993	280	238	214	338	620	324	257	1,312	**3,583**

Schedule of Average Benefit Payments*

	Years Credited Service					
	5-9	10-14	15-19	20-24	25-30	30+
Period 1/1/89-12/31/89						
Average Monthly Benefit*	$254.28	$402.60	$627.94	$864.43	$1,122.05	$1,802.85
Average Final Average Salary	$15,373.72	$17,711.19	$21,301.17	$23,383.90	$24,799.21	$29,105.22
Number of Active Recipients	446	1,024	943	865	783	1,544
Period 1/1/90-12/31/90						
Average Monthly Benefit*	$248.33	$379.12	$610.02	$840.16	$1,095.84	$1,692.13
Average Final Average Salary	$14,769.85	$17,413.83	$20,961.96	$22,807.24	$25,243.55	$28,984.64
Number of Active Recipients	416	1,099	943	876	703	1,145
Period 1/1/91-12/31/91						
Average Monthly Benefit*	$290.55	$428.97	$659.48	$890.43	$1,207.39	$1,891.61
Average Final Average Salary	$17,223.11	$19,765.46	$23,204.08	$24,908.26	$28,255.65	$32,670.98
Number of Active Recipients	425	1,068	920	812	801	1,377
Period 1/1/92-12/31/92						
Average Monthly Benefit*	$359.05	$424.97	$640.55	$909.82	$1,152.32	$1,857.34
Average Final Average Salary	$18,321.34	$19,749.38	$23,272.73	$26,146.99	$27,872.13	$33,450.47
Number of Active Recipients	505	1,246	1,023	980	898	1,592
Period 1/1/93-12/31/93						
Average Monthly Benefit*	$374.83	$477.44	$684.82	$948.55	$1,253.07	$1,914.97
Average Final Average Salary	$19,133.74	$21,771.78	$24,699.23	$27,813.66	$30,415.15	$35,253.58
Number of Active Recipients	379	938	837	793	773	1,211
Period 1/1/89-12/31/93						
Average Monthly Benefit*	$305.41	$422.62	$644.56	$890.68	$1,166.13	$1,831.78
Average Final Average Salary	$16,964.35	$19,282.33	$22,687.83	$25,012.01	$27,317.14	$31,892.98
Number of Active Recipients	2,171	5,375	4,666	4,326	3,958	6,869

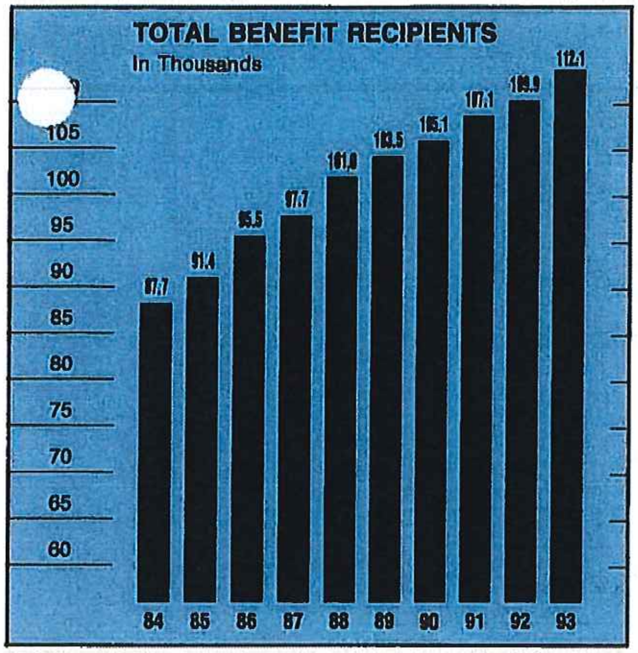
*"Average Monthly Benefit" included post retirement and yearly 3% cost-of-living increases.

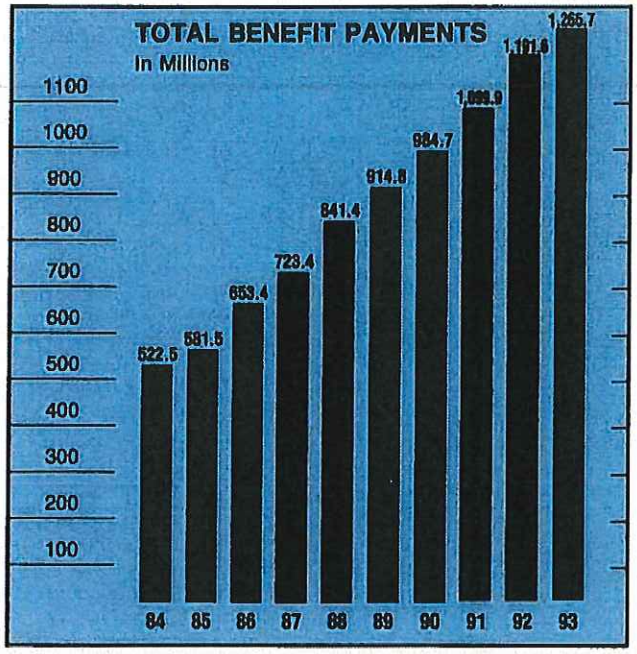
Number of Benefit Recipients by Category

