

Annual statement of the Board of Trustees.

State Employees' Retirement System of Illinois.
Springfield.

<http://hdl.handle.net/2027/uiug.30112118452934>

HathiTrust

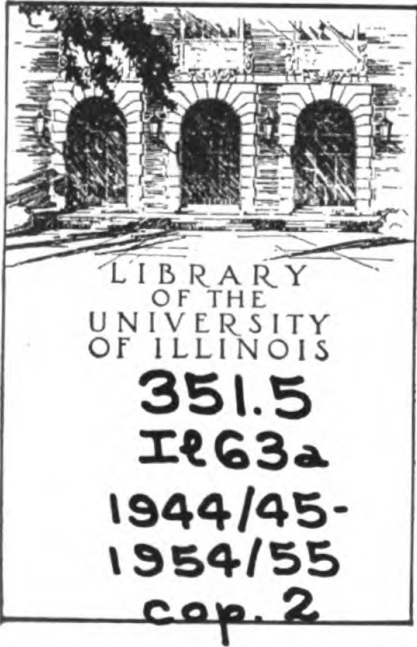


www.hathitrust.org

Creative Commons Attribution

http://www.hathitrust.org/access_use#cc-by-4.0

This work is protected by copyright law (which includes certain exceptions to the rights of the copyright holder that users may make, such as fair use where applicable under U.S. law) but made available under a Creative Commons Attribution license. You must attribute this work in the manner specified by the author or licensor (but not in any way that suggests that they endorse you or your use of the work). For details, see the full license deed at <http://creativecommons.org/licenses/by/4.0/>.



This volume is bound without 1947/48

which is unavailable.

**STATE EMPLOYEES'
RETIREMENT SYSTEM
OF ILLINOIS**

**SECOND ANNUAL STATEMENT
OF THE
BOARD OF TRUSTEES**

June 30, 1945



**Issued by Authority of the
BOARD OF TRUSTEES OF THE STATE EMPLOYEES'
RETIREMENT SYSTEM OF ILLINOIS
SPRINGFIELD**

**STATE OF ILLINOIS
DWIGHT H. GREEN
Governor**

**THE LIBRARY OF THE
JUN 3 1946
UNIVERSITY OF ILLINOIS**

Original from
**UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN**

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

BOARD OF TRUSTEES

ROY TUCHBREITER, *Chairman*
President
Continental Assurance Company

HON. ARTHUR C. LUEDER
Auditor of Public Accounts
(member ex officio)

HON. MARK A. SAUNDERS
Director of Finance
(member ex officio)

FRANK N. BARKER
Engineer of Highway Research
Division of Highways

CHARLES H. PEELER
Chief Clerk
Elgin State Hospital

L. C. CORTRIGHT, Secretary
Springfield, Illinois

HON. GEORGE F. BARRETT
Attorney General
Counsel

HON. CONRAD F. BECKER
State Treasurer
Treasurer

A. A. WEINBERG
Chicago
Consulting Actuary

331.2
 11632
 1944/45 - 1954/55
 2002

CONTENTS

	PAGE
LETTER OF TRANSMITTAL.....	4
REPORT OF BOARD OF TRUSTEES.....	5
REPORT OF THE ACTUARY	
Certification	15
Text of Report	16
Valuation Balance Sheet, June 30, 1945.....	21
REPORT OF AUDITORS	
Scope of Audit and Certificate.....	22
Balance Sheet, June 30, 1945.....	24
Statement of Income and Expenditures, July 1, 1944 to June 30, 1945	25
Analysis of Cash Receipts and Disbursements, July 1, 1944 to June 30, 1945	26
Statement of Expenditures— Organization Expense Fund Appropriation.....	27
Statement of Changes in Reserve Accounts, July 1, 1944 to June 30, 1945	28
INVESTMENTS OWNED, JUNE 30, 1945.....	29
STATISTICAL DATA	
Table 1. Number of Members June 30, 1945, Classified by Departments	30
Table 2. Number of Members at Various Ages, and Total Annual Salaries, June 30, 1945.....	31
Table 3. Number of Members by Ages and Sex.....	32
Table 4. Number of Members, Classified by Years of Service.....	33
Table 5. Deaths Occuring During Year Classified by Ages and Service	34
Table 6. Deaths Classified by Causes of Death.....	35
Table 7. Statistics on Refunds Showing Ages and Service of Withdrawing Members	35
APPENDIX	
Summary of Benefit and Contribution Provisions.....	39

LETTER OF TRANSMITTAL

October 31, 1945

To his Excellency,
The Honorable Dwight H. Green,
Governor of the State of Illinois,
Springfield, Illinois.

Sir:

Section 14 (g) of the Act governing the operation of the State Employees' Retirement System of Illinois provides that the Board of Trustees shall "submit an annual statement to the Governor of the State as soon as possible after the end of each fiscal year. . . ."

In accordance with this provision of the said Act, the Board of Trustees has the honor to submit herewith its Second Annual Statement, covering the fiscal year ended June 30, 1945.

Respectfully submitted,

ROY TUCHBREITER, Chairman

SECOND ANNUAL STATEMENT OF THE BOARD OF TRUSTEES

The State Employees' Retirement System of Illinois began operation on January 1, 1944, under the provisions of an Act entitled "An Act to provide for the creation, maintenance and administration of a retirement and benefit system for certain officers and employees of the State of Illinois, their dependents and beneficiaries," approved July 23, 1943, as amended by an Act approved July 25, 1945.

This Second Annual Statement is for the fiscal year ended June 30, 1945 and embraces the first full year of financial operations of the System. The statement presented last year, covering the first fiscal period of the System, actually reflected operations for only six months, since the date of establishment of the System was January 1, 1944.

SCOPE OF SECOND ANNUAL STATEMENT

The statement for the preceding year dealt largely with the various problems incident to the organization of the System, and discussed certain policies and principles underlying its operations. The System is now well established and is functioning normally. This statement, therefore, will deal with the financial and statistical experience of the System during the year ended June 30, 1945, as disclosed by the following reports:

1. A review of the financial condition of the System and the results of operations, including a summary of the principal developments in the administrative activities of the Board of Trustees occurring during the year.
2. A report of the Actuary, containing comments pertinent to certain phases of operations of the System and its condition at the close of the year from the actuarial standpoint.
3. Audited financial statements prepared by independent accountants, reflecting the financial results of operations, together with a summarized report of the accountants on the audit of the books and accounts of the System.
4. Various schedules, tables and charts illustrating the operating experience of the System in certain significant phases from the financial and statistical point of view.

All of this information is embodied in this statement with the specific purpose of giving effect to the established policy of the Board to publicize fully the results of its administrative activities and to present all facts of financial and statistical character bearing upon the operations of the System, thus fulfilling the essential requirements of responsible administration of a public agency.

MEMBERSHIP

The following statistics illustrate the changes in membership that occurred during the year:

Total members at July 1, 1944.....	17,237	
Add		
New members, Year 1944-1945.....	701	
		17,938
Deduct		
Retirements	1	
Deaths	118	
Separations (with refunds)	1,028	1,147
		16,791
Total members, June 30, 1945.....		16,791

A breakdown of the membership of the System by Departments, as of the beginning and end of the year, is shown in Table 1, on page 30 hereof.

The decrease in membership was due to a large extent to the fact that the terminations of membership are of full and immediate effect, whereas new employees entering the service of the State must complete 12 months of continuous service, uninterrupted by a break of more than 2 months, before they qualify for membership. Part of decrease was due to the war conditions existing during the year under review.

FINANCIAL REVIEW

The audit of the books and accounts of the System was made by Mac Kenzie, Evans & Co., certified public accountants, designated by the Auditor of Public Accounts as provided by law. Their financial statements are presented on pages 24, 25, 26, 27, 28 and 29 hereof. These statements show that net assets at June 30, 1945 amounted to \$2,682,573.67, being an increase for the year of \$1,421,764.08. The net assets are represented by certain reserve accounts maintained by the System, and the changes effected in these reserves are briefly discussed.

Reserve for Member Contributions—\$2,251,082.96. This reserve increased during the year in the amount of \$1,443,827.25. Contributions by members for a full fiscal year are represented, as contrasted with only six months of operations in the preceding fiscal year.

Reserve for Interest Accumulations—\$31,876.28. This reserve represents interest credits in the accounts of the members at the prescribed rate of 2% per annum, compounded annually. Interest is not payable on refunds to members withdrawing from the System, but is included in all other types of benefit payments. The increase in the reserve for the year was \$28,482.71.

