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ILLINOIS MUNICIPAL RETIREMENT FUND
100 S. WACKER DRIVE CHICAGO, ILL. 60606

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Your Retirement Fund

No. 16

July 1966

1965 ANNUAL REPORT

The year 1965 was the 25th year of the Fund's operation. During that period the Fund:

- Accumulated nearly \$200 millions of assets which are held for payment of future pensions and other benefits.
- Paid out over \$57 millions in retirement and widow annuities.
- Paid out over \$13 millions in death benefits.
- Paid out nearly \$13 millions in disability benefits.

More than 20,000 employees of Illinois municipalities benefited by the IMRF program during these 25 years — and this does not count unnumbered thousands who benefited by Social Security coverage.

In addition, it must be recognized that the municipal governments, which supported the program liberally, derived significant benefits by being able to retire older employees, recruit and retain younger employees, and by making disability and death benefits available. This improves personnel relations, employee morale, and quality of services rendered to the public.

Numerous improvements have been introduced into the program during the first 25 years. These are essential to keep pace with the rapidly changing social and economic structure of the nation. The Board of Trustees and staff will continue their efforts in this direction.

Annually, the Fund's Consulting Actuary analyzes the obligations and assets of every participating municipality. He has found the actuarial condition to be sound and improving as contemplated by law. The Fund's auditors have approved and certified the accuracy and correctness of the records and accounts. A copy of the Fund's 1965 audit report or a detailed listing of investments owned, or both, may be secured by request directed to the Executive Director.

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President, Board of Trustees
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What the Fund Owns and Owes

On December 31, 1965 the Fund had \$199.6 millions in net assets:

| | Millions of Dollars |
|-------------------------------------|---------------------|
| Cash deposited with State Treasurer | \$ 1.2 |
| Invested in Bonds and Stocks | 195.7 |
| Other net amounts due the Fund | 2.7 |
| Total | <u>\$199.6</u> |

These assets belong to the following groups:

| | Millions of Dollars |
|----------------|---------------------|
| Annuitants | \$ 83.4 |
| Employees | 68.3 |
| Municipalities | 47.9 |
| Total | <u>\$199.6</u> |

The \$83.4 millions that belonged to annuitants is the amount needed to make future payments of annuities in effect on December 31, 1965. The Fund was then paying monthly annuities and disability benefits to 10,325 individuals.

The \$68.3 millions that belonged to employees is the total of their salary deductions together with over \$11.0 millions of interest. When an employee retires, the interest earned on his deposits helps to provide his pension. The Fund had nearly 65,000 employee accounts on December 31, 1965; about 53,000 of them were then currently contributing. The job of maintaining these employee records entails more than two million accounting entries each year. The Fund uses a computer for this purpose, thereby achieving the necessary speed and accuracy at least possible administrative expense.

The \$47.9 millions belonging to municipalities is made up of \$36.4 millions in retirement savings and \$9.5 millions accumulated in other reserves. Nearly 2,000 municipalities had employees under IMRF in January, 1966; each one is responsible for the retirement costs of its own employees. Calculations by the Fund's actuary indicate that an additional \$96.8 millions needs to be provided by municipalities in order to meet the full cost of benefits earned to date by employees. Municipality contribution rates are fixed at a level sufficient to accomplish this objective on a long term basis.

Income and Expenses in 1965

The Fund's income in 1965 was derived from:

| | Millions of Dollars |
|----------------------------|---------------------|
| Employee Salary Deductions | \$18.0 |
| Municipality Contributions | 22.4 |
| Income from Investments | 8.1 |
| Total | <u>\$48.5</u> |

The Fund's expenses were:

| | Millions of Dollars |
|--------------------------------|---------------------|
| Annuity Payments | \$ 7.9 |
| Death Benefits | 1.5 |
| Disability Benefits | 1.0 |
| Separation Refunds | 2.4 |
| Social Security Taxes | 16.9 |
| Administration & Miscellaneous | 0.7 |
| Total | <u>\$30.4</u> |

Income was \$18.1 millions more than expenses. As a result, investments were increased by \$17.4 millions and cash and receivable balances increased by \$700,000.