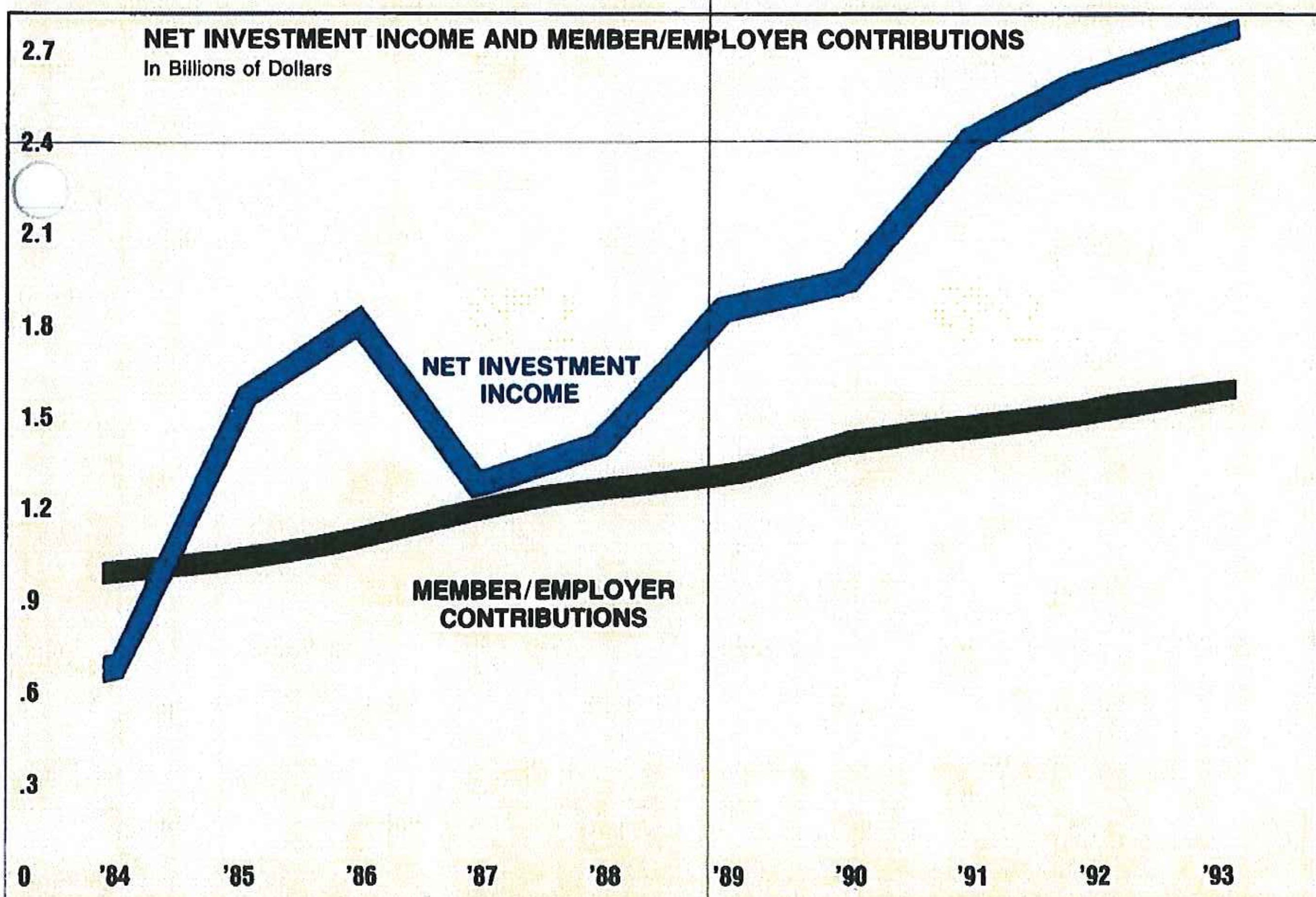
Year-End	Annuities	Disabilities	Survivors	Total
1984	71,228	6,189	10,315	**87,732**
1985	74,407	6,517	10,467	**91,391**
1986	77,960	6,864	10,681	**95,505**
1987	79,648	7,272	10,828	**97,748**
1988	82,462	7,560	10,940	**100,962**
1989	84,676	7,916	10,957	**103,549**
1990	85,916	8,294	10,981	**105,191**
1991	87,364	8,670	11,068	**107,102**
1992	89,736	9,079	11,158	**109,973**
1993	91,048	9,879	11,256	**112,183**

Number of New Benefit Recipients and Refund Payments

Year	Annuities	Disabilities	Survivors	Refund
1984	5,475	562	568	28,988
1985	5,516	683	535	21,766
1986	6,196	730	620	22,976
1987	4,567	775	560	22,246
1988	5,731	703	513	23,547
1989	5,026	728	500	23,008
1990	4,140	745	451	24,878
1991	4,406	802	534	27,165
1992	5,330	793	505	38,894
1993	4,463	1,195	537	37,336


TOTAL BENEFIT RECIPIENTS
In Thousands
105
100
95
90
85
80
75
70
65
60
91.4
97.7
105.1
107.1
112.1
84 85 86 87 88 89 90 91 92 93


TOTAL BENEFIT PAYMENTS
In Millions
1100
1000
900
800
700
600
500
400
300
200
100
522.5
581.5
653.4
723.4
841.4
984.7
1,265.7
84 85 86 87 88 89 90 91 92 93


NET INVESTMENT INCOME AND MEMBER/EMPLOYER CONTRIBUTIONS
In Billions of Dollars
2.7
2.4
2.1
1.8
1.5
1.2
.9
.6
.3
0
NET INVESTMENT INCOME
MEMBER/EMPLOYER CONTRIBUTIONS
'84 '85 '86 '87 '88 '89 '90 '91 '92 '93

The Comprehensive Annual Financial Report

For the Year Ended December 31, 1993

INVESTMENT SECTION

PERS

Investment Report

The economy grew at a modest pace during the first six months of 1993 before picking up speed in the third and fourth quarters. Real Gross Domestic Product (GDP) experienced a growth spurt in the third and fourth quarters, increasing from a 2.9 percent annual rate in the third quarter to a very strong 7.5 percent in the fourth quarter.

Not surprisingly, as the economic expansion accelerated, the stock market reacted more favorable than the bond market, which began to become concerned about the possibility of inflation. Thus, interest rates were on the rise as the year ended.

In the U.S. capital markets, returns were almost identical for the stock and bond markets for the second consecutive year, and both markets recorded double-digit total returns.

In equities, mid-cap stocks again provided stronger returns than large-cap stocks, and small-caps provided even stronger returns. The apparent low volatility in the overall market masked dramatically greater movements among various sectors. As in 1992, value stocks had decidedly better returns than growth stocks.

In fixed-income, high-yield bonds provided greater returns than high-grade investments, and portfolios with longer maturities provided better returns than those with shorter maturities. Interest rates continued to decline during the first nine months of the year, before starting to move higher in mid-October. Thus, longer duration portfolios won for the full year, but not in the fourth quarter.

On Wall Street, 1993 was a lot like 1992, only better. As measured by annual volatility, 1992 used to be the most tranquil year in the 66-year history of the Standard and Poor's 500 Stock Index (S&P 500). In 1993, that difference between the high and low reached by the S&P 500 during the year was just 9.8 percent. The annual swing was 12.0 percent in 1992. Even though, the yield volatility of the 30-year Treasury Bond (T-Bond) increased from 1992's level, the 30-year T-Bond closed the year at a 6.34 percent yield, down from the 1992 ending yield of 7.39 percent. It was in October of this year, that the T-Bond hit a low of 5.79 percent. This was the lowest yield since the Treasury began regular auctions of the bond in 1977. Perhaps, it was this combination of low volatility and lower interest rates that fueled investors' continued move into equity mutual funds. In 1993, investors poured approximately $113 billion (for 1993, data available only through November) into stock funds. This amount nearly matched the combined total of 1992's record inflow and 1991's net sales. Naturally, Wall Street did its best to accommodate investor's record demand for equities. In 1993, as more companies rushed to sell stock to the public, a record $57.5 billion of new stock was sold in initial public offerings (IPOs), beating 1992's record level. In addition to new firms coming public, Wall Street helped existing businesses refinance old debt and raise new equity capital on the stock market. Wall Street helped to underwrite a record $1.06 trillion in stocks and bonds, up 21.0 percent from 1992.