Contingent General Reserve—\$399,614.43. Income of the System with the exception of members' contributions, is credited to this reserve. Benefits payable from State contributions, administrative expenses and interest requirements on members' accounts are chargeable

to this reserve. There was a decrease in the reserve for the year amounting to \$50,545.88 due to the fact that the appropriation by the State for the 1943-1945 biennium was taken up in its entirety in the preceding year. However, a substantial increase in this reserve should occur during the next fiscal year when State appropriations for the 1945-1947 biennium become available.

Method of Financing. Under the method of financing as prescribed in the Act, member contributions will always comprise the greater part of the total assets of the System. Except for the building up of a contingent reserve during the early years of operation the State will contribute to the System only such amounts as are necessary to meet that part of the benefit obligations not provided by member contributions as those obligations become due and payable.

Technical Considerations. While the System has accumulated net assets of \$2,682,573.67 at June 30, 1945, an amount equal to 83.9% of these assets represents member contributions which are held in trust for the members and must remain inviolate, to be used exclusively for their benefit in accordance with the specific provisions of the Act. They are not available to meet any part of the obligation of the State of Illinois under the plan of operation. The remainder of these assets equals only a fractional part of the liabilities of the System, determined in accordance with actuarial reserve requirements. These technical aspects of the operations of the System are fully discussed in the report of the actuary, appearing on pages 16, 17, 18, 19, 20 and 21 hereof.

BOND INVESTMENTS

Investments owned at June 30, 1945 amounted to \$2,409,424.65, being an increase of \$1,457,561.20 as compared with the preceding year. Subscriptions to the 7th War Loan not taken up at the close of the year amounted to \$750,000.00 par value.

The investments are carried by the Board at amortized book value to insure an accurate accounting of income. A periodic adjustment is made of the value of the investments according to a scientific method whereby income on each security is maintained until its maturity, at the rate of yield at which purchased. The value of the security is thus brought to par at maturity.

Investment Limitations. Under the Act investments are restricted to bonds of the United States Government, general obligations bonds of the State of Illinois or of any political subdivision of the State, and to general obligations bonds of any other State or political subdivision thereof, under certain prescribed limitations.

Board Policy. The System began operations at a time when municipal bond prices had reached unprecedented high levels. It has been impossible, therefore, to acquire high grade municipal bonds yielding a satisfactory rate of income. Hence, the policy of the Board has been directed toward the purchase of United States Government bonds. The Board also follows the practice of investing its surplus moneys promptly, thus obtaining as much income as possible for the

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

System. A retirement system involves obligations which are of long-term character. The annual demands on the System, particularly during its early years of operation, are comparatively small, for the reason that contributions are made by members currently as service is rendered, while the payment of benefits is deferred for some years in the future. For these reasons, the maintenance of a small amount of current cash, plus the addition of current income, is sufficient to meet current needs of the System. The major part of the funds, therefore, may be invested in intermediate and long-term securities. This is the policy being followed by the Board in the investment of reserves of the System.

Subscription to 7th War Loan. In strict adherence to a policy of investing surplus funds as they become available, the Board entered a subscription just prior to the close of the fiscal year to bonds of the 7th War Loan, to be taken up with funds to be received shortly thereafter. This subscription was entered by the Continental Illinois National Bank and Trust Company of Chicago on behalf of the Board, under a purchase agreement whereby the Board would be charged $\frac{3}{4}$ of 1% interest until the bonds are taken up. By this action the Board has acquired bonds at par value, and at the same time has established income for the System until the bonds are paid for, equal to the difference between the coupon rate of the bonds and the charge made by the bank.

RESULTS OF OPERATIONS

Total income for the year from all sources amounted to \$1,625,250.13. Payments and charges for benefits, expenses and refunds totaled \$203,486.05. The net income of the System was \$1,421,764.08, which was credited to the appropriate reserves. The following comments are pertinent to the principal items of income and expenditures.

Member Contributions—\$1,529,015.33. These contributions constitute the major part of the income of the System, as previously explained. The amount of member contributions for the preceding year was \$810,173.33, covering only six months of operations.

Investment Income—\$37,711.77. This amount was credited to the Contingent Reserve Account and represents all income received by the System during the year, on its investments.

Gain from Sale of Bonds—\$31,846.16. It is not the general policy of the Board to sell bonds for the purpose of reinvesting the proceeds at more advantageous terms. Such a policy entails a certain degree of risk, which would not be warranted nor desirable in the operation of a retirement system which is essentially of a high trust character. However, the Board found that an adjustment of certain maturities in its investment account was advisable to conform to established policy, and by this adjustment the Board realized a substantial gain. This gain was credited to the Contingent Reserve Account. While it cannot be regarded as a substitute for regular income it has nonetheless augmented the income of the System for the year and has, to that extent, increased its reserves.

Accidental Death Benefit—\$870.70. This benefit is payable to certain designated dependents on account of death due to occupational causes. It became available as of the beginning date of the System, namely January 1, 1944. Since Workmen's Compensation payments are an offset to the prescribed benefit, payments by the System are small during the time compensation payments are being made. When these compensation payments expire the widow or other dependent will receive the full amount of the benefit from the System. Included in the accidental death benefit payments are refunds to dependents of accumulated contributions of the members, amounting to \$508.58, which are not affected by the Workmen's Compensation Offset. The number of such beneficiaries at June 30, 1945, was 6.

Accidental Disability Benefit—\$1,610.03. Payment of this benefit is made for absence from service on account of occupational disability. The benefit became operative on January 1, 1944. The comparatively small amount of benefits paid was due to the offset of Workmen's Compensation allowances. The number of beneficiaries receiving this benefit during the year was 52.

Death Benefit—\$63,030.73. This benefit was paid on account of death of 162 members due to non-occupational causes. It became operative on January 1, 1945. The benefit is payable only in the case of those members who have completed at least 12 months of membership service. The amount paid on such claims during the year included accumulated contributions of the deceased members, of \$12,587.14. During the first year of membership only accumulated contributions are payable in event of natural death.

Ordinary Disability Benefit—\$7,018.90. The payment of this benefit, which is available to employees becoming disabled from non-occupational causes, is also conditioned upon a member having 12 months of contributing membership service. It is available only to those members who have at least five years of creditable service and are under age 65. This benefit became operative on January 1, 1945. The number of members who qualified for this benefit during the year, and who met all requirements of the System, was 36.

Service Retirement Allowance—\$160.26. Prior service credit is apportioned under the Act according to length of membership service, and the full amount of such credit is available towards a service retirement allowance only after a member has had 3 years (36 months) of contributing membership service. This method of apportionment of prior service credit has had the effect of retarding retirement of those aged members who would otherwise accept the retirement benefit, because of the small amounts of retirement benefits now available. One member only filed an application for a retirement benefit during the year.

Refunds—\$72,206.14. This amount was paid as refund of contributions to those members who withdrew from the State service and decided to terminate their membership in the System. Members' contributions were refunded in full but without interest accumulations, as

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

provided in the Act. The number of members receiving refunds during the year was 1028.

Administrative Expense—\$58,589.29. This is the amount of expense incurred in normal operations during the year. In addition to this amount the Board incurred an expense of \$8,362.08 which was chargeable to the appropriation for organization expenses. The balance of that appropriation was transferred to the System Fund Account with the close of the biennium, June 30, 1945, and all administrative expenses will, in the future, be provided out of regular appropriations. While the expense of \$58,589.29 covers a full year of operations, certain work that may be directly identified with the organization of the System is still to be completed, such as the verification of prior service records of the members, which is in progress. Moreover, the System is constantly broadening its operations as the various benefits become operative. The maximum effect on the operations of the System of all benefit provisions will not be reached until after January 1, 1947, when the full prior service credits towards retirement annuities will become available to those who have completed 36 months of service as contributing members. It may be expected, therefore, that the administrative expenses will continue to increase at least until that date, after which the fluctuations in expense from year to year will be small, with a possible rising tendency as the System continues operations and broadens its activities.

POLICY COMMITTEE

This Committee has functioned since the organization of the Board. Its duty is to assist the Secretary in the determination of policy in connection with various questions arising in administration, for recommendation to the Board, and to interpret the provisions of the Act in their application to certain specific conditions arising during the course of operations. The Committee consists of Trustee Frank N. Barker as Chairman, A. A. Weinberg, Actuary, and L. C. Cortright, Secretary. The highly satisfactory results achieved by this Committee attest to its usefulness and its value in maintaining effective policies in the administration of the System.

