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# STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

## TWENTY-FIRST ANNUAL STATEMENT OF THE BOARD OF TRUSTEES

JUNE 30, 1964



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

529 South Seventh Street • Springfield, Illinois

STATE OF ILLINOIS  
OTTO KERNER, Governor

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

BOARD OF TRUSTEES

(as constituted June 30, 1964)

ROY TUCHBREITER, *Chairman*  
*Chairman of the Board*  
Continental Assurance Company

HON. MICHAEL J. HOWLETT  
*Auditor of Public Accounts*  
(Member Ex Officio)

HON. JAMES A. RONAN  
*Director of Finance*  
(Member Ex Officio)

CHARLES H. PEELER  
*Assistant Superintendent*  
Elgin State Hospital

THEODORE F. MORF  
*Assistant Chief Highway Engineer*



L. C. CORTRIGHT, *Secretary*  
Springfield, Illinois

HON. WILLIAM G. CLARK  
*Attorney General*  
*Counsel*

HON. WILLIAM J. SCOTT  
*State Treasurer*  
*Treasurer*

A. A. WEINBERG  
*Consulting Actuary*



(8530—3-65)

(Printed by Authority of the State of Illinois)

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## LETTER OF TRANSMITTAL

October 31, 1964

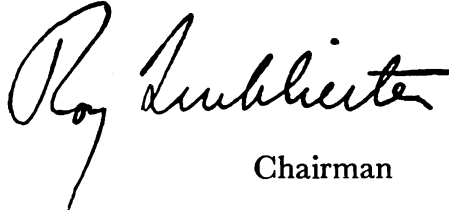
To his Excellency,  
The Honorable Otto H. Kerner  
Governor of the State of Illinois  
Springfield

Sir:

On behalf of the Board of Trustees of the State Employees' Retirement System of Illinois, I take pleasure in submitting herewith the Twenty-First Annual Statement of the Board for the fiscal year ended June 30, 1964.

(Signed)

Respectfully submitted,



Chairman

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CORNELL UNIVERSITY

## FINANCIAL AND STATISTICAL FACTS

<i>Financial at Year-End</i>	Fiscal Year Ended June 30,	
	1964	1963
Net Assets at End of Year.....	\$ 116,524,301.50	\$ 102,701,907.02
Increase in Net Assets .....	13,822,394.48	10,070,201.69
Investments (at Book Value) .....	114,112,848.32	100,744,854.80
Average Yield on Investments .....	3.79%	3.75%
Unfunded Accrued Liability .....	210,726,155.00	186,882,975.24
<i>Fiscal Year Results</i>		
Total Income for Year .....	26,845,114.94	22,415,422.43
Employee Contributions .....	14,226,805.01	12,994,245.26
State Contributions .....	7,497,641.31	5,070,732.00
Contributions from Federal Funds.....	839,204.81	621,373.63
Interest Income .....	4,074,020.25	3,522,060.01
Total Expenditures .....	13,022,720.46	11,277,423.85
Annuity and Benefit Payments.....	10,557,878.43	9,050,017.15
Refunds .....	2,464,842.03	2,227,406.70
<i>Statistical</i>		
Membership at End of Year .....	44,534	42,429
Service Retirement Annuitants.....	5,518	5,008
Widows' Annuity Beneficiaries .....	683	598
Survivors' Annuity Beneficiaries.....	288	168
Changes in Service Retirement Annuitants:		
Retirements During Year.....	792	720
Re-entry into Service.....	16	31
Deaths Among Retirants .....	265	263
Number of Survivors' and Widows' Annuity Claims Processed During Year:		
Survivors' Annuities .....	169	130
Widows' Annuities .....	103	85
Number of Disability Claims Processed During Year:		
Ordinary .....	265	268
Accidental .....	98	67
Number of Death Claims Processed During Year:		
Ordinary .....	153	177
Accidental .....	9	12
Withdrawal Benefits Paid (Refunds).....	3,228	3,214

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**  
**TWENTY-FIRST ANNUAL STATEMENT**  
of the  
**BOARD OF TRUSTEES**

The Twenty-First Annual Statement of the Board of Trustees of the State Employees' Retirement System of Illinois is presented herewith. The statement embodies certain financial and statistical facts bearing upon the operations of the System during the fiscal year ended June 30, 1964, and illustrates the financial condition of the System at the end of the year. It includes also a discussion of the principal developments in management and administration during the year.

**Membership Statistics**

Number of Members, July 1, 1963.....	42,496
<i>Additions:</i>	
Employees qualifying for membership during the year.....	6,439
	48,935
<i>Deductions:</i>	
Deaths prior to retirement .....	314
Separations with refunds .....	3,228
Service retirements .....	792
	4,334
Number, June 30, 1964.....	44,601
<i>Adjustment—</i>	
Deaths prior to retirement—unclaimed accounts.....	67
Net Membership, June 30, 1964.....	44,534

At the close of the year there were 5,518 service retirement allowance recipients, 683 widow annuity beneficiaries and 288 survivors' annuity beneficiaries. The changes in the retirement roll for the year were as follows:

	Service Retirements	Widows' Annuities	Survivors' Annuity Beneficiaries
Number of retirants July 1, 1963.....	5,008	598	168
Claims effective during the year 1963-1964....	792	103	169
Claims previously deferred.....	1	6	20
Totals .....	5,801	707	357

Deaths (or remarriage or children attaining age 18 in the case of survivors' annuity)...	265	18	11
Deferments .....	2	5	58
Re-entrants into service.....	16	—	—
Converted to accidental death.....	—	1	—
Totals .....	283	24	69
Number of retirants June 30, 1964.....	5,518	683	288

The trend in membership and in the number of beneficiaries for the last five fiscal years is illustrated below:

Date June 30th	Members	Service Retirements	Widows' Annuities <sup>1</sup>	Survivors' Annuity Beneficiaries <sup>2</sup>
1960	38,611	3,407	369	—
1961	37,012	4,067	446	—
1962	40,518	4,582	532	76
1963	42,429	5,008	598	168
1964	44,534	5,518	683	288

<sup>1</sup> Became operative July 1, 1953.

<sup>2</sup> Established July 1, 1961.

### Financial Review

Total reserves at the close of the year amounted to \$116,524,-301.50. These reserves increased during the year in the sum of \$13,822,394.48. For the most part this increase represented contributions by the members.

For the past 10 years State contributions have been made on a cash basis and not according to the partial funded method specifically prescribed by the Act governing the System. The existing reserve approximating 20% of the total reserves represents an accumulation from prior years when appropriations were in accord with the prescribed formula and above cash expenditures.

Total revenues for the last fiscal year amounted to \$26,845,114.94. Total expenditures are recorded at \$13,022,720.46. The excess of revenues over expenditures was \$13,822,394.48. This represents the increase in reserves for the year as stated above. This increase was due largely to member contribution credits and interest income related thereto.

Financial statements exhibiting the results of operations as to income and expenditures are presented in the auditors' report as a part of this annual statement.



The regular annual audit and examination of the books and accounts of the System was completed after the close of the year by Alexander Grant & Company. This firm was selected by Louie P. Roberts, Auditor General of the State of Illinois. No exceptions in accounting practices and procedures or any irregularities were noted by the auditors in their report dated December 10, 1964. In the summary of their recommendations and other matters presented in the latter part of the audit report, the auditors stated

“Accounting procedures of the State Employees’ Retirement System of Illinois provide generally effective controls over assets and operations. Though we did not obtain a legal opinion, our examination of this agency disclosed no indications of violations of the governing statutes or of applicable rules and regulations, except that, as indicated by the actuary, appropriations necessary to maintain the System by the State are not in the amounts that should be contributed if applicable provisions in the act relating to State Employees’ Retirement System were more closely followed as a guide in determining appropriations.