The major stock averages ended 1993 close to their all-time highs, which were reached during the last week of the year. The S&P 500 advanced 7.1 percent for the year. The total return for the S&P 500 in 1993 (including dividends) was +9.97 percent. However, the NASDAQ Composite Index which represents a spectrum of small capitalization stocks, finished the year up 14.8 percent. This was the third year in a row that small-cap stocks outperformed the big stock indexes. For even better performance, investors had to look overseas. Foreign stock markets, whether measured in local currencies or U.S. dollars, beat the S&P 500 by wide margins in 1993. The driver was a steady decline in global interest rates which fueled expectations for economic recoveries in 1994. These results did not go unnoticed by American investors. Of the record $113 billion invested in equity mutual funds in 1993, a record $20.9 billion was directed into foreign stock funds. This amount was greater than the inflows from the six previous years combined.

Back in the U.S., investors who positioned themselves in the more economically sensitive stocks, generally outperformed the S&P 500. Once again, the health care related areas were some of the worst performing groups in 1993 as President Clinton got tough with his health care reform talk. Consumer growth stocks such as tobacco, foods, and beverages lagged the market as companies continued to lose brand name pricing power. The best performing S&P sector in 1993 was the hotel/motel group. Interest in this group was powered by rising occupancy rates and its exposure to gambling through casino ownership. The second best performing group was the gold mining stocks. An accommodating Federal Reserve and a favorable demand/supply commodity outlook have piqued investor's interest in this group. Autos, semiconductors, machinery, and steels were part of the "cyclical" disposition that turned in superior returns.

Even the 1993 economic numbers were similar to the year-end results of 1992. The economy's growth rate did slow down a bit in 1993, however. Real economic growth measured by Gross Domestic Product (GDP) was up +2.8 percent in 1993 versus +3.85 percent (after final revisions, originally reported as +2.7 percent) in 1992. Inflation, as measured by the Consumer Price Index (CPI) was +2.8 percent, slightly lower than the +3.0 percent rate in 1992. One statistic that the Clinton Administration is taking credit for, is the reduction in the unemployment rate. At year end 1993, the unemployment rate stood at 6.4 percent, compared to a 7.4 percent level in 1992. A closer look at the jobs created in 1993 shows that the gain was disproportionately in low-paying, less-secure jobs with minimal benefits. The largest sector of newly created jobs was in the personnel supply services, i.e., temporary agencies. The number of Americans who have become discouraged and stopped looking for work and the number who are employed part-time but want a full-time position barely changed during the year.

PERS Equity Performance

The total return for the PERS equity portfolio in 1993 was +15.39 percent. This performance exceeded the +9.97 total return for the S&P 500. At the beginning of the year, the PERS portfolio had a market value of $5,017,273,915. By year-end, the market value of the portfolio was $3,648,024,926. During the year, our purchases totaled $806,022,577 while the sales equalled $2,138,033,162. As a result, there was net cash flowing out of the portfolio of $1,332,010,585. For the year, net gains from the sales totalled $517,257,370. The equity portfolio generated total dividend income of $142,244,676.

Given our defensive strategy, outperforming the S&P 500 in an "up" market was an unaccustomed bonus. While our overall strategy did not change during 1993, the execution of this strategy resulted in significant industry-mix changes within the equity portfolio. The rationale behind the 1993 equity action and an update on the PERS equity strategy is discussed in the next section.

In last year's report, a brief review of the rationale, formulation, and implementation of the PERS equity strategy was presented.

First and foremost is the PERS preference for absolute returns or "making money" over relative returns (outperforming some index). This preference requires the PERS equity staff to focus on risk (how much can one lose) first and return (how much can one make) second. "Making Money" and "don't lose money" are different sides of the same coin. "Don't lose money" means that over several years an investment portfolio should not be exposed to appreciable loss of principal. This absolute performance should be judged insofar as it relates to the overall goals of this retirement system. The focus on this guiding preference cannot be emphasized enough. Because it influenced the formulation of the PERS equity strategy when our best analysis concluded that the stock market was overvalued.

Summarizing the macro analytical conclusions yielded an overvalued stock market with projected subpar returns and significant downside risk. Incorporating our preference for absolute returns with these conclusions resulted in an equity strategy that emphasized the preservation of capital as the primary object. The particular equity strategy was formulated during the late 1990 and early 1991. The implementation of this strategy has occurred from 1991 to the present. Given the macro analytical conclusions, it is not inconsistent to see such a low equity exposure in the overall PERS portfolio. In May of 1992, equities represented 29 percent of total PERS investment. By November of 1993, that equity exposure had fallen to 12 percent of the total fund.

PERS Bond Performance

The nearly $20 billion PERS bond portfolio had a total return of 9.90 percent in 1993. This return was two basis points behind the return of the Index and only seven basis points behind the S&P 500 return of 9.97 percent. The results were attained, however, with very different duration and sector weightings than that of the Index. Our decision in mid-1992 to sell out entire $4 billion mortgage backed securities portion of our portfolio again proved beneficial in 1993. U.S. Treasuries, which we bought with the proceeds from the mortgage sales, outperformed mortgages by 364 basis points in 1993. Tight corporate spreads in the beginning of the year nc look like bargains as spreads continued to narrow in 1993. This narrowing was caused by investors reaching for yield during the rally. Our corporate portfolio did very well, but our addition to "value" didn't allow us to increase our commitment to corporates in 1993 as much as we would have liked. The portfolio therefore remains highly concentrated in U.S. Treasuries. Our duration has been less than that of the Index for the entire year. It stands at about 80 percent (3.97 years) of the Index (4.96 years). This type of duration structure will cause a portfolio to underperform the Index as rates fall (prices go up) and to outperform the Index as rates increase (prices go down). In other words, the price volatility of our portfolio is less than that of the Index. It is quite remarkable in a year where rates fell about 75 basis points across the curve that we were able to nearly match the Index's return. The market value of the portfolio at the end of 1993 was $18,999,305,615 versus $18,423,838,653 at the end of 1992. The bond portfolio generated $1,193,775,700 of net income in 1993. Sales from the bond portfolio allowed PERS to take $1,153,933,944 in total net gains in 1993.

