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

Your Retirement Fund

No. 23 October, 1969

1968 ANNUAL REPORT

During 1968 IMRF again experienced the growth pattern of previous years. Active participating employees increased by 6% to 61,000 while annuitants and disability beneficiaries increased by 7% to 12,800. Net assets grew 11% to $261 millions and income increased by 14% to $74 millions. Social Security tax payments were up by 14% to $32 millions and the average number of employees covered under Social Security increased by 10% to 123,000.

The Board of Trustees and staff recognize the need for planning ahead to meet this growth experience. Within the office, steps were taken to streamline the processing of payroll reports, claims, and other employee papers. A new and larger computer system was installed in January, 1969. Files of all types are being reduced to micro-film, both in the interests of space saving and safety.

The predominant problem confronting the Fund is development of a better understanding of the program on the part of employees and municipalities. Two staff members were added and assigned to continuous travel throughout the State, conferring with municipalities, their authorized agents, and employee groups. Steps are being taken to improve literature and other communications media. But the job of communicating with all employees cannot be done without direct involvement by municipal employers. Members of IMRF live and work in all corners of the State — from the smallest rural town to large metropolitan centers. The Fund cannot be in physical contact with all employees under these conditions. Therefor all municipal employers are encouraged to strengthen their efforts to translate the IMRF program to their employees.

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.

President, Board of Trustees

Summary of the IMRF Plan

IMRF Is —

Organized under state law for the purpose of administering a uniform program of retirement, disability and death benefits for employees of local governments in Illinois.

Governed by a Board of seven trustees who are elected by employees and municipal governments participating in the Fund. The Board meets monthly; trustees are paid travel expenses only.

Administered by an Executive Director appointed by the Board of Trustees. The staff, selected by the Executive Director, totals 65 employees. The only office of the Fund is in Chicago.

Participating Local Governments Are —

All Counties, except Cook County.

All School Districts, except Chicago (but covering non-teaching employees only).

All Cities, Villages and Incorporated Towns of 5,000 or more population (with a few exceptions).

265 Township and Township Road Districts.

More than 200 other local governments such as Park Districts, smaller Cities and Villages, Sanitary Districts, and Airport Authorities.

Participating Employees Are —

All appointed employees (and City Hospital employees and elected officials who choose to participate) if their jobs normally require 600 or more hours per year. The governing body of each municipality is responsible for determining how many hours each job normally requires during a 12 month period.

—Participation is compulsory starting with the first day of work for all appointed employees whose jobs meet the 600 hour requirement. No waiting period is permitted. However, if a probationary job plan is established by ordinance which creates probationary positions normally requiring less than 600 hours service annually, then the employees do not participate while they are in the probationary position. A probationary position of four months or less is in this category. If participation is delayed because of this type of probationary position, the service can not be credited to the employee after he begins to participate. Appointed employees in probationary positions requiring 600 or more hours of service or "on probation" in a regular position must participate from the first date of employment.

—The 600 hour requirement applies to the job — not to the **employee** in the job. Many employees actually work less than the 600 hours in a year before they resign or are released, yet they are required to participate if their jobs meet the 600 hour requirement.

—Employees beginning work at age 60 or older do not participate. Normally they would not accumulate enough service to earn a pension.

Non Participating Employees Are —

Employees whose jobs normally require less than 600 hours per year (and elected officials and City Hospital employees who do not choose to participate) and all employees beginning work at age 60 or older.

Participating Employees Contribute —

—Toward their own pension from IMRF	—3 1/4 % of total earnings
—Toward a pension for their widow (males only)	—1 % of total earnings
—Toward Social Security old age and disability pensions	—The current requirement (4.8 % on 1st $7,800 of earnings during 1969)

—Toward IMRF disability benefits	—No current contribution
—Toward IMRF death benefits	—No current contribution

Non Participating Employees Contribute —

—Toward Social Security benefits only	—The current requirement (4.8% on 1st $7,800 of earnings during 1969).

Municipal Governments Contribute —

—Toward IMRF pensions	—Amounts required (determined actuarially) to meet cost of pensions for their employees.
—Toward Social Security	—An amount matching each employee's contribution.
—Toward temporary disability benefits	—Entire cost.
—Toward permanent disability and death benefits, and Fund administrative expense	—Entire cost.

IMRF Pensions Are Payable —

—To participating employees who:

Quit working (as participating employees)

Are at least age 55

Have at least 8 years service

The pension amount depends on length of the employee's service and his highest average earnings in five consecutive years of his last ten years of work. IMRF pensions are 1 2/3% of his highest average earnings for each year of service, less 1.4% of primary Social Security benefits for each year of service after 1955. See IMRF Leaflet No. 20 for detailed tables of benefits.

IMRF Disability Benefeits Are Payable —

If a participating employee is disabled (that is, unable to perform the duties of any position which might reasonably be assigned to him because of a physical or mental impairment) he may be entitled to disability benefits if he:

1. Is under age 65.
2. Has at least 1 year of continuous participating service.
3. Is not disabled from a condition which existed when he became an employee. This limitation does not apply after 8 years of service.
4. Is able to submit objective medical reports (and pass a special medical examination in some instances) proving his disability prevents him from working. Disabilities lasting less than 30 days are not covered. All claims are investigated and studied in depth by the Fund. Claims are denied only after review by the entire board of Trustees.