“There were no indications that the State Employees’ Retirement System is conducting any activities which are not in accordance with the act creating this agency. An examination made in accordance with generally accepted auditing standards is based on test procedures and consequently cannot be relied upon to disclose all irregularities. In addition, the scope of our audit was not specifically designed to include a detailed study of operating efficiency. In the audit tests made, we have been alert for indications of irregularities and lack of efficiency in the financial operations and management of the agency; observations, if any, which are relative to such matters are in the comments in this report and are also included in the following summary of findings and recommendations.”

Another comment by the auditors in the section of the report dealing with “Recommendations Not Acted Upon” is quoted below:

“Appropriations by the State of Illinois for maintenance of the System may be in amounts less than prescribed by the governing statute. In addition, salaries of certain State employees and the related employer contributions are paid in whole or in part from Federal funds. As federal contributions are in the same relationship to salaries as State contributions, any current deficiencies in amounts paid into the System by the State results in the loss of Federal funds that may ultimately have to be made up by State funds. Continued consideration should be given to improving this situation when future appropriations to the State Employees’ Retirement System are being budgeted.”

### Investments

Total investments at June 30, 1964 amounted to \$115,586,500.00 at par value, compared with \$102,236,500.00 at the close of the preceding year, an increase for the year of \$13,350,000.00.

Investments consisted entirely of United States government securities. The average interest return for the year on the investment account was 3.79% compared with 3.75% for the preceding fiscal year.

The factor of interest is an important element in the financing of pensions. It serves to finance from 25% to 40% of the pension cost depending upon the rate of interest assumption and the period of time represented by an employee's service. During the fiscal year under review, interest income was equal to 15.1% of total revenues. This is below the rate for other retirement systems. The overall average for all public employee retirement systems in the United States, some 2300 in number, is 20.0%. The low ratio in the case of the State Employees' Retirement System is due principally to the inadequacy of the appropriations by the State. These appropriations are far below the amounts contributed by the governmental units in the case of most other retirement systems of comparable character or size, either in Illinois or outside of the State.

#### Appropriation Requirements for 1965-1967 Biennium

The actuary has certified the amount of \$45,961,561.00 as the appropriation requirements from the State of Illinois for the ensuing biennium under the method of financing prescribed by the Act governing the System. This consisted of the amount directly applicable to the 1965-1967 biennium of \$22,384,480.00 and an accumulated deficiency in appropriation requests for the five preceding biennial periods of \$23,577,081.00.

The report of the actuary stated that in the determination of these requirements effect had been given to the several basic factors directly affecting costs. Among these factors were the following: (1) upward trend in members' salaries; (2) increases in annuity and benefit payments resulting from amendments enacted during recent years; (3) normal increases in expenditures due to an expanding membership; and (4) a reduced mortality among pensioners.

Total payments by the System for annuities and benefits have been steadily and persistently upward as will be observed in the following statement:

Year Ended June 30th	Annuity and Benefit Payments
1960	\$ 5,565,773.18
1961	6,228,022.08
1962	7,660,430.00
1963	9,050,017.15
1964	10,557,878.43

The increase in these expenditures for the last five years has been 90%. This trend is expected to continue and will in all probability become more pronounced in future years. Steadily increasing State appropriations, therefore, will be required under the established benefit schedule of the law to meet benefit payments.

### Standing Committees

Three standing committees are maintained by the Board to effectuate its policies, namely, the Committee on Investments, the Policy Committee and Claims Committee. These committees are continuing to discharge their assigned duties in a highly satisfactory manner.

The Committee on Investments serves as adviser to the Board on the subject of investments. It is composed of Roy Tuchbreiter, Chairman, James A. Ronan, Director of Finance, and Charles A. Schoeneberger, Vice President, National Boulevard Bank of Chicago.

The Policy Committee deals with matters of a policy character arising in administration and formulates recommendations to the Board. Its membership includes Trustee Charles H. Peeler, as Chairman, Trustee Theodore F. Morf and L. C. Cortright, Secretary, with the actuary as technical consultant.

The Claims Committee reviews all claims for annuities and benefits, and formulates rules relative to the processing and disposition of the claims. It consists of Trustee Theodore F. Morf, as Chairman, Mr. Lee W. Ensel, an attorney in Springfield, and L. C. Cortright, Secretary.

### Social Security Unit

As of the date of this report, 174 appendices to the original Federal-State agreement have been approved for social security coverage for employees of 3,829 separate coverage units. The total number of employees provided coverage under the program is 96,588. Of this number 80.9% have accounts with the Illinois Municipal Retirement Fund. This Fund has been coordinated with social security and embodies a dual program. The remainder of the group have only social security coverage.

### Report of the Actuary

An actuarial valuation of the System was completed by the actuary as of the close of the year and the results thereof are presented in the actuary's report which is a part of this annual statement.

### Conclusion

Current operations of the System have been satisfactory. The unfunded accrued obligation, however, is increasing steadily because of the policy of the State government of financing the State's share of the cost on a cash basis.

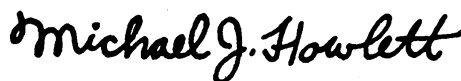
The administration of the System has been developed to a high level of efficiency in accord with principles and policies governing public employee retirement systems. The management policies of the Board are geared to standards designed to operate the System in the effectuation of its prescribed purposes and objectives to the end that the employee participants and the State may derive the maximum benefits and advantages therefrom.

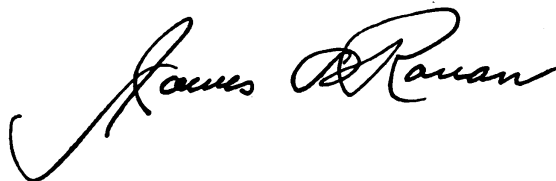
Acknowledgment is made of the generous and cooperative efforts of all officers and employees of the State government in the administration of the System. The Board also hereby records its recognition of the loyal, conscientious and dedicated efforts of L. C. Cortright, Secretary, and the employees comprising his administrative staff.

Respectfully submitted,


BOARD OF TRUSTEES  
State Employees' Retirement System  
of Illinois

  
Chairman







 Theodore T. Thorpe  
Secretary

## ACTUARY'S CERTIFICATION

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

We have completed an actuarial valuation of the assets and liabilities of the State Employees' Retirement System of Illinois as of June 30, 1964.

Appended hereto is a Valuation Balance Sheet exhibiting the total assets, liabilities and reserves of the System at the aforesaid date. Present assets and current liabilities embodied in this statement were taken from the report of Alexander Grant & Company, Certified Public Accountants, on an audit of the operation of the System for the 1964 fiscal year.

In our opinion, the accompanying Valuation Balance Sheet correctly presents the condition of the State Employees' Retirement System of Illinois at June 30, 1964, giving effect to all accrued liabilities and reserve requirements under the applicable law.