Real Estate Performance

With the real estate market showing modest improvement we have been able to capture excellent performance. For the year 1993 PERS real estate portfolio provided a total return of 12.88 percent versus the NCREIF-Russell Index which returned .08 percent over the same period. PERS has more than doubled the NCREIF-Russell Index over the past ten years. Our real estate approach which has a strong bias toward immediate cash flow return has proved to be the winning strategy. We will continue to build a solid real estate portfolio that should return 10 percent over the near future.

Our overall portfolio return for 1993, including appreciation, was 9.7 percent. This return was quite remarkable given our conservative positioning with almost 20 percent in cash.

Inflation remaining mild (+3.0 percent) has to be the most acceptable "consensus" opinion among investors and economists. Followed closely by an outlook for moderate economic growth, +3.0 percent as measured by real GDP. This combination, according to the consensus, will also result in interest rates remaining low. The term "muddling through" has been coined to describe this very situation. It is precisely these conditions that have been fueling the liquidity into stocks and bonds for the past three years. It is also this liquidity binge that has taken the stock market to an even higher level of overvaluation. If the consensus is correct in 19[illegible] regarding this nirvana backdrop, the PERS strategy concerning the equity/cash mix will lead to lower returns.

When we implemented the current strategy, we felt there were enough potential catalysts in place to change this current liquidity trend sooner rather than later. However, the timing factor has proved most frustrating to the point that the validity of the PERS strategy could be questioned. What we have obviously learned is that overvalued markets can stay at that level for a long period of time.

The merits of the PERS strategy should be considered in the following context. When overvalued markets finally turn down, investors lose their desire to buy on dips. Based on the wisdom and experience of others who have lived through real bear markets, investors will realize that they don't really get out, they just get their portfolios marked down. A retirement system with a preference for absolute returns wants to avoid (or at least, minimize) detrimental effects of this outcome. With respect to the equity portfolio, the ''Faustian trade-off'' has been protection versus fully invested performance.

We are constantly trying to disprove our current strategy. However, until we are able to convince ourselves and make the case that ''Something is different this time around'', we will continue to implement our current strategy.

Investment Portfolio Summary

Year Ended December 31, 1993

	Par Value	Book Value	Market Value	% of Portfolio (Book Value)	Yield
Bonds					
U.S. Government & Agencies	$19,158,803,000	$17,383,368,601	$17,699,039,984	74.50%	5.50%
Corporate	1,000,520,000	1,022,306,279	1,039,726,772	4.38	5.81%
Mortgage Backed	280,329,116	289,972,882	260,538,859	1.24	7.24%
Stocks — Common		3,185,949,990	3,648,024,926	13.65	3.26%
Real Estate		1,439,619,652	1,472,028,406	6.17	
Venture Capital		14,285,170	15,285,170	.06	2.80%
TOTAL PORTFOLIO		$23,335,502,574	$24,134,644,117	100.00%	4.93%

Detailed Listing of Investment Portfolio

As of December 31, 1993

U.S. GOVERNMENT & AGENCIES BONDS

Name	Coupon	Maturity	Par Value	Book Value	Market Value
Government Trust Certificates Class 1-C	9.250%	11/15/2001	$ 165,745,000	$ 194,569,998	$ 193,868,611
Government Trust Certificates Class 2-F	0.000%	11/15/1995	24,860,000	21,133,594	22,989,533
Government Trust Certificates Class 2-F	0.000%	05/15/1996	29,000,000	23,532,450	26,084,050
Government Trust Certificates Class 2-E	9.400%	05/15/2002	35,000,000	40,847,845	41,087,200
U.S. Treasury Receipts	0.000%	02/15/2020	535,410,000	94,594,362	90,243,355
U.S. Treasury Receipts	0.000%	05/15/2020	1,073,240,000	176,844,454	178,318,826
U.S. Treasury Receipts	0.000%	08/15/2020	1,531,825,000	253,144,698	250,8[illegible]5
United States Treasury	8.500%	08/15/1995	717,155,000	753,373,819	766,[illegible]1
United States Treasury	3.875%	08/31/1995	538,000,000	538,139,495	536,235,360
United States Treasury	3.875%	09/30/1995	154,380,000	154,529,196	153,753,217
United States Treasury	3.875%	10/31/1995	1,080,475,000	1,078,354,654	1,075,407,572
United States Treasury	4.250%	11/30/1995	1,974,630,000	1,977,775,448	1,975,854,270
United States Treasury	7.875%	02/15/1996	161,930,000	169,820,466	173,467,512
United States Treasury	9.375%	04/15/1996	49,250,000	54,344,938	54,552,255
United States Treasury	7.625%	04/30/1996	50,000,000	53,595,890	53,554,500
United States Treasury	7.375%	05/15/1996	993,395,000	1,058,497,372	1,059,515,371
United States Treasury	7.625%	05/31/1996	236,275,000	235,928,957	253,738,085
United States Treasury	7.875%	07/15/1996	99,985,000	107,473,697	108,155,774
United States Treasury	7.250%	08/31/1996	253,595,000	269,630,177	270,951,041
United States Treasury	7.250%	11/15/1996	913,215,000	952,496,334	978,847,762
United States Treasury	8.000%	01/15/1997	148,400,000	161,300,705	162,474,256
United States Treasury	8.500%	04/15/1997	501,645,000	523,458,399	558,707,118
United States Treasury	8.500%	05/15/1997	100,480,000	113,242,747	112,097,497
United States Treasury	8.500%	07/15/1997	331,655,000	354,773,115	371,092,096
United States Treasury	8.750%	10/15/1997	381,870,000	426,694,183	431,810,958
United States Treasury	5.750%	10/31/1997	974,805,000	1,003,775,024	1,003,288,802
United States Treasury	8.875%	11/15/1997	533,840,000	590,290,670	606,826,604
United States Treasury	6.000%	12/31/1997	434,230,000	446,633,162	450,648,236
United States Treasury	7.875%	01/15/1998	217,855,000	238,820,055	240,524,991
United States Treasury	5.625%	01/31/1998	137,715,000	140,065,831	140,813,587
United States Treasury	8.125%	02/15/1998	466,820,000	526,275,815	520,429,608
United States Treasury	5.125%	02/28/1998	189,235,000	190,650,313	190,03[illegible]71
United States Treasury	7.875%	04/15/1998	41,250,000	45,805,641	45,6[illegible]
United States Treasury	5.375%	05/31/1998	257,585,000	262,808,967	260,361,766