The routine job of the Fund is to receive, record, summarize and work with thousands of bits of information about municipal employees in Illinois. In 1965 the Fund:

- Created accounts and record folders for over 900 employees each month.
- Recorded monthly earnings and deductions for over 50,000 employees each month.
- Compiled quarterly Social Security reports of the earnings of nearly 100,000 employees, computed taxes due, and paid nearly \$17 millions for this purpose.
- Computed and paid separation refunds to nearly 600 employees each month.
- Computed and paid retirement and widow annuities to over 100 new claimants each month.
- Investigated, awarded and paid an average of 50 new disability claims each month, while terminating benefits being paid to an approximately equal number.
- Paid death benefits to the beneficiaries of more than 30 employees who died each month.

The work of the Fund rests solely on the reports it receives from Authorized Agents of municipalities. They play a key role in effective operation of the IMRF program. Municipal and school district officials have become increasingly aware of this fact and are taking steps to strengthen the work of their Authorized Agents.

Investments

The Fund had \$195.7 millions invested in bonds and stocks on December 31, 1965:

| | Millions of Dollars | Percent of Total |
|--------------------------------|---------------------------|------------------------|
| U. S. Treasury Obligations | \$ 38.2 | 20% |
| State & Local Government Bonds | 9.0 | 5 |
| Corporate Bonds & Notes | 139.6 | 71 |
| Common Stocks | 8.9 | 4 |
| Totals | <u>\$195.7</u> | <u>100%</u> |

Income from investments averaged slightly over 4% in 1965.

During the year the Fund sold over \$9 millions of its state and local government bond holdings. Proceeds were re-invested in substantially higher yielding corporate bonds. The Fund has realized a net profit on its sales of state and local government bond holdings to date; the remaining \$9 millions of such securities owned by the Fund are yielding over 4%.

Investments in corporate obligations were providing a return of slightly over 4½% at the end of 1965. U. S. Treasury bonds were yielding 3.19%; most of such bonds were acquired during and after the World War II period when the Fund lacked legal investment authority to purchase higher yielding corporate bonds or stocks.

The Fund owned over 192,000 shares of common stocks in 77 major U. S. corporations on December 31, 1965. The market value of these holdings then was \$9.9 millions; this was \$956,000 or 11% above cost to the Fund. Dividend income was at a rate of 3.6% of cost.

All investment purchase or sale decisions are by the Board of Trustees upon written recommendation of professional investment counsel.

Securing Your Future

This is the title of a 16-mm movie film, in sound and color, produced by the Fund. Running time: 20 minutes. The film highlights the IMRF benefit program and shows how employee deductions and municipality contributions are used. During 1965 the film was exhibited at least 500 times to audiences of municipal employees, totaling an estimated 12,000 in number.

New Legislation Increasing Benefits

Amendments made to the IMRF law by the 1965 session of the Illinois General Assembly were reported in *Your Retirement Fund*, Leaflet No. 13, dated September 1965. The most significant amendment was one which will permit an annual increase in pension payments to persons who retire after January 1, 1966, if sufficient funds are available. The plan is explained in a new *Your Retirement Fund*, Leaflet No. 15, issued February 1966.

Authority for IMRF to write its own benefit and refund checks was also granted. Far-reaching administrative changes were required to put this program in operation, but payments to IMRF participants are now made 14 to 20 days sooner.

1965 Trustee Election

Mr. Charles Hastings and Mr. C. Harris Stevens were re-elected as Executive Trustee and Employee Trustee, respectively, for five year terms commencing January 1, 1966. Mr. Hastings has served on the Board since 1959 and Mr. Stevens since 1961.

Mr. Jay C. Betz was elected Annuitant Trustee for a five year term commencing January 1, 1966. Mr. Betz, a former employee of Proviso Township High School District No. 209, succeeded Mr. John W. Kerkerling, who served on the Board for 20 years.

All members of the Board of Trustees are elected and serve without compensation, but receive reimbursement for expenses incurred.

