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

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Your Retirement Fund

No. 21

October, 1968

1967 ANNUAL REPORT

Government — like business — is just about as good as the quality of its management and its employees. The most expensive government — like the least profitable business — is the one satisfied to operate under the lowest standard of performance by its management and employees. The investment made by Illinois municipalities in the modern IMRF pension program is an investment in better municipal personnel and, thus, in better services to the taxpayers.

Enactment of HB 1286 in 1967 gave Illinois municipalities a truly modern pension plan: one which can be employed to recruit and retain highly competent municipal employees. The long-run result will be improved municipal services, both in quantity and quality, through better management of municipal affairs. The short-term pension cost increase to municipalities—varying from 10 to 15% — will be more than recovered in the future.

Municipalities must take positive steps to see that the IMRF program is used as a tool in recruitment and retention of competent employees and, thus, to capitalize on their investment in IMRF. This means that top municipal officials must inform themselves, and their present and potential employees, about the program.

This annual report is only one of several leaflets published by the Fund, explaining the program and how it operates. The Fund's auditors have certified to the accuracy and correctness of its accounts, as summarized herein, and the Fund's actuary has found the actuarial condition to be sound and improving as contemplated by law. A copy of the Fund's audit report, or a detailed listing of investments, or both, may be secured by request directed to the Executive Director.

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Harris Stevens
FEB 20 1968

President, Board of Trustees
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What the Fund Owns and Owes

On December 31, 1967 the Fund had \$236.3 millions in net assets:

	Millions of Dollars
Cash deposited with State Treasurer	\$ 0.9
Invested in Bonds and Stocks	234.3
Other net amounts due the Fund	1.1
Total	<u>\$236.3</u>

These assets belonged to the following groups:

	Millions of Dollars
Annuitants	\$101.6
Employees	79.4
Municipalities	55.3
Total	<u>\$236.3</u>

The \$101.6 millions that belonged to annuitants is the amount needed to make future payments of annuities in effect on December 31, 1967. The Fund was then paying monthly annuities and disability benefits to 11,957 individuals. Over 1,400 employees, or their widows, began drawing pensions in 1967. The cost of these awards was more than \$15 millions, and that amount of the Fund's assets were earmarked for future payments.

The \$79.4 millions that belonged to employees is the total of their salary deductions, together with \$14.1 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 1967 were sufficient to meet about one-fourth of the cost of his pension, and the remaining three-quarters came from his municipality.

The \$55.3 millions belonging to municipalities is made up of \$40.9 millions reserved to meet future pension awards and \$14.4 millions accumulated in other reserves. Contributions made toward retirement costs by each participating municipality in IMRF are kept in separate accounts; these are used to meet each employer's share of Social Security taxes and IMRF pensions granted to their employees only. Calculations by the Fund's actuary indicate that an additional \$162.8 millions still 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 1967

The Fund's income in 1967 was derived from:

	Millions of Dollars
Employee Salary Deductions	\$24.7
Municipality Contributions	30.8
Net Income from Investments	9.5
Total	<u>\$65.0</u>

The Fund's expenses were:

	Millions of Dollars
Annuity Payments	\$ 9.5
Death Benefits	1.7
Disability Benefits	1.0
Refunds	2.8
Social Security Taxes	27.6
Administration	0.8
Total	<u>\$43.4</u>

Income was \$21.6 millions more than expenses. As a result, invested assets increased by \$21.0 millions, and cash and other amounts due the Fund increased by \$0.6 million.

During 1967, the Fund started paying annuities to 1,425 new annuitants, and terminated payments to 565, primarily by reason of death. The number of IMRF annuitants, therefore, increased by 860 during the year to a total of 11,333 at year end. The Fund was also paying disability benefits to 624 persons on December 31, 1967. Nearly 12,000 checks were then being prepared and mailed monthly from the Fund office, and the monthly payments totaled nearly \$900,000.

An average of 1,150 new employees commenced participation in IMRF each month during 1967, and 815 employees per month terminated participation. Retirements averaged 100 per month, deaths in active service averaged 36 monthly, and separations (with refunds) averaged 679 per month. Separation refund payments averaged \$224,000 per month.

Social Security taxes paid by the Fund totaled \$27.6 millions; this was \$3.8 millions more than in 1966. The increase was due to higher Social Security tax rates (8.8% in 1967, as compared with 8.4% in 1966) and larger payrolls subject to tax (\$313.7 millions in 1967, as compared with \$282.5 millions in 1966).

Investments

The Fund had \$234.3 millions invested in bonds and stocks on December 31, 1967.

	Millions of Dollars	Percent of Total
U. S. Treasury Obligations	\$26.3	11%
State & Local Government Bonds	8.7	4
Corporate Bonds and Notes	182.5	78
Common Stocks	16.8	7
Total	\$234.3	100%

Management of the Fund's portfolio of investments requires constantly increasing time and attention by the Board of Trustees and staff of the Fund. With more than \$234 millions invested in bonds and stocks, the Fund owns more assets than four out of five mutual investment funds in the United States. The Fund retains professional investment counsel, who submits written recommendations governing purchase or sale of all securities.

During 1967, the Fund had net earnings of more than \$9.5 millions from investments, and the overall rate of return at the end of the year averaged 4.52%. This is over one percent more than the minimum requirement established by the Fund's actuary; the excess helps to finance the improved pension program enacted in 1967, as well as the annuity increment plan enacted in 1965.