Note: Cents omitted. Columns will not add.

lame	Coupon	Maturity	Par Value	Book Value	Market Value
Ini States Treasury	7.000%	04/15/1999	$ 130,900,000	$ 135,081,471	$ 141,187,431
Ii .tates Treasury	6.375%	07/15/1999	300,000,000	312,901,627	314,952,000
Jnited States Treasury	8.000%	08/15/1999	489,355,000	523,525,074	553,049,446
Jnited States Treasury	6.000%	10/15/1999	226,430,000	231,514,831	233,542,166
Jnited States Treasury	7.875%	11/15/1999	39,870,000	44,446,036	44,866,109
Jnited States Treasury	8.875%	05/15/2000	67,300,000	80,871,176	79,655,607
Jnited States Treasury	8.500%	11/15/2000	235,110,000	255,380,028	274,636,693
Jnited States Treasury	7.750%	02/15/2001	355,960,000	377,306,808	401,177,598
Jnited States Treasury	7.875%	08/15/2001	645,515,000	681,630,730	734,576,704
Jnited States Treasury	7.500%	11/15/2001	652,368,000	716,286,992	727,794,788
Jnited States Treasury	6.375%	08/15/2002	154,710,000	160,684,094	161,357,888
Jnited States Treasury	6.250%	02/15/2003	159,035,000	163,483,952	164,353,130
Jnited States Treasury	11.125%	08/15/2003	367,500,000	467,033,289	509,332,950
Total			**$19,158,803,000**	**$17,383,368,601**	**$17,699,039,984**

MORTGAGE BACKED

lame	Coupon	Maturity	Par Value	Book Value	Market Value
'ederal Home Loan Mortgage Corporation	7.500%	05/01/2017	$ 3,415	$ 3,041	$ 3,517
'ederal National Mortgage Association	8.900%	06/12/2000	54,125,000	63,777,807	63,968,714
'NMA Class 2 Trust 215	7.000%	04/25/2023	23,875,053	23,875,053	20,535,403
'NMA Class 2 Trust 222	7.000%	06/25/2023	202,221,319	202,221,319	175,924,925
iNMA—Empire Funding Pool 203016	8.000%	05/15/2017	39,034	35,575	41,005
Iortheast Mortgage FHA Project Pool 1985-1	8.545%	08/01/2016	23,265	18,582	23,265
ears Mortgage Securities Corp. Series 1985-A	11.875%	04/25/2015	42,030	41,505	42,030
tal			**$ 280,329,116**	**$ 289,972,882**	**$ 260,538,859**

CORPORATE

lame	Coupon	Maturity	Par Value	Book Value	Market Value
ssociates Corporation of North America	9.700%	05/01/1997	$ 25,000,000	$ 27,488,677	$ 28,399,250
ssociates Corporation of North America	5.875%	08/15/1997	13,575,000	13,807,792	13,831,431
ankAmerica Corporation	5.000%	06/01/1996	46,800,000	46,800,000	46,736,820
)ean Witter Discover	5.000%	04/01/1996	47,200,000	47,160,474	47,343,488
xxon Capital Corporation	8.250%	11/01/1999	160,000,000	178,800,513	179,673,600
ord Motor Credit Company	6.125%	12/11/1995	150,160,000	150,114,191	153,956,044
ord Motor Credit Company	5.000%	03/25/1996	130,675,000	130,675,000	130,986,006
ord Motor Credit Company	8.625%	04/15/1996	10,000,000	10,414,215	10,797,400
ord Motor Credit Company	6.250%	02/26/1998	170,000,000	169,759,809	174,134,400
ieneral Electric Capital Corp.	4.740%	09/29/1995	50,000,000	49,893,074	50,300,500
epsico Incorporated	6.875%	05/15/1997	47,975,000	49,044,936	50,438,996
outhern California Edison	6.125%	07/15/1997	149,135,000	148,347,595	153,128,835
Total			**$ 1,000,520,000**	**$ 1,022,306,279**	**$ 1,039,726,772**

REAL ESTATE

ame	Book Value	Market Value
FL-CIO Housing Investment Trust	$ 46,241,714	$ 46,979,409
r Group	221,351,472	202,607,718
la.	215,913,594	221,049,953
owe Enterprises	111,216,102	144,444,208
ations Bank of North Carolina	93,137,221	66,784,932

ote: Cents omitted. Columns will not add.

Name	Book Value	Market Valu
Rothschild Property Investors	$ 19,129,826	$ 18,561,3
Rothschild Realty	183,884,093	194,556,4
TGM	79,612,542	9[illegible]
TMMAC	116,490,759	127,[illegible],3
Trinet Trust	264,281,652	270,584,6
Trisis Trust	24,173,287	25,902,2
Wells Fargo	64,187,390	58,249,0
Total	**$1,439,619,652**	**$1,472,028,4**

VENTURE CAPITAL

Name	Shares	Cost	Market Valu
Blue Chip Capital Fund	2,944,822	$ 2,944,822	$ 2,944,8
Cardinal Development Fund, Inc.	694,407	694,407	694,4
Micro Industries Corporation	400,000	3,000,000	4,000,0
Northwest Ohio Venture Fund	915,653	915,653	915,6
Primus Capital Fund	1,072,974	1,072,974	1,072,9
Primus Capital Fund II	4,657,314	4,657,314	4,657,31
Primus Capital Fund III	1,000,000	1,000,000	1,000,0
Total	**11,685,170**	**$14,285,170**	**$ 15,285,1**