Number of Participating Employees

| | Male | Female | Total |
|---|--------|--------|--------|
| No. of Employee Accounts, 1-1-65 | 31,682 | 30,880 | 62,562 |
| Employee Accounts Added During 1965 | 4,918 | 5,934 | 10,852 |
| Employee Accounts Terminated During 1965 | 4,192 | 4,385 | 8,577 |
| Withdrawal with Refunds | 3,165 | 3,870 | 7,035 |
| Deaths | 310 | 85 | 395 |
| Retirements | 717 | 430 | 1,147 |
| No. of Employee Accounts, 12-31-65 | 32,408 | 32,429 | 64,837 |
| No. of Active Employee Accounts, 12-31-65 | 26,285 | 26,464 | 52,749 |
| No. of Inactive Employee Accounts, 12-31-65 | 6,123 | 5,965 | 12,088 |
| Total Active and Inactive Employee Accounts, 12-31-65 | 32,408 | 32,429 | 64,837 |

At the end of 1965, there were 1,922 Illinois municipalities, with nearly 53,000 employees, actively participating in the IMRF program. Another 132 municipalities reported part-time employees for Social Security coverage only. An average of 94,000 municipal employees were reported for Social Security coverage in each quarter of 1965. School districts and their employees were the largest single class of participants:

| | Municipalities | | Employees | |
|--|----------------|---------|-----------|---------|
| | Number | Percent | Number | Percent |
| School Districts | 1,249 | 65% | 25,647 | 48% |
| Townships & Township Road Districts | 244 | 13 | 1,293 | 2 |
| Cities | 102 | 5 | 9,386 | 18 |
| Counties | 101 | 5 | 10,917 | 21 |
| Villages | 79 | 4 | 2,914 | 5 |
| Park Districts | 59 | 3 | 805 | 1 |
| Miscellaneous | 88 | 5 | 1,987 | 4 |
| Total | 1,922 | 100% | 52,749 | 100% |

Growth of Benefit Programs in 1965

| Type of Benefit | Balance 1-1-65 | | Additions | | Deletions | | Balance 12-31-65 | |
|-----------------|----------------|-----------------|-----------|-----------------|-----------|-----------------|------------------|-----------------|
| | No. | Monthly Amounts | No. | Monthly Amounts | No. | Monthly Amounts | No. | Monthly Amounts |
| Retirement | 7723 | \$552,768 | 1147 | \$ 92,174 | 503 | \$ 34,322 | 8367 | \$610,620 |
| Beneficiary | 48 | 1,117 | 6 | 255 | | | 54 | 1,372 |
| Reversionary | 1 | 24 | | | 1 | 24 | | |
| Widow | 1132 | 49,595 | 177 | 7,381 | 37 | 1,385 | 1272 | 55,591 |
| Child | 3 | 30 | | | 1 | 10 | 2 | 20 |
| Disability | 593 | 75,611 | 587 | 100,163 | 550 | 100,325 | 630 | 75,449 |
| TOTALS | 9500 | \$679,145 | 1917 | \$199,973 | 1092 | \$136,066 | 10,325 | \$743,052 |

Board of Trustees

EXECUTIVE TRUSTEE — Elected by participating municipalities.

| | |
|--|-----------|
| Alfred Nystrom, <i>President</i> | Galesburg |
| Esther F. Blackburn, <i>Vice President</i> | Urbana |
| Charles E. Hastings | Peoria |
| Jack W. Loftus | Decatur |

EMPLOYEE TRUSTEE — Elected by participating employees.

| | |
|---------------------------------------|----------|
| Catherine Couturier, <i>Secretary</i> | Waukegan |
| C. Harris Stevens | Oak Park |

ANNUITANT TRUSTEE — Elected by annuitants.

| | |
|-------------|---------|
| Jay C. Betz | Maywood |
|-------------|---------|

Former Trustees

| | |
|-------------------------------------|---|
| H. S. Merz 1939-1941 | Raymond J. Stewart 1950-1954 |
| S. T. Anderson 1939-1942 | George L. Opper . . . 1951-1955 |
| Dennie Simmons 1939-1942 | Jack DeRosa 1944-1957 |
| Manley A. Clark 1939-1943 | Ward Fleming 1957-1958 |
| Merle Reynolds 1942-1944 | Granville H. Coburn 1956-1959 |
| Fred Yone 1939-1945 | Lester J. Grant 1953-1959 |
| Samuel G. Ingraham 1942-1946 | Arnim G. Olson 1946-1960 |
| Elmer O. Strand 1947-1953 | John W. Kerkering . 1945-1949/ 1951-1965 |

Executive Director, Claude S. Holloway

Actuary, Arthur Stedry Hansen, Consulting Actuaries

Auditor, Peat, Marwick, Mitchell and Company

Legal Counsel, Kirkland, Ellis, Hodson, Chaffetz & Masters

Medical Consultant, N. Gillmor Long M.D.

Treasurer, Wm. J. Scott, State Treasurer

Investment Counsel, Moody's Investors Service