A. A. Weinberg  
*Consulting Actuary*

October 31, 1964

**VALUATION BALANCE SHEET**  
**STATEMENT OF ASSETS, LIABILITIES AND RESERVES**  
**JUNE 30, 1964**

**VALUATION BALANCE SHEET—JUNE 30, 1964**  
**Statement of Assets, Liabilities and Reserves**

**ASSETS**

**PRESENT ASSETS:**

Cash .....		\$	327,604.26
Accounts Receivable—			
Members' Contributions.....	\$	1,207,721.28	
Trust and federal funds.....		285,301.89	
Illinois Toll Highway Commission...		86,513.70	1,579,536.87
Investments—			
United States Government Securities (at amortized cost) .....			114,112,848.32
Accrued Interest—			
On investments .....			1,006,832.46
Other—			
Due from members for benefits cancelled .....	\$	9,998.48	
Proportional service retirement allowance .....		706.95	10,705.43

**PROSPECTIVE ASSETS:**

Obligations for service to be rendered after June 30, 1964—			
Male members .....	\$	27,647,102.00	
Female members .....		19,666,958.00	
State of Illinois .....		100,522,058.00	147,836,118.00

**DEFERRED ASSETS:**

Due from the State of Illinois for unfunded accrued pension credits .....			210,726,155.00
<b>TOTAL ASSETS .....</b>			<b><u><u>\$475,599,800.34</u></u></b>

## VALUATION BALANCE SHEET—JUNE 30, 1964

## Statement of Assets, Liabilities and Reserves

## LIABILITIES

## CURRENT LIABILITIES:

Benefits payable .....	\$ 214,478.74	
Refunds payable .....	298,747.10	\$ 513,225.84

## FUTURE SERVICE LIABILITY:

For pension credits on account of service after June 30, 1964—		
Male members .....	\$ 99,411,176.00	
Female members .....	48,424,942.00	147,836,118.00

## RESERVE REQUIREMENTS

## RESERVE FOR MEMBERS' CONTRIBUTIONS:

For prospective retirement and widows' annuities on account of active members.	\$ 49,273,022.82	
For future refunds and death benefits— actuarial value of future payments....	39,492,871.00	88,765,893.82

## RESERVE FOR STATE CONTRIBUTIONS:

For prospective retirement and widows' annuities on account of active members —present value of total liability for ac- crued requirements .....	\$ 187,416,174.50	
Less, members' contribution credits.....	49,273,022.82	138,143,151.68

## RETIREMENT AND BENEFITS RESERVE:

Actuarial value of retirement and widows' annuities in force, and other prospec- tive annuities and benefits—		
Retirement annuities and reversion- ary annuities on retired members...\$	82,098,105.00	
Widows' annuities .....	7,522,098.00	
Reversionary annuities .....	132,822.00	
Deferred annuities .....	1,897,417.00	
Survivors' annuities .....	6,782,106.00	
Accidental death and disability bene- fits .....	1,908,863.00	100,341,411.00

TOTAL LIABILITIES AND RESERVE REQUIREMENTS..\$ 475,599,800.34

The following explanation is given regarding the several items comprising the assets, liabilities and reserves of the System to facilitate an understanding of the function and meaning of the amounts which they represent.

*Present Assets* require no explanation since they comprise the assets on hand as taken from the report of audit of Alexander Grant & Company dated December 10, 1964.

*Prospective Assets* represents the obligations of the participants and the State for service to be rendered subsequent to June 30, 1964. They consist of discounted amounts, actuarially determined, giving effect to the factors of mortality, interest, turnover and others that enter into the computation of the present value of the liabilities for benefits accruing on account of future service.

*Deferred Assets* constitutes the amount accrued and unpaid on account of service rendered prior to the balance sheet date. This is an obligation of the State to be discharged in future years by increasing appropriations to the System.

*Current Liabilities* comprises the accrued benefits and refunds.

*Future Service Liability* is an offset to Prospective Assets, and represents the present value of the proportionate pension credits to be earned by the participants during future service extending from the balance sheet date to the assumed ages of retirement.

*Reserve Requirements* embrace three items and represent the amounts necessary to fully fund all accrued liabilities for pensions and refunds covering service prior to the balance sheet date. The three items comprising these requirements are described below.

*Reserve For Members' Contributions* consists of the amounts of the participants' own contribution credits including interest at the balance sheet date. Part of these credits are subject to refund in future years on account of resignation, dismissal or death, as actuarially determined, and part are to be applied to finance a portion of the retirement annuities and survivors' benefits to become due in the case of participants now in service or their beneficiaries who ultimately will qualify for such benefits.

*Reserve For State Contributions* represents the amounts that must be on hand to finance the State's portion of the accrued pension credits for those participants now in service who ultimately will become entitled to retirement annuities at the ages assumed for their retirement or whose beneficiaries may become eligible for payments.

*Retirement and Benefits Reserve* constitutes the amount necessary to pay out during the future lifetime of the present pensioners and beneficiaries the pensions and other benefits already granted and in force at the balance sheet date.



## REPORT OF THE ACTUARY ON AN ACTUARIAL VALUATION OF THE SYSTEM

The accompanying Valuation Balance Sheet presents the results of an actuarial valuation of the State Employees' Retirement System. Total accrued liabilities at June 30, 1964, amounted to \$327,250,456.50. Net present assets available to meet these liabilities were \$116,524,301.50, resulting in an unfunded accrued obligation at that date of \$210,726,155.00. This amount constitutes an accrued indebtedness of the State of Illinois to the System for previous service of its employees to be discharged by future appropriations.

*Basis of Valuation.* The benefit and contribution provisions used as a basis for this valuation are summarized in the appendix.

The actuarial table used in this valuation was the 1937 Standard Annuity Mortality Table. The rate of interest assumed in our calculations was 3% per annum.

*Statistics.* The statistical data required for this valuation was compiled by the office of the System, under the direction of L. C. Cortright, Secretary, and submitted to us in excellent form for this valuation and the preparation of this report.

### Membership

	Male	Female
Number of members .....	26,259	18,275
Proportion of total .....	59.0%	41.0%
Aggregate rates of annual salary.....	\$ 152,609,568.00	\$ 81,473,904.00
Average rate of annual salary.....	\$ 5,811.00	\$ 4,458.00
Average age (years) .....	46.6	47.1
Average length of service (years).....	6.7	8.2

### Service Retirements

	Male	Female
Number of annuitants .....	2,952	2,566
Proportion of total .....	53.5%	46.5%
Aggregate annual payments .....	\$ 4,640,431.92	\$ 3,025,304.64
Average annual payment .....	\$ 1,571.96	\$ 1,179.00
Average age (years) .....	71.1	71.3
Average age at retirement.....	65.8	65.4

### Deaths Among Service Retirements

Statistics concerning deaths that occurred during the year among the retired members are summarized as follows:

	Male	Female
Number .....	177	88
Average age at death .....	73.4	74.9
Average age at retirement.....	67.7	68.1
Average age at membership.....	55.9	56.6
Average monthly annuity .....	\$ 119.66	\$ 92.86

### Beneficiary Annuities

A total of 683 widows were on the pension roll at the close of the year receiving annual payments totaling \$557,658.12, or an average of \$816.48 per year. The average length of service of the deceased members represented in these payments was 20.0 years. The average age of the widows at June 30, 1964 was 67.8 years.

Survivors' annuity beneficiaries totaled 288 in number whose annual payments amounted to \$511,338.48. The average annual payment was \$1,775.48. The payments represented the following types of beneficiaries:

	Number	Average Age
Widow .....	272	59.8
Widower .....	2	65.5
Children .....	8	13.1
Parent .....	6	76.0
Total .....	<u>288</u>	Average <u>58.8</u>

### Deferred Annuities

*Service Retirement Allowance.* Eight service retirement allowances involved a deferment of the commencement of payments to a later date due to age or other cause:

Average age at June 30, 1964.....	66.1
Average service .....	8.6
Average monthly payment .....	\$ 41.04

*Widows' Annuities.* Twenty-four widows' annuities were in a deferred status involving the following characteristics:

Average age of beneficiary at member's death.....	47.6
Average age of deceased member at death.....	62.3
Average service .....	17.8
Average monthly payment.....	\$ 71.02

*Survivors' Annuities.* There were 98 survivors' annuities deferred at the close of the year of which 24 concerned widows who were employed by the State. The remainder involved widows who were under age 55 without minor children surviving the member. Statistics pertinent to these beneficiaries are:

Average age of beneficiary at member's death.....	49.9
Average age of deceased member at death.....	56.1
Average service .....	10.7
Average monthly payment .....	\$ 125.76

*Ordinary Death Benefit.* This benefit consists of (a) the return of the members' accumulated contributions, and (b) an amount equal to 1/12 of the yearly earnable compensation of the member for the 12 months next preceding the death of the member, for each completed year of creditable service not exceeding 1/2 of such earnable compensation.