Disability benefits are at a rate of 50% of the employee's annual rate of pay at date of disability. Pension credits are also given as though the employee continued contributing. No benefits are payable for the first 30 days of disability, or for any period during which the employee has received other compensation from his employer — such as sick or vacation pay.

Temporary disability benefits are payable for not more than ½ of the total length of service credited to the employee, but not in excess of 30 months. Thereafter, benefits may be continued to age 65 if the disability is then found to be total and permanent. Disability benefits paid by Social Security are offset against the IMRF payment; claimants are required to show denial of Social Security benefits before the offset is suspended.

See IMRF Leaflet No. 12 for further details.

IMRF Death Benefits Are Payable —

To the widow of a male employee who dies prior to retirement. The amount may be a lump sum or a monthly pension for life, depending on circumstances.

To the widow of a male employee who dies after retirement, if she qualifies. The amount is usually a widow's pension for life, or until she re-marries.

To the designated beneficiary of an unmarried male employee, or of any female employee. The amount is a lump-sum and it may be taken in the form of a monthly annuity for life.

To the designated beneficiary of an unmarried male annuitant, or of any female annuitant. The amount is a lump sum equal to the amount of the employee's contributions, plus interest thereon, (at date of retirement) less annuities paid.

Refer to Leaflet No. 10 for details.

Refunds Of Employee Contributions Are Payable —

To employees who quit working for any municipality under IMRF, are under age 55, and apply for a refund. If they are over age 55, a refund will be paid, after application, if they would not be entitled to an IMRF pension of $30 or more per month.

Social Security taxes, and interest on employees deposit's, are not refundable.

Employees are not required to withdraw their contributions when they quit working. They may choose to leave them on deposit for a possible future death benefit or, if sufficient, a future pension.

Number of Participating Employees

	Male	Female	Total
No. of Employee Accounts, 1-1-68	34,706	37,432	72,138
Employee Accounts Added During 1968	6,379	8,099	14,478
Employee Accounts Terminated During 1968	4,518	5,036	9,554
Withdrawal with Refunds	3,486	4,420	7,906
Deaths	314	90	404
Retirements	718	526	1,244
No. of Employee Accounts, 12-31-68	36,567	40,495	77,062
No. of Active Employee Accounts, 12-31-68	28,776	32,290	61,066
No. of Inactive Employee Accounts, 12-31-68	7,791	8,205	15,996
Total Active and Inactive Employee Accounts, 12-31-68	36,567	40,495	77,062

At the end of 1968, there were 1,963 Illinois municipalities, with over 61,000 employees, actively participating in the IMRF program. Another 90 municipalities reported part-time employees for Social Security coverage only. An average of 123,000 municipal employees were reported for Social Security coverage in each quarter of 1968. School districts and their employees were the largest single class of participants:

	Municipalities		Employees	
	Number	Percent	Number	Percent
School Disrticts	1,207	62%	30,387	50%
Township & Township Road Districts	265	13	1,433	2
Cities	116	6	10,385	17
Counties	101	5	11,589	19
Villages	95	5	3,582	6
Park Districts	72	4	964	2
Miscellaneous	107	5	2,726	4
	1,963	100%	61,066	100%

Growth of Benefit Programs in 1968

Type of Benefit	Balance 1-1-1968		Additions		Deletions		Balance 12-31-68	
	No.	Monthly Amounts	No.	Monthly Amounts	No.	Monthly Amounts	No.	Monthly Amounts
Retirement	9,673	$725,751	1,244	$113,362	530	$ 62,088	10,387	$777,025
Beneficiary	63	1,694	9	526	2	82	70	2,138
Widow	1,596	72,234	203	10,736	45	1,480	1,754	81,490
Child	1	10	0	0	1	10	0	0
Disability	624	84,287	552	107,984	556	105,716	620	86,555
TOTALS	11,957	$883,976	2,008	$232,608	1,134	$169,376	12,831	$947,208

What the Fund Owns and Owes

On December 31, 1968 the Fund had $261.2 millions in net assets:

	Millions of Dollars
Cash deposited with State Treasurer	$ 0.8
Invested in Bonds and Stocks	259.4
Other net amounts due the Fund	1.0
Total	$261.2

These assets belonged to the following groups:

	Millions of Dollars
Annuitants	$113.2
Employees	86.2
Municipalities	61.8
Total	$261.2

The $113.2 millions that belonged to annuitants is the amount needed to make future payments of annuities in effect on December 31, 1968. The Fund was then paying monthly annuities and disability benefits to 12,831 individuals. Over 1,400 employees, or their widows, began drawing pensions in 1968. The cost of these awards was nearly $19 millions, and that amount of the Fund's assets were earmarked for future payments.

The $86.2 millions that belonged to employees is the total of their accumulated salary deductions, together with $15.7 millions of interest. These funds are set aside to meet part of the cost of pensions granted, or are refunded to employees who quit and withdraw their deposits. Employees who retired in 1968 had accumulated $4.0 millions at date of retirement. This was 21.5% of the total cost of the pensions they were awarded.