INVESTMENT COMMITTEE

The Committee was created by the Board of Trustees for the purpose of advising the Board on the policies to be pursued in the investment of funds and recommending types of securities to be acquired.

The members of this Committee are Roy Tuchbreiter, Chairman, Hon. George B. McKibbin (succeeded by Hon. Mark A. Saunders), Director of Finance, and Hon. Conrad F. Becker, Treasurer.

CLAIMS COMMITTEE

The Claims Committee created by the Board last year for the purpose of reviewing all claims received by the System for the various benefits provided under the Act, has been performing efficiently and

in a highly commendable manner. The work of the Committee has increased steadily with the taking effect of new benefits and with the improvement of procedures established for the filing and processing of claims.

The Committee is composed of James Hardie, Chief Clerk of the Auditor of Public Accounts, as Chairman, Dr. Orme Phelps of the University of Chicago, School of Business, and L. C. Cortright, Secretary of the System.

The following statement illustrates the scope of operations of the Claims Committee during the year on the several types of claims provided under the plan of operation :

Number of Claims				
	Pending July 1, 1944	Received During Year	Disposed of During Year	Pending at June 30, 1945
Accidental				
Disability	92	60	53	99
Ordinary				
Disability .....	..	49	38	11
Accidental				
Death	5	4	..	9
Ordinary				
Death	54	107	69	92
Service Retirement				
Allowance .....	..	1	1	..
Totals	<u>151</u>	<u>221</u>	<u>161</u>	<u>211</u>

The next several years should witness a further expansion of the work of this committee because of the expected increase in applications for service retirement allowances which will occur as larger proportionate prior service credits become available to the members under the plan of apportionment of these credits previously described.

SECTIONAL MEETINGS

Reference was made in the annual statement for the preceding year to the sectional meetings held throughout the State by representatives of the System for the purpose of explaining to the members the provisions of the plan of operation, and to answer their questions. It was stated at that time that the holding of group meetings would constitute a major policy in the administration of the System.

A number of such meetings were arranged and held during the year by the Secretary of the Board, with the cooperation of officials and department heads. The attendance at the meetings ranged from 50 to 200 employees. Further explanations were made regarding the benefits payable by the System, and answers were given to the many questions submitted by those in attendance.

These meetings have been of inestimable value, not only in helping to create a better understanding of the plan of operation and the policies of the Board, but serve to engender confidence and satisfaction in the administration of the System on the part of the members. They will be continued in the future.

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

LEGISLATION

Three bills affecting the System were enacted by the Sixty-fourth General Assembly. The changes effected by these measures may be briefly described as follows:

Senate Bill No. 434. This Bill adds a new Section to our Act, namely, Section 14a, which provides that effective January 1, 1946, the provisions of the Administrative Review Act, approved May 8, 1945, and the rules adopted pursuant thereto, shall apply to and govern the procedures for the judicial review of final administrative decisions of the Board. This amendment to our Act is in accord with State policy of having all agencies come under the provisions of the new Administrative Review Act.

House Bill No. 796. Three changes have been effected by this Bill in the Act governing the operations of the System, and these changes are: (1) Any member of the System shall be entitled to credit for the purposes thereof for military service during World War I, provided such member was an employee of the State prior to World War I and entered military service while a State employee, and provided further that said employee returned to the State service within one year from the date of his unconditional discharge from military service. This change is minor in effect since there are only a small number of employees who were in the State service during World War I, and who are veterans of that War. (2) Any member of the System shall be entitled to credit for the purposes thereof for service rendered prior to January 1, 1944, as a member of the General Assembly. This change affects only a few employees now in the State service, who are former members of the Legislature. (3) The title of the Act has been amended to include the word "officers" in order that those employees of the State who are designated as administrative code officers will be fully covered in the title. This is a corrective change.

House Bill No. 413. This Bill provides for the biennial appropriation to the State Employees' Retirement System of Illinois. It appropriates the sum of \$2,087,000.00 as the State's contribution for the 1945-1947 biennium for pensions, annuities, benefits and allowances under the Act governing the System, which sum is payable in four installments during the biennium. It also appropriates the sum of \$176,962.00 for administrative expenses incident to the operation of the System.

The amendments to the Act recommended by the Board in the annual statement for the preceding year, which were designed chiefly to clarify several ambiguities in the Act and to eliminate certain inequities, failed of enactment because of the addition of several changes during the legislative progress of the Bill, embodying the amendments, which were in conflict with the policy on pension legislation established by the Governor.

Due to the large number of pension proposals presented to the General Assembly, many of which called for sizable increases in taxes, Governor Green issued a pronouncement on the subject of pension leg-

isolation, to the effect that he was "opposed to the adoption of any proposals at this time creating additional present or future burden upon the taxpayers until a further study of the proposals has been made and thorough consideration given to all conditions surrounding these proposals." The Governor recommended that a Pension Commission be created to make a study of all such proposals, to re-examine the principles underlying the existing pension laws, and to review the various provisions now in force in the State of Illinois for public employees.

A Pension Commission consisting of 15 members has been appointed, and is, as of the date of this report, engaged in perfecting its organization with a view to commencing its study of the pension problems affecting public employees in the State of Illinois.

DEATH OF HERMAN A. BEHRENS

It is with the deepest sorrow that we record the sudden death on March 13, 1945 of Herman A. Behrens, Chairman of the Board of Trustees, who had served in that capacity since the establishment of the System.

Possessed of a keen intellect, deeply interested in the welfare of the System, and giving freely of his time and thought to its administrative problems, Mr. Behrens' career in the field of insurance over a great many years, and his broad business experience, enabled him to bring to the work of the Board a clear judgment and logical sense of values which were of immeasurable benefit in the organization of the System and in the formulation of its policies.

In his passing the members of the Board have suffered a great personal loss, the Board has lost a wise counsellor, and the community has lost a friend.

TRUSTEES

Roy Tuchbreiter, President of the Continental Assurance Company, was appointed by the Governor to succeed Mr. Behrens as Chairman of the Board of Trustees for the unexpired portion of his term of office. Charles H. Peeler, Chief Clerk of the Elgin State Hospital, was reappointed a member of the Board for a term of five years.

Since the close of the fiscal year and prior to the date of this report, two other developments affecting the personnel of the Board of Trustees have occurred. Frank N. Barker, Engineer of Highway Research, was reappointed a member of the Board for a term of five years. On July 31, 1945 George B. McKibbin resigned as Director of Finance of the State of Illinois. Hon. Mark A. Saunders succeeded Mr. McKibbin in that office, and is now ex officio a member of the Board.

ACKNOWLEDGMENT

Any statement covering the year's operations would be incomplete without an acknowledgment of the cooperation of the various State offices.

With real appreciation and a sense of gratitude, the Board again desires to also express its thanks to the Attorney General and the State Treasurer for their cooperation and support in the administration of the System, and to acknowledge the efforts of all those individuals responsible for the successful operations of the System during the year.

Respectfully submitted,

BOARD OF TRUSTEES
State Employees' Retirement System
of Illinois

ROY TUCHBREITER, Chairman
ARTHUR C. LUEDER
M. A. SAUNDERS
F. N. BARKER
CHARLES H. PEELER

L. C. CORTRIGHT, Secretary

A. A. WEINBERG
Actuary

October 30, 1945

CERTIFICATION

Board of Trustees,
State Employees' Retirement System
of Illinois,
Springfield, Illinois.

Gentlemen :

In accordance with Section 16 of the Act governing the operation of the State Employees' Retirement System of Illinois, I am submitting herewith my report on the second annual valuation of the liabilities and reserves of the System, as of June 30, 1945.

This report was prepared from data compiled by employees of the System. Appreciation is hereby extended to L. C. Cortright, Secretary, and his able staff for their assistance and cooperation in compiling the statistical information required for this valuation.

The System is operating at a high degree of efficiency, and is being well administered in accordance with the provisions of the Act and in conformity with sound and progressive principles. The methods of procedure in force are adequate and meet effectively the requirements of the System.

I hereby certify that, based upon said data, the appended Valuation Balance Sheet correctly sets forth the true financial status of the State Employees' Retirement System of Illinois, as of June 30, 1945.