Due largely to the addition of the survivors' annuity effective in 1961, the number of such claims has decreased steadily during recent years as will be observed by the following statement:

Year Ended June 30th	Number of Claims
1960	267
1961	252
1962	152
1963	177
1964	153

*Accidental Death.* The number of beneficiaries in receipt of accidental death benefits at the close of the year was 72. The number of claims incurred during each of the last five fiscal periods was as follows:

Year Ended June 30th	Number of Claims
1960	8
1961	4
1962	3
1963	12
1964	9

The relatively short experience of operations of the System does not provide a reasonable basis for estimating with any degree of accuracy the probable number of such incidents to be incurred in the future. In the calculation of the reserve liabilities, effect was given to the offset of workmen's compensation in the payment of this benefit.

*Accidental Disability.* Accidental disability claims have increased sharply during the last two years as will be noted:

Year Ended June 30th	Number of Claims
1960	47
1961	50
1962	40
1963	67
1964	98

The departments of Public Works and Buildings and Mental Health, representing the two largest departments of the State, account for more than 80% of these claims.

*Ordinary Disability.* These claim incidents have been somewhat irregular during the past few years as will be observed in the following statement:

Year Ended June 30th	Number of Claims
1960	189
1961	213
1962	278
1963	268
1964	265

An analysis of these claims discloses that a majority occurred in the Department of Mental Health. Another department contributing in some measure to these claims is the Department of Labor.

*Withdrawal Benefits.* Members withdrawing from the System showed little variation during the last three years. The following statistics are illustrative of the trend in these withdrawals and the amounts paid as refunds:

Year Ended June 30th	Number of Withdrawals	Total Payments	Average Refund
1960	2,671	\$1,417,338.88	\$530.64
1961	4,791	4,223,768.36	881.60
1962	3,285	2,498,611.35	760.61
1963	3,214	2,187,968.43	680.76
1964	3,228	2,408,660.74	746.18

The number of withdrawals from the System due to refunds reflects substantially the expectancy under the actuarial functions in use in this valuation.

*Legislation.* Amendments to the Act at the 1963 regular session of the General Assembly were largely of an administrative or clarifying character. No additional rights or benefits were created involving increases in liabilities or costs.

Attention is again directed to the deficiency in financial allocations by the State under the archaic and inadequate method of financing the State's share of costs. The Illinois Public Employees' Pension Laws Commission has consistently recommended a systematic plan of budgeting the employer's obligation for pensions. Under this plan, each department or division of the State government would be required to include in its biennial budget the item of pension cost as the State's obligation for the biennial period on account of the employees of the particular department or division. This figure of such pension cost would be computed by applying a percentage factor to be supplied by the System to the amount requested for personal services.

This method of financing the State's obligation reflects a cost accounting principle. It is recommended for the purpose of giving effect to accruing character of the pension obligations. The present partial funded method, which measures the State's obligations to the System according to future pension payments, projected over a period of ten years (after applying employee contributions) is impracticable. It is not in full accord with the principles underlying the pension obligation.

Even this partial funded method has not been fully applied by the State. The requirements from the State, as disclosed by this projection method, have not been provided for since part of these requirements has been deferred. Any deferment of obligations not only fails

to establish a proper perspective of the true cost of the System to the State but results in a serious imbalance in the System's financial structure.

The withholding of appropriations to the System for its statutory needs eventually will result in considerably larger costs to the State. Interest income on invested reserves will not be available to help meet a part of the cost of the System. Besides, under the existing method of financing, the entire cost is imposed on the General Revenue Fund. Special funds having outside revenues do not bear a proportionate part of the cost burden. Such a situation would be obviated under the budgeting method referred to above and an equitable sharing of cost would be achieved.

Pension cost constitutes an accruing obligation and should be provided for as services are rendered. This cost basically is a current operating expense. It should, therefore, be distributed among the several departments and divisions of the State government represented in the System upon the basis of the payrolls of the members, to form an integral part of current operating budgets.

*Conclusion.* The policies in force in the management and administration of the System reflect a constructive and enlightened approach to all problems arising in operations. The stated policy of providing the employees of the State with a full measure of service during the course of operations is given full expression in administration in fulfillment of the System's objectives.

A. A. WEINBERG  
*Actuary*

# ACCOUNTANTS' REPORT AND FINANCIAL STATEMENTS

**ALEXANDER GRANT & COMPANY**

Certified Public Accountants  
410 North Prairie Street  
Bloomington, Illinois 61702

Honorable Louie P. Roberts  
Auditor General  
State of Illinois  
and  
Board of Trustees  
State Employees' Retirement  
System of Illinois  
Springfield, Illinois

We have examined the financial statements of STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS for the period from July 1, 1963 through June 30, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances except as set forth in the succeeding paragraph. We made a similar examination of the financial statements for the preceding fiscal year.

Because of the omission of actuarially computed reserves and related data, as mentioned in note to financial statements, it is our opinion the accompanying statements do not present fairly the financial position of the System Trust Fund of the State Employees' Retirement System of Illinois as of June 30, 1964, or the results of operations of that Fund for the year then ended. Accounts of the System Trust Fund, other than those based on actuarial computations, are, in our opinion, presented fairly in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

In our opinion, the assets and liabilities of the Appropriations from General Revenue Fund, State Property Fund and Social Security Contribution Fund of the State Employees' Retirement System of Illinois are presented fairly in conformity with generally accepted accounting principles applied on a consistent basis. It is also our opinion that the Statement of Appropriations by 73rd General Assembly presents fairly the expenditures against the System's appropriation by the 73rd General Assembly for the period from July 1, 1963 through June 30, 1964 on a basis consistent with that of the preceding year.

(Signed) ALEXANDER GRANT & COMPANY

Bloomington, Illinois  
December 10, 1964

**SYSTEM FUND ACCOUNT  
FINANCIAL BALANCE SHEET**

June 30, 1964

ASSETS

Cash .....	\$ 250,027.20	
Cash items in Transit .....	77,577.06	\$ 327,604.26
<hr/>		
<b>Accounts Receivable</b>		
Contributions by Members .....	1,207,721.28	
Contributions from Federal Funds .....	285,301.89	
Contributions from Illinois State Toll High- way Commission .....	86,513.70	
Proportional Service Retirement Allowance Cancellations .....	706.95	
Service Retirement Allowance.....	766.53	
Ordinary Disability .....	8,693.41	
Widow's Annuity .....	328.59	
Resignation Refunds .....	209.95	1,590,242.30
<hr/>		
Accrued Interest on Investments.....		1,006,832.46
Investments (at amortized book value).....		114,112,848.32
		<hr/>
		<b>\$ 117,037,527.34</b>
		<hr/> <hr/>

LIABILITIES

<b>Benefits Payable</b>		
Accidental Death .....	\$ 383.30	
Accidental Disability .....	5,584.78	
Ordinary Death .....	76,320.50	
Ordinary Disability .....	87,455.94	
Death Benefit after Retirement.....	15,748.18	
Service Retirement Allowance.....	10,076.42	
Survivors Annuity .....	15,028.55	
Widow's Annuity .....	3,881.07	214,478.74
<hr/>		
<b>Refunds Payable</b>		
Termination .....	296,552.48	
Widow's or Survivors Annuity Contribu- tions .....	2,194.62	298,747.10
<hr/>		
<b>Reserves</b>		
Members Contributions .....	80,632,369.18	
Interest Accumulations .....	8,133,524.64	
Annuitants Death Benefits .....	4,006,986.68	
Funded Benefits—Illinois State Toll High- way Commission .....	986,371.43	
Contingent General Reserve .....	22,765,049.57	116,524,301.50
		<hr/>
		<b>\$ 117,037,527.34</b>
		<hr/> <hr/>