The $61.8 millions belonging to municipalities are funds contributed by them, and set aside in various reserves, to be used to meet the cost of pensions for their employees, or for payment of disability and death benefits. Calculations by the Fund's actuary indicate that an additional $180.9 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 1968

The Fund's income in 1968 was derived from:

	Millions of Dollars
Employee Salary Deductions	$27.7
Municipality Contributions	35.0
Net Income from Investments	11.4
Total	$74.1

The Fund's expenses were:

	Millions of Dollars
Annuity Payments	$10.4
Death Benefits	2.0
Disability Benefits	1.0
Refunds	2.7
Social Security Taxes	32.2
Administration	0.9
Total	$49.2

Income was $24.9 millions more than expenses. This amount, together with another $0.2 million derived from cash and receivables, was channeled into new investments.

During 1968, the Fund started paying annuities to 1,456 new annuitants, and terminated payments to 578, primarily by reason of death. The number of IMRF annuitants, therefore, increased by 878 during the year to a total of 12,211 at year end. The Fund was also paying disability benefits to 620 persons on December 31, 1968. Each month more than 12,000 checks totaling about one million dollars, are mailed to annuitants by the Fund.

An average of 1,200 new employees commenced participation in IMRF each month during 1968, and 800 employees per month terminated participation. Retirements averaged 100 per month, death in active service averaged 34 monthly, and separations (with refunds) averaged 659 per month. Separation refund payments averaged $216,000 per month.

Social Security taxes paid by the Fund totaled $32.2 millions; this was $4.6 millions more than in 1967. The increase was due to larger payrolls subject to tax ($365.8 millions in 1968 as compared with $313.7 millions in 1967).

Investments

The Fund had $259.4 millions invested in bonds and stocks on December 31, 1968.

	Millions of Dollars	Percent of Total
U. S. Treasury Obligations	$ 26.3	10%
State & Local Government Bonds	8.4	3
Corporate Bonds and Notes	199.2	77
Common Stocks	25.5	10
Total	$259.4	100%

The Fund retains professional Investment Counsel, who submits written recommendations governing purchase or sale of all securities. The Board of Trustees establishes investment policy, in consultation with Investment Counsel. All bonds purchased must be of investment grade, rated Baa or better, and must also meet certain other tests set up by law. Stock purchases are limited to well-established large corporations listed on a major stock exchange.

Interest rates were at historically high levels in 1968. As a result, funds invested in long-term fixed income securities provided a return of 6.51% to maturity. This improved the over-all return on the entire portfolio to 4.59%, from 4.52% in 1967. The Fund invested $16.2 millions in long-term bonds, and acquired 219,903 shares of common stock in major U. S. corporations, at a cost of $9.5 millions. Stock sales totaled $801,000.

Short-term investments by the Fund totaled $49.3 millions in 1968. 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 $268,700 in 1968.

Major Activities in 1968

Pensions — Employees who retired after December 31, 1967 received higher monthly pensions from IMRF as a result of legislation adopted in 1967. The new formula provided a representative sample of 1968 retirees with pensions averaging 12% higher than the amounts they would have received under the old formula. Social Security benefit levels were also increased by Congress, effective February, 1968. The increase was 13%, and, of course, provided additional retirement income to most IMRF annuitants.

Service Credits — Allowance of service credits to employees on leave of absence virtually ceased in 1968. This came as a result of 1967 legislation requiring leaves to be authorized by action of the governing body and contributions to be paid by employees before service credit can be set up.

No employees acted to establish service credits for out-of-state municipal service, also authorized effective January 1, 1968.

Publications

The following Your Retirement Fund leaflets explain the IMRF program currently in effect:

No. 10	Death Benefits
No. 12	Disability Benefits
No. 20	Retirements Benefits
No. 21	1967 Annual Report
No. 22	Securing Your Future

Leaflets are revised and re-issued whenever the subject matter becomes out of date.

Information Services

Two field representatives were employed during 1968. Their function is to call on and consult with authorized agents, and other municipal officials, within their assigned areas, and to meet with employee groups. These Fund representatives called on nearly 1,300 municipalities, located in 94 of the 102 counties in the State in 1968. Thirty-nine meeetings were held with employee groups located throughout the State, and information tables were maintained at 7 annual statewide meetings of public

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New Municipalities

A total of 32 municipalities commenced participation in IMRF on January 1, 1969. The preliminary work leading to their entrance included numerous field consultations, actuarial studies, office conferences and correspondence, all of which occurred in 1968. In addition, many man hours of work went into administration of coverage for the 38 municipalities which first entered IMRF on January 1, 1968.

1968 Trustee Election

Mrs. Esther F. Blackburn, Business Manager, Urbana School District 116, was re-elected to serve a third five year term as Executive Trustee. Mr. Howard M. Miller, County Clerk and Recorder, Massac County, Metropolis, was elected as Executive Trustee for a four year period, the unexpired portion of the term remaining after resignation of Mr. Alfred Nystrom.

Board of Trustees and Officers