Respectfully submitted,

(Signed) A. A. WEINBERG,
Actuary

**REPORT OF THE ACTUARY
ON THE SECOND ACTUARIAL VALUATION OF THE
STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
AS OF JUNE 30, 1945**

Board of Trustees,
State Employees' Retirement System
of Illinois,
Springfield, Illinois.

Gentlemen :

The report on the first valuation of the System dealt, for the most part, with the principles underlying the operations of the Retirement System, and basic factors governing a determination of its true financial condition.

This report, on the second valuation of the assets and liabilities of the System, will discuss the results of operations for the fiscal year ended June 30, 1945, and review several major factors affecting the plan of operation.

Benefit and Contribution Provisions

A summary of the benefit and contribution provisions of the plan of operation is contained in the Appendix hereof. The results reflected in this report are predicated upon the provisions therein set forth.

Cost Considerations

Much emphasis is frequently placed upon aggregate assets of a retirement system as evidence of its solvency and financial stability, but little consideration is given to the liabilities under the plan of operation for the various benefit obligations to the members. These liabilities are of fundamental significance in the appraisal of the true financial condition of the System.

A retirement system involves, for the most part, long-term obligations. In its basic character, its operations are not unlike those of a life insurance company. Both deal with long-term obligations. Their similarity applies regardless of whether the retirement system operates for a governmental agency or a private enterprise. Liabilities for the prescribed benefits accrue as service is being rendered, in proportionate amounts to such service. A substantial part of these liabilities will definitely mature in future years, when a certain number of the employees reach the end of their productive period and are no longer able to work with reasonable efficiency.

Sound financial practice requires that reserves be provided currently to meet these accruing liabilities. The amount of reserves to be provided covers only those employees who are expected to survive at retirement and qualify for benefits. In the process of making a determination of the reserve requirements effect is given to the factors of

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

withdrawal and death prior to the ages fixed for retirement, and provision is made for interest earnings on the established reserves. Thus, in accordance with recognized actuarial, financial and accounting practice, the cost of retirement provisions is charged by the employer to current operations as the obligation is incurred, and the obligation for the retirement benefit is spread over the period of service of those employees who are expected to qualify for those benefits. This process of providing for the cost of retirement benefits by setting up reserves is referred to as "funding", and is the generally recognized method for financing pension obligations.

Variations from "Funding" Method of Financing

Some variations to the funding method of financing retirement provisions have been adopted by various governmental agencies. A number of these agencies provide for the financing of the retirement benefits strictly upon the basis of cash requirements, meeting the cost of the benefits as they mature, and making no advance provision for these obligations. Other agencies have modified the accepted method by providing for the accumulation of a moderate reserve, which in some instances represents a substantial proportion of the reserves required under a funding plan.

The State Employees' Retirement System of Illinois provides for the latter method of financing. Current contributions by the State are substantially above cash requirements for the matured benefits. These contributions for a fiscal year are equal to an amount representing the anticipated average annual expenditures of the System for that part of the benefits for which the State is obligated, covering a period of ten years next following that for which a contribution is made. This method of financing is considered appropriate and practicable in cases in which the State is the employer, on the theory that the State is a perpetual entity having unlimited taxing authority and can always raise the funds necessary to meet the revenue requirements of its various agencies and departments.

Valuation Balance Sheet

While the Act governing the operation of the System provides a method of financing which does not involve the funding of liabilities, it stipulates that an annual valuation in accordance with actuarial requirements be made by the actuary.

The Valuation Balance Sheet, appended to this report, sets forth the results of such a valuation as of June 30, 1945. At such date the total liabilities of the System amounted to \$31,905,166.55. Of this amount \$2,282,959.24 constitutes the present value of retirement benefits accruing on account of accumulated member contributions, and \$9,884,230.00 represents the present value of retirement benefits on account of future service of the members to be rendered subsequent to the date of the statement. The balance of \$19,737,977.31 represents liabilities accrued as of June 30, 1945, on account of service rendered by the members prior thereto, together with the requirements for death and disability benefits and reserves for current benefit obligations, for which the State of Illinois is obligated.

The liabilities for benefits to be earned during future service will be met by future contributions for such service. However, the liabilities for service prior to the date of valuation, and the amounts necessary to meet the reserve requirements for disability benefits, death benefits and current obligations, must be covered by assets on hand. To the extent that these liabilities are not covered by present assets, the System has an actuarial reserve deficiency. According to the balance sheet the actuarial reserve deficiency of the System at June 30, 1945, after applying the balance in the Contingent General Reserve of \$399,614.43, amounted to \$19,338,362.88. This will be discharged in future years by means of biennial appropriations in accordance with the financing provisions prescribed in the Act.

Analysis of Results of Valuation

There were 16,791 members in the System at June 30, 1945, compared with 17,237 at the end of the preceding fiscal year or a net decrease in membership of 446. The decrease in the case of members with prior service credits was considerably greater and had a marked effect on the liabilities for prior service.

The average age of the members was 47.9 years and average length of service was 9 years. There were 1,269 members aged 65 years or over, and 448 members aged 70 years or over. A total of 9,869 members were eligible as of the close of the year for ordinary disability benefits, being members under age 65 with five years of service or over. The non-occupational death benefit (one month's salary per year of service, not to exceed six months' salary in any case) involved a total amount of insurance of \$13,549,682.68.

In comparison with the results shown by the previous valuation, there was a decrease in the actuarial reserve deficiency of \$1,532,668.54, or 7%. This decrease may be attributed to several causes, chief of which are the following: (1) releases of liabilities on account of members who accepted refunds; (2) a reduction in liabilities on account of members who died during the year having long periods of service; (3) delayed retirement of members at advanced ages; (4) a lower over-all membership. There were several factors tending to have a contrary effect but these were not of sufficient influence to change the trend.

Prior Service Credits

For the purposes of this valuation, the liabilities on account of prior service of employees, i.e., service prior to January 1, 1944, was determined upon the basis of the service claimed by the members. This service is in process of verification, and prior service certificates are being issued on all verified records, as required by the Act. Members in the upper age brackets are being given precedence in this work of verification in order that their completed records will be available in the event of their retirement. Valuations in future years will reflect the verified prior service claims.

Interest Rate

The rate of interest used in the computations is 2% per annum. This rate has been in force since the inception of the System. The

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

Act provides for a rate of 2% per annum or such other rate determined from the actual experience of the System as may be prescribed by the Board. While earnings have been in excess of that rate, experience during a short period of less than two years is certainly not sufficiently conclusive to warrant a change in rate. While it is not within the province of the actuary to forecast the interest trend, there are no present indications of any change in rates for the intermediate term to justify a revision of the established rate of interest for the System. Hence, no change is to be recommended at this time.

Mortality

Under the Act the mortality table to be used by the System shall be that adopted by the Board of Trustees upon recommendation of the actuary but until the System has been in operation for a period of at least three years from the date of establishment, namely, January 1, 1944, the Combined Annuity Mortality Table for male lives shall be used.

Operating experience since the date of establishment of the System has disclosed that the rate of mortality among the active employees has been substantially below the expected, according to the above standard. No data is as yet available on service retirements, and in view of the fractional allowances of prior service credits towards service retirement allowances, these credits being apportioned according to length of contributing membership service, it will be several years before mortality statistics can be developed for study.

While it does not follow that the rate of mortality on annuitants will follow the trend on active members, the probabilities are that a similar trend may be revealed, although the rate of mortality on those who retire during the first few years of operations will probably be somewhat higher than that to be disclosed by the ultimate experience. There has been an accumulation of aged employees in service having health impairments which condition may have a pronounced effect on the rate of mortality among annuitants for a number of years.

Suggested Amendments

Several proposals were made at the last session of the 64th General Assembly for changes in the plan of operation of the System. One proposal called for a lowering of the ages of retirement. Another provided for a change in the base for computing that part of the retirement allowance provided by State contributions from the average salary for the last five years of service to the average of any five years of service during which rates were the highest. Still a third proposal called for the creation of a widow's annuity for male employees, providing for additional contributions on the part of the State and the employees. Other changes were suggested, but these three are of major significance in the operations of the System.

The bills providing for these changes failed of passage. Their enactment would have brought about a large increase in the liabilities of the State of Illinois under the System, estimated at approximately 50% over the present amounts.