**SYSTEM FUND ACCOUNT  
SUMMARY OF REVENUE, EXPENDITURES AND CHARGES**

**(Exclusive of Administrative Expense Appropriations)**

**Period July 1, 1963 to June 30, 1964**

**REVENUE**

<b>Contributions</b>	
By Members .....	\$ 13,986,048.95
Based on Disability Benefits.....	144,610.10
Repayment of Refunds.....	96,145.96
By State of Illinois	
Regular Appropria- tions .....	\$ 6,462,528.50
Unclaimed Property Act .....	1,035,112.81
	7,497,641.31
From Federal Funds .....	839,204.81
By Illinois State Toll Highway Commis- sion .....	207,329.56
<b>Interest</b>	
On Investments (as amortized).....	4,055,068.75
Paid by Members .....	18,951.50
<b>Contributions Received from Reciprocating Systems .....</b>	<b>114.00</b>
<b>Total Income .....</b>	<b>\$ 26,845,114.94</b>

**EXPENDITURES AND CHARGES**

<b>Benefit Payments</b>	
Accidental Death Benefits	
Accumulated Contri- butions .....	\$ 23,043.15
State Allowance ...	113,801.51
Accidental Disability Benefits .....	82,021.57
Ordinary Death Benefits	
Accumulated Contri- butions .....	697,787.51
State Allowance ...	194,885.13
Ordinary Disability Bene- fits .....	1,028,120.46
Death Benefit After Re- tirement (Excess of Ac- cumulated Contribu- tions over Pension Pay- ments Received) .....	68,833.98
Service Retirement Allow- ance .....	7,198,286.19
Survivors Annuity .....	569,477.04
Widow's Annuity .....	570,927.64
Reversionary Annuity ...	10,694.25
	<b>\$ 10,557,878.43</b>

Refunds			
To Members			
Withdrawal from Service .....	2,408,660.74		
Widow's or Survivors Annuity Contribu- tions .....	56,181.29	2,464,842.03	
Total Expenditures and Charges.....			\$ 13,022,720.46
Balance, June 30, 1964, Excess of Revenue over Expenditures and Charges, carried to reserves.....			\$ 13,822,394.48

STATEMENT OF APPROPRIATIONS BY 73rd GENERAL ASSEMBLY

Period from July 1, 1963 through June 30, 1964

	Expenditures		Unexpended		Encumbrances		Unencumbered	
	73rd Biennium	July 1, 1963 through June 30, 1964	Appropriations	Accounts Payable	Other	June 30, 1964	June 30, 1964	
Personal services .....	\$ 393,615.00	\$ 171,004.27	\$ 222,610.73	\$ 7,677.67	\$	\$ 214,933.06		
Contractual services .....	153,570.00	67,189.50	86,380.50	1,554.14	1,136.85	83,689.51		
Postage .....	8,000.00	3,960.00	4,040.00			4,040.00		
Travel .....	8,700.00	2,803.25	5,896.75			5,896.75		
Commodities .....	2,000.00	428.61	1,571.39	53.77		1,517.62		
Equipment .....	6,000.00	1,956.00	4,044.00			4,044.00		
Stationery, printing and office supplies .....	19,000.00	8,215.31	10,784.69	639.24		10,145.45		
Contingencies .....	2,500.00		2,500.00			2,500.00		
Administrative expenses of Widows' Annuity Benefits .....	24,000.00	1,173.33	22,826.67	684.33		22,142.34		
General administrative expenses totals .....	617,385.00	256,730.27	360,654.73	10,609.15	1,136.85	348,908.73		
Administrative expenses of Social Security Enabling Act .....	135,250.00	32,560.41	102,689.59	1,415.59		101,274.00		
Payment to Social Security Contribution Fund .....	15,000.00	15,000.00						
State's contribution to the State Employees' Retirement Fund .....	12,925,057.00	6,462,528.50	6,462,528.50			6,462,528.50		
Total .....	\$13,692,692.00	\$6,766,819.18	\$6,925,872.82	\$12,024.74	\$1,136.85	\$6,912,711.23		

## NOTE TO FINANCIAL STATEMENTS

June 30, 1964

Appropriations to the State Employees' Retirement Fund have approximated the cash requirements for each biennium but have not provided for the funding of benefits on an actuarial basis. As of the close of the prior fiscal year, June 30, 1963, the actuary's report discloses unfunded accrued pension credits of approximately \$187,000,000 as being due from the State of Illinois. An actuarial valuation of the State Employees' Retirement System of Illinois as of June 30, 1964 had not been made prior to the completion of our examination. Consequently, actuarially computed reserves and related data were not included in the accompanying financial statements.

**SYSTEM TRUST FUND**  
**UNITED STATES GOVERNMENT SECURITIES**

June 30, 1964

	Maturity Date	Principal Amount	Amortized Cost
Treasury Notes			
4 $\frac{7}{8}$ % .....	11-15-64	\$ 2,200,000.00	\$ 2,201,568.31
Investment series bonds			
2 $\frac{1}{2}$ % Series A .....	10- 1-65	250,000.00	250,000.00
Treasury bonds			
3 $\frac{5}{8}$ % .....	11-15-67	2,850,000.00	2,850,484.97
3 $\frac{7}{8}$ % .....	5-15-68	2,475,000.00	2,488,231.15
2 $\frac{1}{2}$ % .....	6-15-69/64	4,111,500.00	3,844,523.52
4% .....	10- 1-69	2,000,000.00	1,981,478.65
2 $\frac{1}{2}$ % .....	12-15-69/64	3,358,000.00	3,109,581.90
2 $\frac{1}{2}$ % .....	3-15-70/65	3,162,000.00	2,894,678.31
4% .....	8-15-70	6,325,000.00	6,293,315.15
3 $\frac{7}{8}$ % .....	11-15-71	1,305,000.00	1,298,579.59
4% .....	2-15-72	2,025,000.00	1,996,411.21
4% .....	8-15-72	3,500,000.00	3,504,843.76
4% .....	8-15-73	3,351,000.00	3,299,076.93
3 $\frac{7}{8}$ % .....	11-15-74	8,491,000.00	8,617,572.77
4% .....	2-15-80	6,275,000.00	6,181,667.24
3 $\frac{1}{2}$ % .....	11-15-80	1,600,000.00	1,607,082.90
3 $\frac{1}{4}$ % .....	6-15-83/78	13,270,000.00	13,465,509.05
4 $\frac{1}{4}$ % .....	5-15-85/75	1,000,000.00	1,006,746.19
3 $\frac{1}{4}$ % .....	5-15-85	4,000,000.00	3,993,317.77
3 $\frac{1}{2}$ % .....	2-15-90	29,538,000.00	28,844,896.01
4% .....	2-15-93/88	4,300,000.00	4,307,521.46
4 $\frac{1}{8}$ % .....	5-15-94/89	8,800,000.00	8,843,036.54
3 $\frac{1}{2}$ % .....	11-15-98	1,400,000.00	1,232,724.94
<b>Totals .....</b>		<b>\$ 115,586,500.00</b>	<b>\$ 114,112,848.32</b>

