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



Your Retirement Fund

No. 19

October, 1967

1966 ANNUAL REPORT

More than 55,000 employees of Illinois municipalities were currently making deposits toward a pension from IMRF at the end of 1966. This is an increase of about 2,300 during the year. An additional 13,000 employees had deposits but were currently not participating. The Fund handled Social Security coverage for an average of 112,400 employees during the year.

Over 13,000 new employee accounts were set up during the year, and nearly 10,000 closed, with refunds, death benefits and retirement annuities paid.

Eighteen new municipalities commenced participation in the Fund on January 1, 1966, and at the end of the year, there were 1,932 municipalities with participating employees and another 120 with only non-participating employees.

Additional information on Fund finances and operations is given on the following pages of this report. However, if the information contained herein does not answer all your questions, please do not hesitate to write the Fund for the answers.

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 1966 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
CITY OF ILLINOIS
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What the Fund Owns and Owes

On December 31, 1966 the Fund had \$214.6 millions in net assets:

	Millions of Dollars
Cash deposited with State Treasurer	\$ 0.8
Invested in Bonds and Stocks	213.2
Other net amounts due the Fund	0.6
Total	<u>\$214.6</u>

These assets belonged to the following groups:

	Millions of Dollars
Annuitants	\$ 93.3
Employees	72.9
Municipalities	48.4
Total	<u>\$214.6</u>

The \$93.3 millions that belonged to annuitants is the amount needed to make future payments of annuities in effect on December 31, 1966. The Fund was then paying monthly annuities and disability benefits to 11,079 individuals. Over 1,400 employees, or their widows, began drawing pensions in 1966, and nearly 600 disability claims were awarded. The cost of these awards was more than \$16 millions, and that amount of the Fund's assets were earmarked for the future payments.

The \$72.9 millions that belonged to employees is the total of their salary deductions, together with \$12.6 millions of interest. When an employee retires, his deposits, together with interest earned thereon, help to provide his pension. The deposits of the average employee who retired in 1966 were sufficient to meet about one-fourth of the cost of his pension, and the remaining three-quarters came from his municipality.

The \$48.4 millions belonging to municipalities is made up of \$37.6 millions in savings reserved to meet future pension awards and \$10.8 millions accumulated in other reserves. Contributions made toward retirement costs by each participating municipality in IMRF are kept in separate savings accounts; these are used to meet each employer's share of Social Security taxes and IMRF pensions granted to his employees only. Calculations by the Fund's actuary indicate that an additional \$98.5 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 1966

The Fund's income in 1966 was derived from:

	Millions of Dollars
Employee Salary Deductions	\$21.6
Municipality Contributions	25.6
Net Income from Investments	<u>7.2</u>
Total	\$54.4

The Fund's expenses were:

	Millions of Dollars
Annuity Payments	\$ 8.6
Death Benefits	2.3
Disability Benefits	1.0
Separation Refunds	2.9
Social Security Taxes	23.8
Administration & Miscellaneous	<u>0.8</u>
Total	\$39.4

Income was \$15.0 millions more than expenses. This money, together with another \$2.5 millions arising out of changes in cash and net receivable balances, was invested in bonds and stocks, thereby increasing the invested assets of the Fund by \$17.5 millions in 1966.

During 1966 the Fund paid out nearly \$15.0 millions in pensions, death and disability benefits, and separation refunds. This was more than three times the amount paid out ten years ago—in 1956. The Fund now maintains its own bank account and prepares more than 12,000 benefit checks each month. The State Auditor of Public Accounts performed this task prior to 1966; but, because of its data processing equipment, it was possible for the Fund to assume the job without increasing the number of staff employees. Savings of thousands of tax dollars and better service to IMRF members and annuitants resulted.

Social Security tax payments by the Fund in 1966 were 40% higher than in 1965—a total of \$23.8 millions as compared with \$16.9 millions. The increase was due to:

- (a) An increase from \$232.7 to \$282.5 millions in aggregate earnings subject to Social Security taxes. More employees were reported and the Social Security wage base was moved up from \$4,800 to \$6,600.
- (b) An increase from 7.25% to 8.4% in total employer-employee Social Security tax rates.

The Fund has experienced a rapid growth in both number of employees and total earnings covered under Social Security. Quarterly earnings reports were prepared for an average of 112,000 employees each quarter in 1966. This compares with about 51,000 when the full program first started in 1958.

Investments

The Fund had \$213.2 millions invested in bonds and stocks on December 31, 1966:

	Millions of Dollars	Percent of Total
U. S. Treasury Obligations	\$ 29.4	14%
State & Local Government Bonds	8.6	4
Corporate Bonds & Notes	163.5	76
Common Stocks	11.7	6
Total	\$213.2	100%

Income from invested assets of the Fund increased from an average rate of 4.07% on January 1, 1966 to 4.46% at the end of the year. Near record high interest rates in 1966 were chiefly responsible. However, the Fund also took advantage of the tight money market by converting \$8.0 millions of its U. S. Treasury bonds, then yielding only 3.0%, into high-quality corporate bonds, yielding over 5½%. New long-term investments during 1966 totaled \$23.9 millions—nearly \$2.0 millions per month.