Similar proposals will no doubt be made at subsequent sessions. All of such proposals should be carefully examined to determine their ultimate effect on the plan of operation of the System, not only from the standpoint of cost but also in relation to the basic provisions of the plan. While continued experience may dictate the need for certain changes in some of its provisions, these changes should be made only after a careful study of their effect on the basic provisions of the plan. In this way the System will be permitted to develop on a sound and constructive basis, and will thereby accomplish its objectives most effectively for the benefit of both the members and the State of Illinois.

Recommendations and Conclusions

While no changes in the mortality table can be made under the Act until January 1, 1947, it is recommended for the future that in view of the relatively large number of female employees comprising the membership of the System, being equal to 42% of the total number of members, the table be modified to the extent of having appropriate rates, as prescribed by the said table, apply to female members, instead of using the same rates for both sexes. The rates for females according to the Combined Annuity Mortality Table are the rates for males stepped back four years in age. This will make for a more equitable basis a computation of that part of the retirement benefit provided from member contributions.

The plan of operation provides for a death benefit payable upon death of members after retirement. The measure of this benefit is the excess, if any, of the accumulated contributions of the member at date of retirement over the amounts received by the member on his service retirement allowance. The Act terms this benefit as a death benefit and establishes no relation between this benefit and the amount of the retirement allowance received by the member. Consideration might be given to a change in the Act to give effect to this death benefit in the computation of the service retirement allowance after some experience is had with mortality among the annuitants and a study made of the rates of mortality in comparison with those contemplated by the mortality table in use by the System. Such a change will require legislative action.

No other fundamental changes in the plan of operation are recommended.

VALUATION BALANCE SHEET—JUNE 30, 1945
ASSETS

Present Assets:		
Cash	\$	193,730.75
Accounts Receivable—member contributions		75,783.29
Due from Federal Funds		22,075.80
Accrued Interest on Investments.....		11,984.19
Bond Investments		2,409,424.65
Subscription to 7th War Loan.....		750,000.00
		\$ 3,462,998.68
Less, Current Liabilities:		
Liability on U. S. Government Bond		
Subscription	\$ 750,000.00	
Accrued Benefits and Expenses.....	30,425.01	780,425.01
		\$ 2,682,573.67
Deferred Assets:		
Obligation of the State of Illinois for retirement benefits covering service of members subsequent to June 30, 1945	\$	9,884,230.00
Actuarial Reserve Deficiency—Deferred Obligation of the State of Illinois		
Present Value of accrued retirement benefits on account of membership service, i.e., Jan. 1, 1944 to June 30, 1945	\$ 1,512,407.42	
Present Value of accrued retirement benefits on account of Prior Service of members	16,031,535.76	
Liability for benefit claims in force and pending	146,989.12	
Reserve requirements for death and disability benefits	2,047,045.01	
		\$ 19,737,977.31
Less, Balance in Contingent General Reserve	399,614.43	19,338,362.88
		\$ 31,905,166.55

NOTE: No account is taken of future contributions by members nor is any benefit liability shown on account of those contributions inasmuch as the benefits purchasable by future contributions will be exactly balanced by the amount of those contributions.

LIABILITIES

Liability on Accidental Death Benefit claims in force and pending	\$	144,980.67
Present Value of Service Retirement Allowances in force..		2,008.45
Present Value of service retirement benefits accruing on account of accumulated member contributions.....		2,282,959.24
Present Value of service retirement benefits on account of service of members subsequent to January 1, 1944, to be provided by future State contributions.....		11,396,637.42
Present Value of service retirement benefits accruing on account of prior service of members, i.e., prior to January 1, 1944		16,031,535.76
Reserve Requirements for other benefit liabilities:		
Ordinary Death Benefit		1,751,850.67
Ordinary Disability		185,108.22
Accidental Disability (Occupational)		48,534.40
Accidental Death (Occupational)		61,551.72
		\$ 31,905,166.55

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

MAC KENZIE EVANS & CO.

Public Accountants and Auditors

228 N. La Salle Street Chicago, Ill. Phone Dearborn 1556

October 5, 1945

To the Board of Trustees of the
State Employees' Retirement System of Illinois
Springfield, Illinois

Gentlemen:

Pursuant to appointment we have made an audit of the General Books, Records and Related Data of the State Employees' Retirement System of Illinois for the fiscal year, July 1, 1944 to June 30, 1945.

SCOPE OF AUDIT

We examined the Investments which are kept at the office of the State Treasurer and found them to be in order. A separate bank account is maintained at the First National Bank of Chicago in the name of the System. We traced all receipts in detail from the records of the System through the records of the State Treasurer and thence to the above bank account. Members' Contributions were verified by inspection of the deduction column totals for same on all copies of payrolls received by the System which were checked with the records of the System. All disbursements including those for investments were checked from the authorization by the Board of Trustees to the vouchers for payment and to all warrants issued in payment thereof which had been paid prior to the close of our examination. This was done for both the disbursements paid from the bank account of the System and for the Appropriation for Organization Expenses. Total receipts and disbursements were also verified with records maintained in the offices of both the State Auditor of Public Accounts and the State Treasurer. Test-checks were made of the postings to the individual members' cards and a trial balance at June 30, 1945 of all the members' control cards was verified and found to be in agreement with the Master Control. Test-checks of supporting data for refunds and a complete check of all supporting data for benefits payable were made and computations for all liabilities verified. Footings of all of the General Books were verified.

CERTIFICATE OF AUDIT

We have made an Audit and Examination of the Books, Accounts and Records of the State Employees' Retirement System of Illinois for the fiscal year ending June 30, 1945 and We Hereby Certify that;

The accompanying Balance Sheet and Statement of Income and Expenditures are in accordance with the General Books of the System and with generally accepted accounting principles, and

That, a detail check of all cash receipts and disbursements and test-checks of all other data as deemed necessary by us convinces us

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

that all items are being correctly accounted for on the General Books of the System and that the Reserves as set up reflect a proper accounting for all transactions therein, and

That, the definite determination that each and every possible member has been included in the System, the verification of prior service credit and the amount of actuarial liabilities of the System are items deemed to be beyond the scope of our audit, and

That, subject to these qualifications, the Balance Sheet as set forth in Exhibit A correctly reflects in our opinion the Financial Condition at June 30, 1945.

MAC KENZIE, EVANS & CO.
/s/ Per T. L. Evans,
Certified Public Accountant.

EXHIBIT A
BALANCE SHEET—JUNE 30, 1945

ASSETS

Cash, Conrad F. Becker, Treasurer.....	\$	193,730.75
Accounts Receivable:		
Members' Contributions	\$ 75,783.29	
Due from Federal Funds	22,075.80	
Interest on Investments Receivable.....	11,984.19	
		109,843.28
Investments:		
United States Savings and Treasury Bonds	\$ 2,409,424.65	
Subscription to United States Treasury Bonds	750,000.00	3,159,424.65
		3,159,424.65
Total Assets	\$	3,462,998.68

LIABILITIES

Accounts Payable:		
Accidental Death Benefits Payable.....	\$ 855.38	
Accidental Disability Benefits Payable..	857.79	
Ordinary Death Benefits Payable.....	16,347.50	
Ordinary Disability Benefits Payable...	1,028.15	
Refunds Payable	6,445.52	
Administrative Expenses Payable.....	3,594.07	
Interest Payable on Bond Subscriptions	1,296.60	
Due on Bond Subscriptions	750,000.00	\$ 780,425.01
		780,425.01
Reserves:		
For Members' Contributions	\$ 2,251,082.96	
For Interest Accumulations	31,876.28	
Contingent General Reserve	399,614.43	2,682,573.67
		2,682,573.67
Total Liabilities and Reserves.....	\$	3,462,998.68

NOTE: Subject to accompanying comments in our report of which this Balance Sheet is a part.