COMMON STOCK

Name	Shares	Cost	Market Value
Alumax	872,000	$ 13,512,929	$ 18,748,00
Aluminum Co. of America	1,313,000	84,960,957	91[illegible]7
Amax Gold, Incorporated	428,152	3,264,659	2,[illegible],54
American Barrick Resources	2,207,700	56,413,443	62,643,48
Amoco Corporation	1,812,200	94,441,817	95,820,07
Arkla Inc.	2,167,000	42,799,639	17,065,12
Baker Hughes, Inc.	3,050,000	78,335,165	61,000,00
Battle Mountain Gold Company	1,815,000	17,013,878	18,376,87
Birmingham Steel Corporation	72,259	2,005,187	2,005,18
Calmat Company	700,000	16,340,096	14,787,50
Caremark International	781,250	10,351,562	15,429,68
Champion International Corp.	2,300,000	66,378,734	76,762,50
Chevron Corporation	1,666,000	90,301,221	145,150,25
Cincinnati Gas & Electric Co.	673,500	16,275,499	18,521,25
Cooper Industries	2,266,000	82,403,177	111,600,50
Corning Incorporated	2,000,000	67,014,128	56,000,00
Crane Co.	715,000	20,848,872	17,696,25
Cyprus Amax Minerals Company	872,000	18,674,506	22,563,00
Detroit Edison Company	1,094,303	34,983,035	32,829,09
Digital Equipment Corporation	1,450,000	60,953,938	49,662,50
Dow Chemical Company	1,789,709	86,764,301	101,565,98
Dresser Industries	2,377,000	50,895,402	49,322,75
E-Systems Incorporated	700,000	24,212,772	30,362,50
Eaton Corporation	1,127,200	43,072,590	56,923,60
Echo Bay Mines Ltd.	2,496,300	31,079,896	32,139,86
Emerson Electric Co.	1,700,000	83,608,198	102,425,00
Entergy Corporation	2,588,000	71,853,766	93,[illegible]0
Foster Wheeler Corporation	390,200	9,458,113	13,[illegible]0

Note: Cents omitted. Columns will not add.

Name	Shares	Cost	Market Value
Freeport-McMoran, Inc.	2,000,000	$ 36,231,405	$ 39,500,000
enuine Parts Co.	2,749,100	87,430,759	103,434,887
Georgia-Pacific Corporation	1,000,000	63,844,089	68,750,000
Goodrich, B.F.	600,000	28,404,233	24,150,000
Goulds Pumps Incorporated	750,000	13,051,396	18,656,250
GTE Corporation	3,355,600	101,989,805	117,446,000
Halliburton Company	1,850,000	80,052,113	58,968,750
Harnischfeger Industries, Inc.	800,000	16,006,532	18,000,000
Hecla Mining Company	404,900	4,698,768	4,706,962
Homestake Mining Company	3,000,000	43,197,281	66,000,000
IMC Fertilizer Group, Inc.	880,000	43,727,809	39,930,000
Ingersoll-Rand Company	2,480,200	49,734,390	94,867,650
International Paper Company	1,610,000	87,975,669	109,077,500
LAC Minerals Limited	3,310,900	26,614,247	28,970,375
Manitowoc Co., Inc.	257,800	7,965,073	8,314,050
Mobil Corporation	1,673,500	77,586,811	132,415,687
Monsanto Company	1,048,000	58,259,411	76,897,000
National Semiconductor Corp.	2,500,000	30,969,482	40,625,000
Newmont Mining Corporation	2,000,000	87,592,461	115,250,000
Niagara Mohawk Power Corp.	2,705,552	47,630,657	54,787,428
Nynex Corporation	954,596	35,974,086	38,303,164
Paccar Inc.	500,000	27,624,541	30,625,000
Pacific Gas & Electric Company	2,000,000	60,451,607	70,250,000
Pegasus Gold Incorporated	891,000	19,304,402	19,602,000
Pep Boys—Manny, Moe & Jack	1,060,000	22,486,314	27,825,000
Placer Dome Incorporated	2,649,300	61,233,894	65,901,337
otlatch Corporation	700,000	31,232,543	32,987,500
raxair Inc.	2,500,000	39,062,500	41,562,500
Reynolds Metals Company	1,190,200	68,010,392	54,005,325
Schlumberger, Ltd.	306,000	17,707,600	18,092,250
Sprint Corporation	2,750,000	65,331,717	95,562,500
Steris Corporation	35,320	600,440	662,250
Stone & Webster	450,000	12,967,387	12,431,250
Sysco Corporation	2,400,000	60,651,953	70,200,000
Tandem Computer, Inc.	2,200,000	26,606,244	23,925,000
Temple-Inland, Inc.	1,100,000	58,867,939	55,412,500
Timken Company	892,500	25,044,354	30,010,312
U.S. West Inc.	2,000,000	72,731,067	91,750,000
Union Camp Corporation	1,900,000	94,811,321	90,487,500
Union Texas Petroleum Holdings	454,400	8,971,203	9,258,400
Weyerhaeuser Company	2,000,000	67,562,307	89,250,000
Willamette Industries, Inc.	1,000,000	37,536,375	49,500,000
Total	**106,332,641**	**$3,185,949,990**	**$3,648,024,926**

Note: Cents omitted. Columns will not add.

The Comprehensive
Annual Financial Report

For the Year Ended December 31, 1993

PLAN STATEMENT

PERS

Plan Statement

The Public Employees Retirement System of Ohio (PERS) was created by the Ohio General Assembly to provide retirement, disability, and survivor benefit programs for the public employees of Ohio. This summary outlines the Ohio law which regulates PERS; however, it cannot and does not change any of the provisions of the Ohio Revised Code.

Member Eligibility

All public employees in Ohio, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of PERS when they begin public employment unless they may be exempted or excluded.

The law provides for optional membership for elected public officials. Students, not already members, working for the public school, college, or university they are attending may be exempt from membership in PERS by filing a request for exemption within the first month of employment.

The following individuals are excluded from membership:

1. inmates of state correctional and penal institutions;
2. patients in hospitals operated by the Departments of Mental Health or Mental Retardation;
3. patients in Ohio Veterans' Home and residents of county homes;
4. elected officials of public employers which are not covered by PERS;
5. employees of temporary help services who perform services for public employers;
6. individuals serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency;
7. persons employed under the federal Job Training Partnership Act;
8. employees of private contractors except public employees transferred with previously publicly-operated functions and performing the same duties as before;
9. individuals performing services under a contract as an independent contractor;
10. election workers who earn less than $500 per calendar year; and
11. firefighters, except those who were members before August 3, 1992 and elected to remain members.

PERS provides special retirement coverage for certain law enforcement officers. Sheriffs and deputy sheriffs employed after Jan. 1, 1975 and full-time township constables or police officers employed after Jan. 1, 1981, and criminal bailiffs or court constables employed on or after April 16, 1993 who were deputized by a county sheriff and employed under Section 2301.12, are included if their primary duties are to preserve the peace, to protect life and property, and to enforce the laws of Ohio. Full-time county narcotics agents employed after Sept. 26, 1984 also are included. The following groups are eligible for the law enforcement provisions if the individuals were employed on or after Dec. 15, 1988: 1) full-time undercover drug agents as defined in Section 109.79; 2) full-time liquor control investigators with the Ohio Department of Liquor Control engaged in the enforcement of Chapter 4301; 3) full-time park officers, forest officers, game protectors, or state watercraft officers with the Ohio Department of Natural Resources; 4) full-time park district police officers under Section 511.232 or 1545.13; 5) full-time conservancy district officers under Section 6101.75; 6) full-time municipal corporation police officers not covered by the Police and Firemen's Disability and Pension Fund; 7) police employed by the Ohio Veterans' Home under Section 6907.02; 8) special police employed by a state mental health institution under Section 5119.14; and 9) special police employed by a state institution for the mentally retarded and developmentally disabled under Section 5123.13. In order to enroll in the law enforcement division, the member must have a Peace Officer's Training School Certificate.