Short-term investments by the Fund totaled \$43.2 millions in 1966—a rate of more than \$3½ millions per month. This type of investment keeps the Fund's assets at work while proper long-term investments are being made, and also smooths the cash flow and helps the Fund meet its large quarterly payments of Social Security taxes. Interest earned on this operation totaled \$183,000 in 1966.

The Fund purchased 83,805 shares of the common stock of leading U. S. corporations during 1966, at a cost of \$2.8 millions. The objective of the stock purchase program is growth of return on investments over a long period of time and greater protection against reduced income in periods of declining interest rates. All stock purchases are governed by written recommendations of Moody's Investors Service.

Information Program

During 1966 there were at least 200 showings to an estimated total of 6,000 municipal employees of the IMRF movie, "Securing Your Future". This film, which is 16-mm, and in sound and color, is loaned without charge to any municipality or group of employees.

Three new "Your Retirement Fund" leaflets were published in 1966. No. 15, "Retirement Benefits" was issued in February, and No. 17, "Securing Your Future", which is the leaflet distributed at showings of the IMRF movie, was published in November. Leaflet No. 16 was the Fund's 1965 annual report.

Fund efforts to supply employees with more information about the IMRF program were advanced by development of a leaflet display rack. These were furnished to all municipalities upon request. Additional racks are available and will be furnished without charge to Authorized Agents requesting them.

Development of 1967 Legislation

The Board of Trustees and staff annually study and develop legislative proposals during the off-years between sessions of the General Assembly. Thus, in 1966, large blocks of Board and staff time went into this activity. The Illinois Pension Laws Commission approved several of the amendments to the IMRF Law that were proposed by the Board and rejected only a few. A proposal to provide new and higher pensions was initially rejected, but a revised proposal subsequently offered by the Board was approved.

The Board of Trustees regards the task of developing legislation as one of its most important functions, and suggestions are always welcomed. Since considerable study of any given proposal may be required to determine its probable effects, advantages and disadvantages, early submission of suggestions is encouraged.

1966 Trustee Election

Mr. Jack W. Loftus was re-elected as an Executive Trustee for a five-year term, commencing January 1, 1967. Mr. Loftus is Director of Finance and Comptroller of Decatur, Illinois.

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, 1-1-66	32,408	32,429	64,837
Employee Accounts Added During 1966	5,609	7,509	13,118
Employee Accounts Terminated During 1966	4,854	4,972	9,826
Withdrawal with Refunds	3,816	4,377	8,193
Deaths	338	88	426
Retirements	700	507	1,207
No. of Employee Accounts, 12-31-66	33,163	34,966	68,129
No. of Active Employee Accounts, 12-31-66	26,663	28,402	55,065
No. of Inactive Employee Accounts, 12-31-66	6,500	6,564	13,064
Total Active and Inactive Employee Accounts, 12-31-66	33,163	34,966	68,129

At the end of 1966, there were 1,932 Illinois municipalities, with over 55,000 employees, actively participating in the IMRF program. Another 120 municipalities reported part-time employees for Social Security coverage only. An average of 112,400 municipal employees were reported for Social Security coverage in each quarter of 1966. School districts and their employees were the largest single class of participants:

	Municipalities		Employees	
	Number	Percent	Number	Percent
School Districts	1,241	64%	27,378	50%
Townships & Township Road Districts	251	13	1,358	3
Cities	107	6	9,547	17
Counties	101	5	11,078	20
Villages	82	4	3,088	6
Park Districts	60	3	808	1
Miscellaneous	90	5	1,808	3
Total	1,932	100%	55,065	100%

Growth of Benefit Programs in 1966

Type of Benefit	Balance 1-1-66		Additions		Deletions		Balance 12-31-66	
	No.	Monthly Amounts	No.	Monthly Amounts	No.	Monthly Amounts	No.	Monthly Amounts
Retirement	8,367	\$610,620	1,207	\$101,388	586	\$ 33,344	8,988	\$678,664
Beneficiary	54	1,372	4	176	5	191	53	1,357
Reversionary	.....	.....	.....	.....	.....	.....	.....	.....
Widow	1,272	55,591	217	9,331	59	3,054	1,430	61,868
Child	2	20	.....	.....	.....	.....	2	20
Disability	630	75,449	564	99,264	588	95,883	606	78,830
TOTALS	10,325	\$743,052	1,992	\$210,159	1,238	\$132,472	11,079	\$820,739

Board of Trustees and Officers

EXECUTIVE TRUSTEE—Elected by participating municipalities.

		Term Expires December 31
Alfred Nystrom, President	Galesburg	1967
Esther F. Blackburn, Vice President	Urbana	1968
Charles E. Hastings	Peoria	1970
Jack W. Loftus	Decatur	1971

EMPLOYEE TRUSTEE—Elected by participating employees.

Catherine Couturier, Secretary	Waukegan	1970
C. Harris Stevens	Oak Park	1969

ANNUITANT TRUSTEE—Elected by annuitants.

Jay C. Betz*	Maywood	1970
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* Deceased May 25, 1967

Executive Director, Claude S. Holloway

Actuary, Arthur Stedry Hansen, Consulting Actuaries

Auditor, Peat, Marwick, Mitchell and Company

*Legal Counsel, Kirkland, Ellis, Hodson, Chaffetz and
Masters*

Medical Consultant, N. Gillmor Long, M.D.

Treasurer, Adlai E. Stevenson III, State Treasurer ✓

Investment Counsel, Moody's Investors Service