EXHIBIT B
STATEMENT OF INCOME AND EXPENDITURES
FOR THE PERIOD FROM JULY 1, 1944 TO JUNE 30, 1945

Income:			
Contributions by Members ...		\$ 1,531,469.63	
Less: Adjustments of collections—			
Refunds to Departments..\$	341.40		
Refunds to Employees for erroneous deductions ..	2,112.90	2,454.30	
			\$ 1,529,015.33
Contributions by State of Illinois.....			8,418.82
Contributions from Federal Funds.....			18,258.05
Interest earned on investments.....			37,711.77
Gains from sale of investments.....			31,846.16
			<u>\$ 1,625,250.13</u>

Expenditures:

Benefits—			
Accidental Death	\$ 870.70		
Accidental Disability	1,610.03		
Ordinary Death	63,030.73		
Ordinary Disability	7,018.90		
Annuities	160.26		
		\$ 72,690.62	
Refunds to members leaving service of State		72,206.14	
Expenses—			
Actuarial fees	\$ 3,345.00		
Auditing expense	817.50		
Auto rental and repairs...	321.85		
Equipment expense	1,033.48		
Freight, express and drayage	64.82		
Investment expense	225.17		
Medical fees	51.50		
Office expense	31.06		
Office repairs and main- tenance	305.54		
Office supplies	1,196.66		
Postage	1,677.00		
Professional services			
N. O. C.	290.00		
Rent	3,726.00		
Rental office equipment..	285.50		
Salaries	38,225.78		
Stationery and printing..	3,426.11		
Information service	10.00		
Surety bond and insurance premiums	570.83		
Telephone and telegraph	376.76		
Travel expense	2,608.73	58,589.29	203,486.05
Balance unexpended			<u>\$ 1,421,764.08</u>

EXHIBIT C

... ANALYSIS OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD FROM JULY 1, 1944 TO JUNE 30, 1945

BALANCE IN SYSTEM'S FUND ACCOUNT, JUNE 30, 1944.. \$ 204,832.86

Receipts:

Contributions—

By members	\$ 1,550,746.56	
By State of Illinois (Exhibit D)	8,418.82	
By Federal Agencies	2,761.20	
Repayment of refunds...	140.56	
Benefit refunds	96.30	
		\$ 1,562,163.44

Interest received on invest- ments		38,835.89
Sale of securities	\$ 1,650,763.22	
Gain on the sale of securities	31,877.41	1,682,640.63

Gross receipts		3,283,639.96
----------------------	--	--------------

Total available cash		\$ 3,488,472.82
----------------------------	--	-----------------

Disbursements:

Benefits—

Consisting of accumulated contributions, interest and State contributions:		
Annuities	\$ 160.26	
Death benefits	46,791.25	
Disability benefits ...	6,166.72	
		\$ 53,118.23

Refunds—

To departments	\$ 354.15	
To employees leaving service	69,644.34	
For erroneous payroll de- ductions	1,892.44	71,890.93

Expense of operations		55,537.74
-----------------------------	--	-----------

Investments—

Principal and premiums to purchase United States Government bonds	\$ 3,108,734.38	
Accrued interest paid....	4,984.75	
Sundry interest expense	476.04	3,114,195.17

Total expenditures		3,294,742.07
--------------------------	--	--------------

BALANCE IN SYSTEM'S FUND ACCOUNT (EXHIBIT A).. \$ 193,730.75

EXHIBIT D

**STATEMENT OF VOUCHERS ISSUED
AGAINST ORGANIZATION EXPENSE APPROPRIATIONS
FOR THE PERIOD FROM JULY 1, 1944 TO JUNE 30, 1945**

BALANCE UNEXPENDED, JUNE 30, 1944.....		\$ 16,780.90
Vouchers issued—		
Stationery and printing..\$	342.69	
Office supplies	306.63	
Freight, express and drayage	61.88	
Contractual services	1,466.00	
Equipment	5,425.53	
Fixtures	945.00	
	\$ 8,547.73	
Less: Accounts payable not vouchered at June 30, 1944	185.65	8,362.08
	\$ 8,418.82	8,418.82
BALANCE UNEXPENDED, JUNE 30, 1945.....		
		\$ 8,418.82
Transferred to System's General Fund through Auditor of Public Ac- counts by State Treas- urer (Exhibit B)	\$ 8,418.82	8,418.82

SCHEDULE A-2

STATEMENT OF CHANGES IN RESERVE ACCOUNTS
FOR THE PERIOD FROM JULY 1, 1944 TO JUNE 30, 1945

Reserve for Members' Contributions:		
Opening balance, July 1, 1944.....	\$	807,255.71
Contributions by Members		1,531,469.63
Transfer of interest adjustment from General Contingent Reserve		113.76
		<hr/>
	\$	2,338,839.10
Deduct: Benefit payments and refunds.....		87,756.14
		<hr/>
Closing balance, June 30, 1943.....	\$	2,251,082.96
		<hr/>
Reserve for Interest Accumulation:		
Opening balance, July 1, 1944	\$	3,393.57
Transfer from General Contingent Reserve—		
Members' interest accumulation to June 30, 1945.....		28,482.71
		<hr/>
Closing balance, June 30, 1945.....	\$	31,876.28
		<hr/>
Contingent General Reserve:		
Opening balance, July 1, 1944.....	\$	450,160.31
Add: Contributions—		
State of Illinois.....	\$	8,418.82
Federal and Trust Funds.....		18,258.05
		<hr/>
Interest and profit on bonds.....		69,557.93
		<hr/>
	\$	546,395.11
Deduct:		
Administrative expenses	\$	58,589.29
Benefit payments		59,594.90
Adjustment on over-payment of interest .....		.02
		<hr/>
	\$	118,184.21
Transfer to Reserve for interest accumulation for interest on Members' Contributions		28,482.71
Interest adjustment to Reserve for Members' Contributions		113.76
		<hr/>
		146,780.68
Closing balance, June 30, 1945.....	\$	399,614.43
		<hr/>

SCHEDULE A-1
ANALYSIS OF INVESTMENTS—JUNE 30, 1945

Bonds—	Description	Date of Issue	Maturity Date	Denomination	Serial Number	Par Value
10	U.S. Savings, Series G, 2-½% M-1333*	Dec. 1, 1943	Dec. 1, 1955	\$ 10,000	X340920G/29G	\$ 100,000.00
1	U.S. Savings, Series G, 2-½% M-1334*	Feb. 1, 1944	Feb. 1, 1956	10,000	X357216G	10,000.00
9	U.S. Savings, Series G, 2-½% M-1334*	Feb. 1, 1944	Feb. 1, 1956	10,000	X3572640G/72G	90,000.00
1	U.S. Savings, Series G, 2-½% M-1335*	Jan. 1, 1945	Jan. 1, 1957	10,000	X548473G	10,000.00
1	U.S. Savings, Series G, 2-½% M-1335*	Jan. 1, 1945	Jan. 1, 1957	10,000	X548474G	10,000.00
7	U.S. Savings, Series G, 2-½% M-1335*	Jan. 1, 1945	Jan. 1, 1957	10,000	X548476G/820	70,000.00
1	U.S. Savings, Series G, 2-½% M-1335*	Jan. 1, 1945	Jan. 1, 1957	10,000	X548574G	10,000.00
2	U.S. Treasury, 2-¼% M-1336*	Feb. 1, 1944	Sept. 15, 1959	100,000	1940/41	200,000.00
2	U.S. Treasury, 2-¼% M-1336*	Feb. 1, 1944	Sept. 15, 1959	100,000	2062/63	200,000.00
2	U.S. Treasury, 2-¼% M-1336*	Feb. 1, 1944	Sept. 15, 1959	100,000	7 and 2135	200,000.00
1	U.S. Treasury, 2-¼% M-1336*	Feb. 1, 1944	Sept. 15, 1959	100,000	2221-A	100,000.00
1	U.S. Treasury, 2-¼% M-1336*	Feb. 1, 1944	Sept. 15, 1959	100,000	2221-B	100,000.00
1	U.S. Treasury, 2-¼% M-1336*	Feb. 1, 1944	Sept. 15, 1959	100,000	2230L	100,000.00
9	U.S. Treasury, 2-¼% M-1377*	June 1, 1945	June 15, 1962	100,000	1 ea. 684D, 685E, 686F, 687H, 688J, 689K, 690L, 691A, 692B	900,000.00
3	U.S. Treasury, 2-¼% M-1380*	June 1, 1945	June 15, 1962	100,000	1 ea. 712B, 713C, 714D	300,000.00
Subscription to U.S. Treasury Bonds						\$ 2,400,000.00
Total Par Value						\$ 3,150,000.00
Unamortized premium paid						9,424.65
Total Investments (Exhibit A)						\$ 3,159,424.65

NOTES: (1) Checked to bonds in safekeeping at the State Treasurer's office.
 (*) State Treasurer's receipt numbers.