**STATISTICAL  
AND  
CLAIMS DATA**

## MEMBERSHIP BY DEPARTMENTS

June 30, 1964

Code No.	Department	Male	Female	Total	Percent of Total Membership
1	Governor .....	5	13	18	.04
2	Lieutenant Governor .....	—	1	1	.01
3	Secretary of State .....	887	889	1,776	3.99
4	Auditor of Public Accounts.....	66	84	150	.34
5	Treasurer .....	56	31	87	.19
6	Attorney General .....	143	84	227	.51
7	Public Instruction .....	78	99	177	.39
8	Courts .....	100	46	146	.32
9	State Officers .....	125	53	178	.40
10	Aeronautics .....	19	14	33	.07
11	Agriculture .....	464	153	617	1.40
12	Conservation .....	495	88	583	1.31
13	Finance .....	139	149	288	.64
14	Insurance .....	74	54	128	.29
15	Labor .....	1,158	1,429	2,587	5.81
16	Children's & Family Services.....	431	691	1,122	2.52
17	Mines and Minerals .....	53	11	64	.14
18	Audits .....	4	2	6	.02
19	Financial Institutions .....	163	49	212	.48
20	Public Health .....	306	583	889	2.00
21	Public Safety .....	2,727	293	3,020	6.78
22	Mental Health .....	4,655	7,099	11,754	26.39
23	Public Works & Buildings.....	6,627	529	7,156	16.07
24	Registration and Education.....	71	96	167	.37
25	Revenue .....	555	533	1,088	2.44
28	Personnel .....	36	70	106	.24
29	Youth Commission .....	679	340	1,019	2.29
30	Civil Service Commission.....	3	3	6	.02
31	Commerce Commission .....	112	77	189	.42
32	Liquor Control Commission .....	26	17	43	.10
33	Public Aid .....	429	1,305	1,734	3.89
34	Veterans' Commission .....	58	81	139	.31
35	State Militia .....	193	35	228	.51
50	Miscellaneous Agencies .....	728	370	1,098	2.46
	Inactives .....	4,594	2,904	7,498	16.84
	Totals .....	26,259	18,275	44,534	100.00

**NUMBER OF MEMBERS AND TOTAL SALARIES AT JUNE 30, 1964  
CLASSIFIED BY AGE AND SEX**

**Male Employees**

Age at June 30, 1964	Number of Members	Aggregate Annual Salary Rate	Age at June 30, 1964	Number of Members	Aggregate Annual Salary Rate
18	2	\$ 8,160	55	714	\$ 4,302,660
19	70	280,116	56	746	4,574,424
20	153	613,920	57	680	3,993,000
21	184	770,196	58	711	4,305,204
22	170	720,528	59	713	4,260,288
23	199	891,840	60	675	3,940,428
24	310	1,547,940	61	588	3,311,316
25	406	2,161,176	62	504	2,925,384
26	379	2,021,856	63	427	2,592,528
27	362	2,024,124	64	353	2,097,792
28	442	2,564,652	65	304	1,840,860
29	451	2,677,428	66	280	1,609,368
30	431	2,580,300	67	213	1,211,760
31	413	2,516,532	68	176	1,011,864
32	411	2,528,460	69	155	915,516
33	446	2,835,816	70	116	695,016
34	429	2,706,468	71	93	521,268
35	397	2,488,416	72	88	504,960
36	433	2,814,192	73	60	324,204
37	472	3,142,260	74	42	231,960
38	470	3,076,236	75	49	253,200
39	503	3,307,452	76	25	131,796
40	519	3,586,824	77	19	113,940
41	518	3,416,604	78	20	91,152
42	489	3,193,776	79	12	44,532
43	518	3,300,576	80	5	24,960
44	487	2,978,544	81	2	5,040
45	450	2,763,720	82	4	13,344
46	525	3,259,752	83	4	12,060
47	501	2,960,448	85	3	15,600
48	584	3,369,840	86	2	2,400
49	563	3,301,908	87	1	3,000
50	601	3,642,012	88	1	1,716
51	590	3,404,496	90	1	2,640
52	632	3,745,104	95	1	3,480
53	691	4,152,624			
54	697	4,172,820			
				23,685	\$ 141,370,776
			Members having uncompleted membership Records . . . . .	2,574	11,238,792
			Totals . . . . .	26,259	\$ 152,609,568

**NUMBER OF MEMBERS AND TOTAL SALARIES AT JUNE 30, 1964  
CLASSIFIED BY AGE AND SEX**

**Female Employees**

Age at June 30, 1964	Number of Members	Aggregate Annual Salary Rate	Age at June 30, 1964	Number of Members	Aggregate Annual Salary Rate
19	43	\$ 147,888	52	484	\$ 2,239,932
20	221	766,968	53	505	2,429,496
21	319	1,149,828	54	545	2,573,856
22	252	927,624	55	513	2,421,276
23	256	1,021,548	56	517	2,498,340
24	264	1,120,440	57	537	2,515,668
25	265	1,155,504	58	499	2,317,212
26	265	1,137,660	59	484	2,287,884
27	226	966,036	60	454	2,156,040
28	203	882,540	61	397	1,881,612
29	207	891,084	62	381	1,846,572
30	212	909,624	63	313	1,522,020
31	211	909,768	64	343	1,662,780
32	194	847,128	65	224	1,058,388
33	194	811,320	66	223	1,057,260
34	206	937,692	67	163	782,676
35	227	1,034,256	68	169	799,080
36	227	998,304	69	143	677,172
37	279	1,266,276	70	87	405,264
38	271	1,227,084	71	100	464,508
39	291	1,282,968	72	68	336,036
40	296	1,277,508	73	55	273,048
41	328	1,436,340	74	35	143,856
42	367	1,650,972	75	27	134,844
43	377	1,708,848	76	32	155,904
44	388	1,740,588	77	8	33,924
45	385	1,733,856	78	13	53,592
46	404	1,840,680	79	5	20,880
47	384	1,745,148	80	9	34,260
48	425	1,921,380	81	1	4,260
49	494	2,277,408	82	1	1,320
50	500	2,338,968	84	2	5,640
51	544	2,537,088			
				<hr/>	<hr/>
				17,063	\$ 77,396,244
Members having uncompleted Membership Records.....				1,212	4,077,660
				<hr/>	<hr/>
<b>Totals .....</b>				<b>18,275</b>	<b>\$ 81,473,904</b>



**NUMBER OF MEMBERS AT JUNE 30, 1964  
CLASSIFIED BY LENGTH OF SERVICE**

Length of Service at June 30, 1964 (Years)	Number		Total
	Male	Female	
Less Than One Year .....	3,387	2,079	5,466
1 .....	3,461	2,159	5,620
2 .....	5,370	1,722	7,092
3 .....	1,357	1,040	2,397
4 .....	1,181	847	2,028
5 .....	1,238	746	1,984
6 .....	1,355	855	2,210
7 .....	934	909	1,843
8 .....	926	899	1,825
9 .....	681	760	1,441
10 .....	792	688	1,480
11 .....	606	571	1,177
12 .....	449	455	904
13 .....	420	365	785
14 .....	463	368	831
15 .....	349	320	669
16 .....	349	327	676
17 .....	363	332	695
18 .....	280	268	548
19 .....	207	212	419
20 .....	148	204	352
21 .....	144	195	339
22 .....	200	283	483
23 .....	326	323	649
24 .....	157	187	344
25 .....	193	162	355
26 .....	134	140	274
27 .....	133	123	256
28 .....	103	99	202
29 .....	95	88	183
30 .....	83	99	182
31 .....	75	103	178
32 .....	46	56	102
33 .....	32	38	70
34 .....	50	42	92
35 .....	23	32	55
36 .....	35	33	68
37 .....	22	20	42
38 .....	16	21	37
39 .....	20	14	34
40 .....	5	10	15
41 .....	16	21	37
42 .....	11	11	22
43 .....	3	12	15
44 .....	6	8	14
45 .....	6	16	22
46 .....	4	4	8
47 .....	1	2	3
48 .....	2	3	5
49 .....	—	2	2
50 .....	—	2	2
53 .....	1	—	1
55 .....	1	—	1
Totals .....	<u>26,259</u>	<u>18,275</u>	<u>44,534</u>