Law enforcement officers employed before the dates indicated above are under this special retirement option only if they elected this coverage as provided by the enabling legislation; otherwise, they remain under the regular PERS schedule of benefits.

Contributions

Employers are required to make contributions to the System on the basis of a percentage of reportable payroll and at a rate based upon the recommendation of PERS' actuary. Penalties and interest are added for late payments. The state employer contribution rate is 13.31 percent. Local employers contribute 13.55 percent and employers in the law enforcement division contribute 16 percent of member payroll.

The current contribution rate for members is 8.5 percent of earnable salary. Members in the law enforcement division pay 9.0 percent of earnable salary. Individual accounts for each member of PERS are maintained and funds contributed by the member are fully refundable at service termination or death. In the first quarter of the year, members are sent a statement of the balance in their individual accounts as of the previous December 31. A report disclosing the financial status of the System and describing major developments during the year at PERS is sent along with the statement of savings.

BENEFITS FOR CONTRIBUTING MEMBERS

Age and Service Retirement

Members are eligible to retire at age 60 with at least five years of total service credit. They may retire with a commuted benefit as early as age 55 with 25 years of service. With 30 years of credit, there is no age requirement nor benefit reduction because of age.

Service credit allowed under Chapter 145 of the Ohio Revised Code includes:

1. service for the state of Ohio or an Ohio political subdivision on which contributions have been paid;
2. certain military service which interrupted contributing public service;

3. any out-of-public service period of three years or less during which the member was receiving an award under Ohio's Workers' Compensation;
4. previously unreported service in Ohio;
5. service purchased by the member for:
   a. other military service that is not being used for other retirement programs, except Social Security;
   b. prisoner-of-war service;
   c. an authorized leave of absence, which did not exceed one year;
   d. comparable public service that is not being used for other retirement programs, except Social Security, performed outside Ohio or with the federal government or for which contributions were made to an Ohio municipal retirement system;
   e. service restored by redeposit which had been cancelled by an earlier refund of PERS contributions;
   f. service in an Ohio police or fire department and covered by the Police and Firemen's Disability and Pension Fund or the State Highway Patrol and covered by the Highway Patrol Retirement System that is not being used for other retirement benefits;
   g. service which was previously covered by a valid exemption under PERS;
   h. up to 35 percent additional credit on completed terms of full-time contributing elective service or board, commission, or other public body service by members who are appointed by the governor with the advice and consent of the Senate;
7. service purchased by an employer under a retirement incentive plan.

When a member files an application for age and service retirement, a choice of several plans of payment is available. The choices include benefits payable throughout the member's lifetime (Plan B-single life annuity) or in a lesser amount during the individual's life but continuing after his/her death to a spouse (Plan A) or other designated beneficiary (Plans C or D-joint and survivor annuities). A benefit payable under Plan A, C, or D is the actuarial equivalent of Plan B, but the payment to the member is reduced because it is based on the combined life expectancies of the member and the beneficiary. A fifth payment plan (Plan E-guaranteed period) is also the actuarial equivalent of Plan B, but the payment is reduced to guarantee the period.

Benefit payments vary in amount depending on length of public service, final average salary (FAS), age, and plan of payment selection. Final average salary is determined by taking the average of the three highest years or earnable salary. In no case can the age and service benefit exceed 100 percent of final average salary or the limits under Internal Revenue Code Section 415.

Law enforcement personnel covered under the law enforcement division may retire with 25 years of law enforcement service credit at age 52, or at a reduced rate as early as age 48. State law also permits retirement at age 62 for any officer with at least 15 years of service credit. The maximum benefit limit is 90 percent of final average salary or the limits under Internal Revenue Code Section 415.

Disability Benefits

PERS members are eligible for one of two disability programs, the original plan or the revised plan. Employees who had contributions on deposit with PERS on July 29, 1992 had a one-time opportunity to select coverage under one of these programs. Those employees hired after July 29, 1992 are covered only under the revised plan. There are a number of features common to both plans.

A member who has at least five years of contributing service credit and becomes disabled for the performance of duty may apply to the Retirement Board for monthly disability benefits. Those members in the law enforcement division do not need five years of service credit to apply for disability if the disabling condition was the result of an on-duty illness or injury or an injury which occurred during or resulted from the performance of duty.

A member must go off the payroll because of a presumably permanent disabling condition, either mental or physical, which prevents performance of their job. No more than two years must have passed since the member's job termination unless at the end of the two-year period, the member was disabled and unable to file an application. The member must not be receiving an age and service retirement benefit. If the Retirement Board approves the disability application, the benefit is effective the first day of the month following the member's service termination, provided the member is otherwise eligible. A disability benefit recipient may be required to have a medical examination at least once a year.

A disability benefit terminates under either plan if the member is no longer disabled, returns to public service, chooses to begin receiving an age and service benefit, dies, or requests termination of the benefit.

Under the original plan an application for disability must be filed before age 60 and is payable for life or until one of the events listed above occurs. An application for disability may be filed at any age under the revised plan and is payable until one of the events listed above occurs or for a defined period of time depending on the member's age at the effective date of the benefit.

The amount of disability allowance under the original plan is based on the FAS and years of service with PERS, plus the length of time between the effective date of disability and age 60. The disability benefit cannot exceed 75 percent or the limits under Internal Revenue Code Section 415, nor be less than 30 percent of the member's final average salary. The benefit is fully taxable until normal retirement age and then a specified dollar amount each month representing the return of taxed contributions is tax-free.

The benefit under the revised plan is based on the FAS and years of service with PERS with no early retirement reductions but cannot be less than 45 percent or exceed 60 percent of FAS. The benefit is fully taxable as long as it is received.