TABLE 1
MEMBERSHIP BY DEPARTMENTS—AS OF JUNE 30, 1945

Department	Number of Members June 30, 1945	Percent of Total
Agriculture	381	2.27%
Attorney General	134	0.80%
Auditor of Public Accounts.....	278	1.66%
Conservation	201	1.20%
Finance	153	0.91%
Governor	14	0.08%
Insurance	102	0.61%
Labor	1,137	6.77%
Lieutenant Governor .....	....	.....
Military and Naval	186	1.11%
Mines and Minerals	64	0.38%
Public Aid Commission.....	1,107	6.59%
Public Health	520	3.10%
Public Instruction	39	0.23%
Public Safety	1,491	8.88%
Public Welfare	5,632	33.54%
Public Works and Buildings.....	3,060	18.22%
Registration and Education.....	143	0.85%
Revenue	940	5.60%
Secretary of State	539	3.21%
Treasurer	71	0.42%
Miscellaneous Agencies	599	3.57%
Total	16,791	100.00%

TABLE 2
SHOWING NUMBER OF MEMBERS AND TOTAL SALARIES
AS OF JUNE 30, 1945, CLASSIFIED BY AGES

Age at June 30, 1945	Number of Members	Total Salaries	Age at June 30, 1945	Number of Members	Total Salaries
18	7	\$ 9,168.00	55	472	\$ 994,392.00
19	35	49,620.00	56	484	993,144.00
20	87	125,424.00	57	468	969,720.00
21	87	132,948.00	58	360	734,928.00
22	84	141,468.00	59	380	775,488.00
23	91	143,928.00	60	380	793,788.00
24	101	166,344.00	61	314	653,424.00
25	111	198,192.00	62	261	535,644.00
26	105	189,720.00	63	237	488,532.00
27	129	224,136.00	64	247	500,328.00
28	132	245,040.00	65	220	448,884.00
29	148	282,672.00	66	180	381,900.00
30	197	387,420.00	67	182	351,588.00
31	212	413,076.00	68	107	219,120.00
32	226	453,564.00	69	132	285,672.00
33	247	523,548.00	70	85	162,612.00
34	252	530,904.00	71	55	109,620.00
35	297	636,612.00	72	64	142,236.00
36	336	708,792.00	73	63	132,156.00
37	363	821,952.00	74	48	98,268.00
38	335	695,040.00	75	48	98,592.00
39	349	750,468.00	76	26	58,224.00
40	414	902,076.00	77	14	29,664.00
41	459	997,788.00	78	14	27,348.00
42	452	953,004.00	79	7	13,200.00
43	447	977,652.00	80	4	11,304.00
44	385	865,752.00	81	6	11,460.00
45	504	1,078,944.00	82	4	10,860.00
46	474	1,059,552.00	83	4	7,200.00
47	483	1,061,088.00	84	1	2,280.00
48	463	1,004,736.00	85	3	5,820.00
49	551	1,196,544.00	86	1	1,740.00
50	572	1,231,752.00	87	..	.....
51	515	1,117,344.00	88	1	2,520.00
52	520	1,109,568.00		16,050	\$ 33,578,376.00
53	546	1,157,076.00			
54	462	983,808.00			
			Members with uncompleted Membership Records	741	1,550,246.00
			Total ..	16,791	\$ 35,128,622.00

TABLE 3
 CLASSIFICATION OF MEMBERS BY AGE AND SEX
 JUNE 30, 1945

Age	Male	Female	Total	Age	Male	Female	Total
18	1	6	7	55	312	160	472
19	3	32	35	56	319	165	484
				57	318	150	468
20	2	85	87	58	240	120	360
21	4	83	87	59	251	129	380
22	3	81	84				
23	10	81	91	60	273	107	380
24	8	93	101	61	222	92	314
				62	183	78	261
25	23	88	111	63	166	71	237
26	23	82	105	64	178	69	247
27	25	104	129				
28	45	87	132	65	159	61	220
29	57	91	148	66	130	50	180
				67	135	47	182
30	75	122	197	68	83	24	107
31	84	128	212	69	96	36	132
32	89	137	226				
33	118	129	247	70	55	30	85
34	121	131	252	71	44	11	55
				72	55	9	64
35	165	132	297	73	48	15	63
36	166	170	336	74	41	7	48
37	154	209	363				
38	157	178	335	75	39	9	48
39	183	166	349	76	19	7	26
				77	9	5	14
40	236	178	414	78	12	2	14
41	270	189	459	79	7	0	7
42	260	192	452				
43	269	178	447	80	4	0	4
44	243	142	385	81	6	0	6
				82	4	0	4
45	283	221	504	83	4	0	4
46	309	165	474	84	1	0	1
47	298	185	483				
48	278	185	463	85	3	0	3
49	354	197	551	86	1	0	1
				87	..	..	..
50	361	211	572	88	1	0	1
51	329	186	515				
52	334	186	520	Total	9,256	6,794	16,050
53	187	359	546	Members with			
54	311	151	462	uncompleted			
				Membership			
				Records	478	263	741
				Total membership, June 30, 1946....	9,734	7,057	16,791
				Per cent of Total.....	57.97%	42.03%	100.00%

TABLE 4

SHOWING MEMBERS OF THE SYSTEM AT JUNE 30, 1945
CLASSIFIED BY LENGTH OF SERVICE

Length of Service at June 30, 1945 (Years)	Number	Length of Service at June 30, 1945 (Years)	Number
1	701	22	152
2	592	23	165
3	1768	24	131
4	2134		
		25	114
5	2892	26	114
6	686	27	116
7	637	28	68
8	677	29	76
9	559		
		30	48
10	547	31	40
11	525	32	41
12	655	33	48
13	622	34	31
14	275		
		35 and over	140
15	278		
16	258		16,050
17	229		
18	230	Members with uncompleted Mem- bership Records..	741
19	208		
		Total	16,791
20	158		
21	135		

TABLE 5
DEATHS—AGE AND SERVICE DATA
(Non-Occupational)

Age at Death	Length of Service—Years						Total
	1	2	3	4	5	6 and over	
32	1	1
33	..	1	1	..	..	1	3
35	..	1	..	..	..	1	2
36	1	..	..	..	1
37	1	..	1	2
39	2	2
40	1	..	1
41	1	..	..	1
42	1	..	..	..	1
43	1	1
44	..	1	..	..	..	4	5
45	1	..	1	1	3
46	1	1	..	..	2
47	..	1	1	..	..	3	5
48	1	..	1	..	1	..	3
49	2	1	..	..	3
50	..	2	..	..	..	4	6
51	1	..	2	1	1	6	11
52	..	1	3	1	1	1	7
53	1	..	..	..	..	1	2
54	2	..	..	5	7
55	1	1	..	5	7
56	2	..	1	2	5
57	..	1	1	..	..	5	7
58	1	1	..	1	3
59	..	2	3	..	..	1	6
60	..	1	1	2	..	3	7
61	..	2	1	..	..	6	9
62	2	1	..	..	..	4	7
63	1	1	1	..	..	3	6
64	1	..	..	3	4
65	4	4
66	1	1
67	1	..	1	..	..	1	3
68	1	..	..	2	3
69	1	..	..	5	6
70	1	1
71	2	2
72	1	..	1	2
73	1	1
74	1	1
75	1	..	1	2
77	1	1
79	1	1
81	1	1

Table 5 Concluded.
Length of Service—Years

Age at Death	1	2	3	4	5	6 and over	Total
85	..	..	..	..	..	1	1
86	..	..	..	..	..	1	1
88	..	..	..	..	..	1	1
	7	15	31	12	6	91	162
Number of Occupational Deaths.....							6
Total Number of Deaths.....							168

TABLE 6
ANALYSIS OF DEATH CLAIMS BY CAUSES OF DEATH

Causes of Death	Number of Claims
Diseases of the Heart, Blood Vessels and Kidneys:	
Heart Disease	63
Apoplexy	8
Nephritis	4
Cancer and Tumor	24
Pneumonia and Influenza	8
Diabetes	1
Liver Disease	2
Pulmonary Tuberculosis	1
Disease of the Digestive Tract, including ulcers of the stomach and duodenum and appendicitis	5
Automobile Accidents	3
Other violent deaths including War deaths.....	11
All other causes	38
Total	168