**SERVICE RETIREMENT ANNUITANTS CLASSIFIED BY  
AGE AT JUNE 30, 1964**

**Male**

Age at June 30, 1964	Number	Annual Payments
55 .....	1	\$ 2,126.64
57 .....	1	1,554.72
58 .....	5	11,330.40
59 .....	3	14,003.16
60 .....	25	39,099.84
61 .....	60	108,155.28
62 .....	74	154,394.52
63 .....	108	197,841.96
64 .....	106	174,794.76
65 .....	149	287,470.92
66 .....	174	357,157.92
67 .....	166	285,398.04
68 .....	213	363,475.20
69 .....	216	310,311.24
70 .....	192	304,488.24
71 .....	168	267,588.84
72 .....	198	288,408.96
73 .....	151	221,941.80
74 .....	152	211,992.36
75 .....	124	190,773.72
76 .....	117	171,425.88
77 .....	99	137,283.72
78 .....	89	121,423.92
79 .....	93	127,602.00
80 .....	57	61,748.52
81 .....	53	71,851.68
82 .....	37	33,518.80
83 .....	26	26,130.36
84 .....	25	26,689.08
85 .....	15	13,673.16
86 .....	13	14,335.56
87 .....	12	7,929.48
88 .....	12	10,175.16
89 .....	4	2,675.64
90 .....	3	3,650.76
91 .....	3	4,229.40
92 .....	2	1,501.92
93 .....	5	5,382.96
94 .....	1	1,895.40
<b>Totals</b> .....	<b>2,952</b>	<b>\$ 4,640,431.92</b>

Average Age—71.10 years  
Average Allowance—\$1,571.96 per year

**SERVICE RETIREMENT ANNUITANTS CLASSIFIED BY  
AGE AT JUNE 30, 1964**

**Female**

Age at June 30, 1964	Number	Annual Payments
50 .....	1	\$ 1,534.08
51 .....	2	3,199.08
55 .....	1	1,143.24
56 .....	2	2,068.32
57 .....	4	4,946.04
58 .....	3	6,485.04
59 .....	9	18,384.60
60 .....	30	44,583.84
61 .....	69	92,024.04
62 .....	69	88,958.04
63 .....	64	80,502.36
64 .....	96	120,538.92
65 .....	99	120,735.72
66 .....	146	170,258.28
67 .....	158	207,624.12
68 .....	162	185,068.56
69 .....	161	195,485.76
70 .....	161	187,187.04
71 .....	143	182,690.28
72 .....	146	167,888.88
73 .....	135	161,916.12
74 .....	151	178,779.24
75 .....	115	126,184.56
76 .....	113	130,580.28
77 .....	101	116,559.24
78 .....	86	94,950.60
79 .....	76	84,977.52
80 .....	65	68,930.52
81 .....	41	39,492.36
82 .....	33	38,745.96
83 .....	33	29,907.24
84 .....	25	23,640.12
85 .....	18	15,288.48
86 .....	15	10,639.68
87 .....	7	4,312.20
88 .....	9	6,002.28
89 .....	10	7,931.76
91 .....	2	1,406.64
92 .....	2	1,267.92
93 .....	2	2,038.44
94 .....	1	447.24
<b>Totals .....</b>	<b>2,566</b>	<b>\$ 3,025,304.64</b>
Average Age—71.31 years		
Average Allowance—\$1,179.00 per year		

**SERVICE RETIREMENT ANNUITANTS CLASSIFIED BY  
AGE AT RETIREMENT**

**June 30, 1964**

Age at Retirement	Number	
	Male	Female
50 .....	1	5
53 .....	—	3
54 .....	—	2
55 .....	9	10
56 .....	2	8
57 .....	3	8
58 .....	5	17
59 .....	8	15
60 .....	493	406
61 .....	162	172
62 .....	174	154
63 .....	157	149
64 .....	187	132
65 .....	368	319
66 .....	203	186
67 .....	204	153
68 .....	161	142
69 .....	142	152
70 .....	219	183
71 .....	83	87
72 .....	87	65
73 .....	79	66
74 .....	59	55
75 .....	41	36
76 .....	35	12
77 .....	22	14
78 .....	20	5
79 .....	12	3
80 .....	4	2
81 .....	2	4
82 .....	3	—
83 .....	5	—
84 .....	1	—
86 .....	1	1
<b>Totals .....</b>	<b><u>2,952</u></b>	<b><u>2,566</u></b>
<b>Average Age at Retirement</b>		
<b>Males—65.82</b>		
<b>Females—65.44</b>		

**WIDOW ANNUITANTS CLASSIFIED BY AGE AT  
June 30, 1964**

Age at June 30, 1964	Number	Annual Payments
39 .....	1	\$ 933.60
43 .....	1	448.80
44 .....	2	3,540.36
45 .....	1	1,325.64
47 .....	2	1,785.60
48 .....	1	419.04
49 .....	4	2,832.36
50 .....	3	2,297.04
51 .....	4	4,714.80
52 .....	5	6,398.04
53 .....	4	3,493.80
54 .....	1	1,422.60
55 .....	8	9,231.36
56 .....	9	7,484.88
57 .....	14	14,176.32
58 .....	10	10,325.16
59 .....	18	11,453.16
60 .....	18	18,328.08
61 .....	25	27,054.96
62 .....	33	24,648.12
63 .....	24	20,726.04
64 .....	36	34,025.16
65 .....	32	34,467.12
66 .....	33	24,318.60
67 .....	27	19,561.80
68 .....	42	36,547.08
69 .....	28	28,403.76
70 .....	46	35,050.32
71 .....	33	23,086.20
72 .....	24	19,567.80
73 .....	32	19,366.68
74 .....	30	22,856.28
75 .....	23	15,754.68
76 .....	18	11,019.00
77 .....	24	17,766.48
78 .....	18	11,070.72
79 .....	11	8,206.08
80 .....	12	7,587.48
81 .....	9	5,261.64
82 .....	4	4,083.24
83 .....	5	2,349.48
84 .....	2	861.96
85 .....	2	2,069.40
86 .....	2	702.24
88 .....	1	325.32
89 .....	1	309.84
<b>Totals</b> .....	<b>683</b>	<b>\$ 557,658.12</b>

**SURVIVORS' ANNUITY BENEFICIARIES CLASSIFIED BY  
AGE AT JUNE 30, 1964**

**Relationship of Beneficiary**

Age	Widow	Widower	Child	Parent	Total	Annual Payments
2 .....	—	—	1	—	1	\$ 1,500.00
12 .....	—	—	1	—	1	1,383.24
13 .....	—	—	1	—	1	1,225.56
15 .....	—	—	3	—	3	3,510.72
16 .....	—	—	1	—	1	1,103.76
17 .....	—	—	1	—	1	882.96
30 .....	1	—	—	—	1	3,000.00
32 .....	1	—	—	—	1	3,000.00
33 .....	2	—	—	—	2	5,722.80
34 .....	1	—	—	—	1	3,000.00
37 .....	3	—	—	—	3	8,826.12
39 .....	2	—	—	—	2	6,000.00
40 .....	3	—	—	—	3	7,844.40
42 .....	1	—	—	—	1	3,000.00
43 .....	2	—	—	—	2	5,712.96
44 .....	4	—	—	—	4	11,008.92
45 .....	2	—	—	—	2	4,752.96
46 .....	6	—	—	—	6	16,848.48
47 .....	4	—	—	—	4	10,909.32
48 .....	1	—	—	—	1	3,000.00
49 .....	1	—	—	—	1	3,000.00
50 .....	6	—	—	—	6	17,212.08
51 .....	4	—	—	—	4	11,685.36
52 .....	3	—	—	—	3	8,088.00
53 .....	4	—	—	—	4	8,800.08
54 .....	1	—	—	—	1	3,000.00
55 .....	9	—	—	—	9	19,444.92
56 .....	11	—	—	—	11	20,560.08
57 .....	13	—	—	—	13	19,895.28
58 .....	14	1	—	—	15	25,593.48
59 .....	20	—	—	—	20	32,905.80
60 .....	15	—	—	—	15	25,156.20
61 .....	16	—	—	—	16	24,675.36
62 .....	18	—	—	—	18	24,434.64
63 .....	9	—	—	1	10	14,412.00
64 .....	16	—	—	—	16	24,651.12
65 .....	14	—	—	—	14	23,607.24
66 .....	9	—	—	—	9	12,052.80
67 .....	6	—	—	—	6	9,362.04
68 .....	8	—	—	—	8	11,348.28
69 .....	6	—	—	—	6	7,094.16
70 .....	11	—	—	—	11	12,336.84
71 .....	4	—	—	—	4	6,068.28
72 .....	3	—	—	—	3	5,400.24
73 .....	4	1	—	—	5	8,444.16
74 .....	8	—	—	—	8	11,922.36
75 .....	4	—	—	1	5	7,878.96
77 .....	—	—	—	1	1	1,162.68
78 .....	2	—	—	1	3	5,828.64
79 .....	—	—	—	1	1	2,037.84
84 .....	—	—	—	1	1	1,047.36
Totals .....	<u>272</u>	<u>2</u>	<u>8</u>	<u>6</u>	<u>288</u>	<u>\$ 511,338.48</u>