When the disability benefit under the revised plan ends, the member may have the opportunity to apply for a service retirement benefit or apply for a refund of the account, which is not reduced by the amount of disability benefits paid. The benefit amount would be the greater of: a) 2.1 percent of FAS multiplied by the years of service (contributing and disability) not to exceed 45 percent of FAS, or b) the regular or law enforcement benefit calculation using only the member's years of contributing service.

Survivor Benefits

A refund of a member's accumulated contribution is available to a qualified beneficiary who is designated by the member or by law.

A member's beneficiary is determined by statutory automatic succession unless a specific designation of beneficiary is made in writing on a form provided by PERS. Under Ohio law, the order of automatic succession is:

1. Spouse.
2. If no spouse, the youngest dependent child under age 18, or under age 22 if a qualified student. If monthly benefits are selected, payments will be determined on the basis of all the minor children and divided equally among them. Incompetent, dependent children, regardless of age, are included.
3. If monthly survivor benefits are not payable or there are no dependent children, all living children will share equally in a refund of the account.
4. If no spouse or child(ren), a dependent parent may select a monthly survivor benefit.
5. If none of the above, parents share equally in a refund of the account.
6. If none of the foregoing, a refund of the account will be paid to the member's estate.

Qualified dependent(s) may be eligible for monthly survivor benefits if the deceased member: 1) had at least 18 full months of Ohio credit with three of those months within the two and one-half years immediately before death, or 2) was eligible for age and service retirement but did not retire and continued to work, or 3) was receiving a disability benefit at the time of death.

The dependents qualify for available monthly benefits as follows:

1. A surviving spouse age 62 or older (age 50 if the deceased member had 10 or more years of service credit).
2. A spouse with dependent child(ren) under age 18 or 22 if qualified student(s).
3. Dependent child(ren) under age 18 or 22 if qualified student(s).
4. Dependent parent(s) age 65 or older.
5. An incompetent spouse, incompetent child(ren), or incompetent dependent parent(s), at any age.

Monthly benefits are calculated as a percentage which cannot exceed 60 percent of the member's FAS. If the member dies after reaching retirement age but before applying for benefits, the surviving spouse, or other sole dependent beneficiary, regardless of age, may elect to take a monthly joint survivorship allowance for life, known as Plan D.

If a surviving spouse remarries before reaching age 62, rights to benefits, other than the joint survivorship allowance, cease. The benefit will be resumed if the remarriage ends in divorce, annulment, dissolution, or death within two years after the survivor benefit ceased.

Benefits for dependent children terminate upon marriage, adoption, or active military service. Also, survivor benefits will be stopped after a dependent child reaches age 18 unless proof is submitted that the child is attending an institution of learning or training and pursuing a program of study equivalent to at least two-thirds of the full-time curriculum requirements of the institution. Payments to a dependent parent stop in the event of remarriage.

Additional Benefits

1. *Health Care Coverage*—When applying for age and service retirement a member must have 10 years of Ohio service credit to qualify for the PERS health care plan. These 10 years may not include out-of-state service (under Section 145.293 Ohio Revised Code) and/or military service (under Section 145.301 Ohio Revised Code) purchased after Jan. 1, 1981, service granted under a retirement incentive plan or credit purchased after May 4, 1992 for exempted service. Health care coverage for disability recipients and primary survivor recipients is available. Dependents of eligible recipients may be covered through premium deductions. Qualified benefit recipients also may be eligible for alternative health care plans (HMOs) which may require a premium deduction.

   The Retirement Board has authorized access to health care for those members with less than 10 years of service credit at age and service retirement. These members may now obtain independent health care coverage offered by a PERS health care administrator. This coverage is neither offered by PERS nor is it the responsibility of the System. PERS' does not pay premiums, claims, or withhold any premiums for this coverage.
2. *Medicare Part B Premium Reimbursement*—Recipients who are eligible for health care must enroll in Medicare Part B (medical) when they become eligible for Medicare Part B even if they are covered by health care through their current employer. Proof of enrollment must be submitted and PERS will then reimburse the member for the basic cost of the Medicare B premium as long as the recipient is enrolled in Medicare B. The amount is added to the monthly benefit.

3. *Cost-of-Living Adjustment*—Once a benefit recipient has received benefits for 12 months, an annual 3 percent cost-of-living adjustment may be provided in each year the Consumer Price Index shows an increase of 3 percent or more.
4. *Death Benefit*—Upon the death of a former member receiving an age and service retirement benefit or a disability benefit, a one-time lump sum payment is payable to the qualified beneficiary, the person responsible for burial, or the estate of the recipient. The amount payable is based on the amount of service credit at retirement.

Refunds

Full recovery of contributions to PERS is guaranteed. Upon leaving all public employment in Ohio a member may apply for and receive his/her accumulated savings. Employer contributions are not refundable.

Before a refund may be issued, the law requires that three months must elapse from the date certified by the employer that the member has terminated public employment. If a member is also a member of the State Teachers Retirement System or the School Employees Retirement System, an application for refund from the other system(s) must have been filed in order to receive the money from PERS.

If a refund is taken and the individual later returns to covered public employment for at least 18 months, the amount refunded, plus interest, may be redeposited and service credit restored.

COVERAGE AND BENEFITS FOR RE-EMPLOYED RETIRANTS

After a member retires, re-employment in a job covered by PERS, including service in an elected position, may affect continuing receipt of an age and service retirement benefit.

Retirants begin contributing from the first day of re-employment at a rate of 8.5 percent of earnable salary. State employers contribute 13.31 percent for these re-employed retirants and local employers contribute 13.55 percent.

A retirant may not be re-employed for at least two months after retirement from PERS. A retirant who returns to work and has not been retired for the required two months must contribute, but the current retirement allowance for each month in which re-employment occurs during those two months will be forfeited. Legislation effective in 1994 changes some of these provisions for re-employment of PERS retirants on or after February 9, 1994.

All re-employed PERS retirants must elect to either:

1) receive compensation, receive their retirement allowance, and make contributions toward a money purchase annuity, which is based on the calculation of the sum of the employee contributions received for the period of re-employment plus allowable interest, multiplied by two; or
2) receive compensation, have their retirement allowance suspended for the period of re-employment, and make contributions toward a formula benefit.

A PERS retirant cannot continue to receive benefits and work as an independent contractor under a contract for any period of time from the employer from which they retired.

A disability or age and service retirant from another Ohio System coming into PERS-covered employment should be retired for at least two months and must begin contributions to PERS from the first day of employment. These retirants will earn only a money purchase annuity based on the calculation of sum of the employee contributions received for the period of re-employment plus allowable interest, multiplied by two.

PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO
277 East Town Street
Columbus, Ohio 43215-4642