TABLE 7
STATISTICS ON WITHDRAWALS WITH REFUND

Age at Withdrawal	Length of Service—Years					Total Withdrawals
	1	2	3	4	5 and over	
18	..	..	..	..	..	0
19	1	..	2	..	..	3
20	3	5	..	1	..	9
21	5	8	4	1	..	18
22	2	5	1	2	..	10
23	2	5	2	..	3	12
24	4	5	5	1	..	15
25	6	7	4	4	4	25
26	5	3	3	2	2	15
27	2	5	4	3	6	20
28	1	2	6	5	5	19
29	1	7	3	2	5	18
30	5	6	7	5	10	33
31	5	4	4	2	2	17
32	5	4	3	6	1	19
33	3	5	6	4	11	29
34	2	3	4	7	7	23

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

Table 7 Concluded
Length of Service—Years

Age at Withdrawal	1	2	3	4	5 and over	Total Withdrawals
35	3	3	6	3	7	22
36	2	6	5	4	10	27
37	5	3	1	4	12	25
38	4	5	7	2	5	23
39	3	3	3	9	5	23
40	2	3	1	7	13	26
41	2	9	8	2	12	33
42	4	4	7	4	11	30
43	..	6	2	5	10	23
44	..	8	4	7	11	30
45	5	8	5	5	14	37
46	1	7	3	2	6	19
47	5	6	5	2	5	23
48	2	1	2	6	10	21
49	6	3	6	7	15	37
50	6	5	5	5	8	29
51	3	6	6	5	9	29
52	4	4	7	5	13	33
53	6	8	5	8	7	34
54	2	..	3	1	2	8
55	2	7	3	2	10	24
56	2	7	6	2	4	21
57	3	3	3	5	8	22
58	4	5	2	4	3	18
59	..	1	3	3	4	11
60	2	4	1	1	5	13
61	2	3	2	1	5	13
62	1	4	1	1	3	10
63	1	..	..	3	4	8
64	2	3	3	1	3	12
65	1	1	3	1	5	11
66	1	3	2	2	7	15
67	1	..	3	2	3	9
68	1	2	..	..	1	4
69	..	2	3	1	1	7
70	1	..	..	..	3	4
71	..	..	..	..	..	0
72	..	1	..	..	2	3
73	..	..	..	..	2	2
74	..	..	..	..	1	1
75	..	..	..	..	1	1
76	..	..	1	..	..	1
77	..	..	..	..	..	0
78	..	..	..	..	..	0
79	..	..	..	..	..	0
80	..	..	..	..	..	0
81	..	..	..	..	1	1
82	..	..	..	..	..	0
83	..	..	..	..	..	0
84	..	..	..	..	..	0
85	..	..	..	..	..	0
Totals	141	218	185	167	317	Original 1,028

APPENDIX

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

BENEFITS

1. SERVICE RETIREMENT ALLOWANCE

Retirement is *optional* with a member upon attainment of the age of 60 years while in service provided at least 15 years of service has been completed.

Retirement is *compulsory* upon attainment of the age of 70 years if 15 years of service has been rendered, or upon the completion of 15 years of service after attainment of such age. The compulsory retirement provision becomes effective on January 1, 1949.

In the case of a member under the age of 60 years, the right to a retirement benefit vests in full when the member has completed 20 years of service, at least one year of which is contributing membership service, and the retirement benefit becomes available to the member upon attainment of age 60.

The benefit consists of the following:

(a) An annuity which is the actuarial equivalent of the member's own accumulated contributions.

(b) A State annuity equal to 1/120th of average final compensation* of the member for each year of membership service, i.e., service on or after January 1, 1944, not to exceed 35 years.

(c) A prior service annuity equal to 1/60th of average final compensation* for each year of prior service, i.e., service before January 1, 1944, not to exceed 35 years. This annuity is prorated on the basis of 33-1/3% thereof for each year of service as a contributor to the System until three years of service as a contributor have been rendered, when the full annuity becomes payable.

Limitations on Service Retirement Allowance:

(1) The State annuity and prior service annuity together cannot exceed \$2,400.00 per year, and the total service retirement allowance is limited to 75% of earnable compensation at date of retirement.

(2) If retirement occurs prior to the age of 65 years, parts (b) and (c) above are reduced to their relative values at the actual age of retirement.

Special Provision:

Any member who has received Ordinary Disability Benefit for the maximum period of time specified under the plan, who has attained an age of at least 55 years and has completed at least 15 years of service, may retire and receive the relative value of the retirement benefit as of his attained age.

*Average final compensation is defined as the average rate of earnable compensation for the five years next preceding retirement, subject to a maximum of \$4,800.00 per year and a minimum of \$1,500.00 per year.

2. REVERSIONARY ANNUITY

Instead of taking the full service retirement allowance, a member may elect to receive a reduced retirement allowance for himself and provide an annuity for a designated beneficiary to be paid upon his death, on an actuarial equivalent basis.

3. ORDINARY DISABILITY BENEFIT

This benefit is payable to any member under the age of 65 years who has rendered at least five years of service and who has been a contributor to the System for at least 12 months.

The amount of the benefit is 40% of earnable compensation* plus a credit of 5% of earnable compensation for service retirement allowance purposes. The benefit begins from the 31st day of absence from service on account of disability, is payable during the time a member shall not receive nor have a right to receive compensation, and may extend for an aggregate period of time not to exceed $\frac{1}{4}$ of the member's period of service at date of disability, but in no event beyond age 65.

4. DEATH BENEFIT—DEATH BEFORE RETIREMENT

Payable upon death of a member while in service provided the member has been a contributor to the System for at least one year and has been in receipt of compensation within a period of 12 months prior to the date of death.

The benefit consists of (a) the accumulated contributions of the member, and (b) an amount equal to one month's earnable compensation of the member for the 12 months preceding the death of the member for each completed year of service, not to exceed six months' salary.

5. DEATH BENEFIT UPON DEATH AFTER RETIREMENT

Upon death of a retired member, provided such member did not elect an annuity payable to his dependents after his death, a death benefit equal to the excess, if any, of the amount of his accumulated contributions at time of his retirement on service retirement allowance over the total amount of all service retirement allowance payments received by the retired member, is payable to the person or persons nominated by the deceased member to receive such payment.

6. ACCIDENTAL DISABILITY BENEFIT

This benefit is provided to any member under the age of 65 years becoming disabled as the direct result of injuries arising out of and in the course of employment.

The benefit is equal to 60% of earnable compensation* plus a credit of 5% of earnable compensation for service retirement allowance. The benefit is reduced by amounts received as Workmen's Compensation.

*Earnable compensation is defined to mean the full rate of the member's compensation including maintenance, subject to a maximum of \$4,800.00 per year, except as to Ordinary Disability, Accidental Disability and Accidental Death Benefits, for which the maximum rate of earnable compensation stipulated is \$3,000.00 per year.

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

The benefit ceases upon termination of disability or upon attainment of age 65, whichever event first occurs. If termination of benefit is due to age, the member becomes entitled to a service retirement allowance and the minimum period of service prescribed for the receipt of a retirement benefit does not apply in such a case.

7. ACCIDENTAL DEATH BENEFIT

Upon death of a member as the direct result of injuries arising out of and in the course of employment, his accumulated contributions are payable in full to his beneficiary, and if a widow survives she becomes entitled to a benefit equal to 50% of the member's earnable compensation* which is payable during her widowhood. If there be no widow, or if the widow remarries or dies before any child of the deceased has attained the age of 18 years, each such child receives a monthly allowance of \$15.00, payable until their attainment of age 18. The combined payments to children are not to exceed 50% of earnable compensation* of the member.

If there be no widow nor minor children under age 18, a benefit of 50% of earnable compensation is payable to either surviving dependent parent for life.

The Accidental Death Benefit is reduced by amounts received as Workmen's Compensation.

8. REFUNDS

Upon withdrawal from service a member may receive a refund of his contributions to the System. No interest is paid on such refunds.

CONTRIBUTIONS

By Members: The members of the System contribute at the rate of 5% of their earnings by way of salary deductions. The maximum amount of earnings considered by the System for salary deductions is \$4,800.00 per year.

By the State: The State of Illinois is required to make regular contributions to meet the cost of the various benefits after applying the amounts contributed by the members. These contributions are made by means of biennial appropriations.

*Earnable compensation is defined to mean the full rate of the member's compensation including maintenance, subject to a maximum of \$4,800.00 per year, except as to Ordinary Disability, Accidental Disability and Accidental Death Benefits, for which the maximum rate of earnable compensation stipulated is \$3,000.00 per year.