Short-term investments by the Fund totaled \$43.8 millions in 1967 — a rate of nearly \$3 2/3 millions per month. This type of investment keeps the Fund's assets at work while sound long-term investments are being made, smooths the cash flow and helps the Fund meet its large quarterly payments of Social Security taxes. Interest earned on these short-term investments totaled \$215,600 in 1967.

The Fund invested \$19.4 millions in long-term bonds, yielding an average of 5.74%, and bought 113,296 shares of common stock in major U.S. corporations, at a cost of \$5.3 millions. Bond sales, mainly low-yielding U. S. Treasury bonds, totaled \$2.8 millions, and stock sales totaled \$249,000.

1967 Legislation

The 1967 Session of the Illinois General Assembly passed four bills amending the IMRF Law; the one most important to municipal employees was House Bill 1286. The other three bills were House Bills 1284, 1285 and 1454.

House Bill 1286 was developed by the Board of Trustees of IMRF. It took effect December 31, 1967. Its main features were:

1. A new formula providing higher IMRF pensions for most employees who retire on and after December 31, 1967.
2. Uniform rates of employee contributions toward IMRF pensions.
3. Relaxation of provisions limiting disability payments in certain cases.
4. Limitations on granting credit to employees on leave of absence.
5. Recognition of credit for out-of-state governmental service in certain cases.

Publications

Your Retirement Fund Leaflet No. 18, published October, 1967, summarized 1967 legislative amendments, and Leaflet No. 20, published May, 1968, contained a detailed explanation of the new pension program. Leaflet No. 19 was the Fund's 1966 Annual Report.

Trustee Elections

Mr. Alfred Nystrom, Galesburg, was re-elected Executive Trustee for a five-year term, commencing January 1, 1968. However, on April 25, 1968, he resigned as a Trustee of the Fund, and also as City Clerk of Galesburg. The Board subsequently appointed Mr. Howard M. Miller, County Clerk and Recorder, Massac County, to fill the vacancy.

The vacancy in the post of Annuitant Trustee, created by the untimely death of Mr. Jay C. Betz, was filled by the election of Mr. Henry N. Weber, Skokie. Mr. Weber was Public Works Director for the Village of Skokie prior to his retirement in 1966.

Number of Participating Employees

	Male	Female	Total
No. of Employee Accounts, 1-1-67	33,163	34,966	68,129
Employee Accounts Added During 1967	6,171	7,626	13,797
Employee Accounts Terminated During 1967	4,628	5,160	9,788
Withdrawal with Refunds	3,617	4,534	8,151
Deaths	324	110	434
Retirements	687	516	1,203
No. of Employee Accounts, 12-31-67	34,706	37,432	72,138
No. of Active Employee Accounts, 12-31-67	27,610	30,239	57,849
No. of Inactive Employee Accounts, 12-31-67	7,096	7,193	14,289
Total Active and Inactive Employee Accounts, 12-31-67	34,706	37,432	72,138

At the end of 1967, there were 1,946 Illinois municipalities, with nearly 58,000 employees, actively participating in the IMRF program. Another 108 municipalities reported part-time employees for Social Security coverage only. An average of 112,000 municipal employees were reported for Social Security coverage in each quarter of 1967. School districts and their employees were the largest single class of participants:

	Municipalities		Employees	
	Number	Percent	Number	Percent
School Districts	1,225	63%	28,909	50%
Township & Township Road Districts	264	14	1,404	2
Cities	110	6	10,053	17
Counties	101	5	11,356	20
Villages	87	4	3,317	6
Park Districts	69	3	918	2
Miscellaneous	90	5	1,892	3
Total	1,946	100%	57,849	100%

Growth of Benefit Programs in 1967

Type of Benefit	Balance 1-1-67		Additions		Deletions		Balance 12-31-67	
	No.	Monthly Amounts	No.	Monthly Amounts	No.	Monthly Amounts	No.	Monthly Amounts
Retirement Beneficiary	8,988	\$678,664	1,203	\$108,051	518	\$ 60,964	9,673	\$725,751
Reversionary	53	1,357	11	390	1	53	63	1,694
Widow	1,430	61,868	211	11,952	45	1,586	1,596	72,234
Child	2	20	1	10	1	10
Disability	606	78,830	491	92,771	473	87,314	624	84,287
TOTALS	11,079	\$820,739	1,916	\$213,164	1,038	\$149,927	11,957	\$883,976

Board of Trustees and Officers

EXECUTIVE TRUSTEE—Elected by participating municipalities.

		Term Expires December 31
Esther F. Blackburn, Vice President	Urbana	1968
Charles E. Hastings	Peoria	1970
Jack W. Loftus	Decatur	1971
Howard M. Miller	Metropolis	1968

EMPLOYEE TRUSTEE—Elected by participating employees.

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

ANNUITANT TRUSTEE—Elected by annuitants.

Henry N. Weber	Skokie	1970
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Executive Director, Claude S. Holloway
Actuary, Arthur Stedry Hansen, Consulting Actuaries
Auditor, Peat, Marwick, Mitchell & Co.
Medical Consultant, N. Gillmor Long, M.D.
Treasurer, Adlai E. Stevenson III, State Treasurer
Investment Counsel, Moody's Investors Service

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