

Changes in the pension fund balance for the year ended June 30, 1988, were as follows (amounts expressed in thousands):

	Fund Balance (a)	
	Employee Annuity Savings (b)	Retirement Accumulation Fund (c)
Balance, July 1, 1987	\$1,161,228	\$4,980,377
Increases:		
Member contributions	106,571	
Employer contributions		576,766
Investment and other income		1,781,610
Decreases:		
Benefit payments		(463,475)
Refunds	(12,438)	
Administrative expenses		(10,919)
Transfers to the Employee Annuity Savings Fund for interest credited to members' accounts	50,191	(50,191)
Transfers to the Retirement Accumulation Fund for contributions of retiring members	(64,816)	64,816
Balance, June 30, 1988	\$1,240,736	\$6,878,984

(a) The consulting actuary annually determines the changes in fund balances resulting from transfers of employees from the Employees' and Teachers' Retirement Systems to the Employees' and Teachers' Pension Systems and allocations of investment income.

(b) Contributions made by members together with interest thereon are credited to the Employee Annuity Savings Fund.

(c) Contributions made by the employer and investment income thereon are credited to the Retirement Accumulation Fund.

During October 1987, the System established the Combined Dedicated Fixed Investment Fund (Fund) by purchasing fixed income securities which would provide scheduled payments of principal and interest that match the projected benefit payments to all members (excluding members of participating municipalities) who had retired prior to July 1, 1987. Equity investments with a book value of \$1,251,416,000 and government fixed investments with book value of \$887,687,000 were sold for \$3,157,763,000. A loss of \$56,860,000 was incurred on certain investment transactions applicable to the establishment of the Fund. As a result of these transactions a gain of \$961,800,000 was realized on the sale of securities.

The State also contributed to the Mass Transit Administration Pension Plan (Plan), a retirement program (not included in the System) for certain employees of the Mass Transit Administration. This plan is an unfunded pension arrangement and requires no employee contributions. The consulting actuary for the Plan prepared a valuation as of June 30, 1988, using the entry age normal cost method. Retirement costs for 1988 on this basis aggregated approximately \$5,946,000 for governmental fund types, including amortization of unfunded liabilities over 30 years. Retirement expenditures for the Plan on the unfunded pension arrangement basis aggregated approximately \$3,363,000 for the year ended June 30, 1988.