**DEATHS AMONG MEMBERS PRIOR TO RETIREMENT—AGE AND  
SERVICE DATA—FISCAL PERIOD JULY 1, 1963 TO JUNE 30, 1964**

**Number of Claims**

Age at Death	Male	Female	Total	
18 to 24 incl. ....	1	0	1	
25 to 29 incl. ....	0	0	0	
30 to 34 incl. ....	0	1	1	
35 to 39 incl. ....	7	1	8	
40 to 44 incl. ....	14	2	16	
45 to 49 incl. ....	21	12	33	
50 to 54 incl. ....	32	13	45	
55 to 59 incl. ....	68	14	82	
60 to 64 incl. ....	59	19	78	
65 to 69 incl. ....	25	7	32	
70 or over .....	13	5	18	
Totals .....	240	74	314	
<b>Service Data:</b>				
Less than 6 years of service..	113	17	130	41%
6 years of service or over...	127	57	184	59%
			314	

**DEATH PRIOR TO RETIREMENT CLASSIFIED BY CAUSES OF DEATH  
FISCAL PERIOD JULY 1, 1963 TO JUNE 30, 1964**

Cause of Death	Number
<b>Diseases of the Heart, Blood Vessels and Kidneys:</b>	
Heart Disease .....	147
Apoplexy .....	36
Nephritis .....	6
Cancer and Tumor .....	50
Pneumonia and Influenza .....	20
Diabetes .....	0
Liver Disease .....	7
Pulmonary Tuberculosis .....	9
<b>Diseases of the Digestive Tract, Including Ulcers of the Stomach and     Duodenum and Appendicitis .....</b>	
.....	12
Automobile Accidents .....	10
Other Violent Deaths—Including War Deaths.....	8
All Other Causes .....	8
Causes Unknown .....	1
<b>Totals .....</b>	<b>314</b>
<b>Above Statistics Classified as to Types of Benefits:</b>	
Ordinary Death (Nonoccupational) .....	153
Accidental Death (Occupational) .....	9
Survivors' Annuity .....	146
Widows' Annuity .....	6
<b>Totals .....</b>	<b>314</b>



## STATISTICS ON WITHDRAWALS WITH REFUNDS

### Classified by Age at Withdrawal

Age at Withdrawal	Number of Refunds Year Ended June 30	
	1964	1963
18-19 incl. ....	4	3
20-24 incl. ....	594	542
25-29 incl. ....	726	594
30-34 incl. ....	416	431
35-39 incl. ....	347	362
40-44 incl. ....	291	303
45-49 incl. ....	237	253
50-54 incl. ....	233	226
55-59 incl. ....	174	221
60-64 incl. ....	132	166
65-69 incl. ....	50	70
70 and over ....	18	19
No age data ....	6	24
Totals .....	<u>3,228</u>	<u>3,214</u>

### Classified by Length of Service

Less Than 1 Year .....	486	602
1 Year .....	960	912
2 Years .....	633	511
3 Years .....	308	335
4 Years .....	231	259
5 Years and Over .....	610	595
Totals (as above) .....	<u>3,228</u>	<u>3,214</u>

**SUMMARY BY DEPARTMENT OF BENEFIT CLAIMS COVERING  
THE PERIOD FROM JULY 1, 1963 TO JUNE 30, 1964**

Code No.	Name of Department	Service Retirement Allowance	Ordinary Death	Accidental Death	Ordinary Disability	Accidental Disability	Reversionary Annuity	Death Benefit After Retirement	Widows' Annuities	Survivors' Annuities
01	Governor	...	...	...	...	...	...	...	...	...
02	Lieutenant Governor	...	...	...	...	...	...	...	...	...
03	Secretary of State	57	9	2	13	...	...	2	5	14
04	Auditor of Public Accounts	6	1	...	...	...	...	...	3	1
05	Treasurer	5	1	...	...	...	...	...	1	...
06	Attorney General	3	4	...	1	...	...	...	1	...
07	Public Instruction	4	...	...	...	...	...	...	1	...
08	Courts	...	...	...	...	...	...	...	...	...
09	State Officers	18	1	...	...	...	...	...	1	2
10	Aeronautics	1	...	...	...	...	...	...	...	3
11	Agriculture	8	3	...	...	...	...	1	...	...
12	Conservation	6	...	1	...	...	...	...	2	2
13	Finance	10	1	...	3	...	...	1	1	1
14	Insurance	9	...	...	...	1	...	1	1	3
15	Labor	52	8	...	25	2	...	1	6	11
16	Children's and Family Services	12	2	...	1	2	...	1	...	1
17	Mines and Minerals	1	3	...	...	...	...	...	1	2
18	Audits	...	...	...	...	...	...	...	...	...
19	Financial Institutions	3	...	1	3	...	...	...	...	5
20	Public Health	11	4	...	8	1	...	2	...	...
21	Public Safety	43	9	...	12	3	...	3	10	14
22	Mental Health	302	54	1	159	36	...	16	29	47
23	Public Works and Buildings	123	29	3	8	49	...	3	29	32
24	Registration and Education	2	1	...	1	...	...	...	...	...
25	Revenue	29	9	...	8	1	...	2	6	4
28	Personnel	2	...	...	...	...	...	...	...	...

(Continued)

**SUMMARY BY DEPARTMENTS OF BENEFIT CLAIMS COVERING  
 THE PERIOD FROM JULY 1, 1963 TO JUNE 30, 1964**

(Continued)

Code No.	Name of Department	Service Retirement Allowance	Ordinary Death	Accidental Death	Ordinary Disability	Accidental Disability	Reversionary Annuity	Death Benefit After Retirement	Widows' Annuities	Survivors' Annuities
29	Youth Commission .....	14	3	...	7	...	...	2	...	6
30	Civil Service Commission...	1	...	...	...	...	...	...	...	...
31	Commerce Commission .....	3	...	...	...	...	...	2	1	2
32	Liquor Control Commission..	1	...	...	1	...	...	...	...	2
33	Public Aid .....	51	6	1	8	2	...	2	2	2
34	Veterans' Commission .....	2	1	...	3	...	...	...	...	1
35	State Militia .....	2	2	...	2	...	...	1	2	3
50	Miscellaneous Agencies .....	11	2	...	2	1	...	1	1	8
<b>Totals .....</b>		<b>792</b>	<b>153</b>	<b>9</b>	<b>265</b>	<b>98</b>	<b>...</b>	<b>40</b>	<b>103</b>	<b>169</b>

**SERVICE RETIREMENT ALLOWANCE EFFECTIVE DURING THE  
PERIOD FROM JULY 1, 1963 TO JUNE 30, 1964**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1964	1963
01	Governor .....	0	1
03	Secretary of State .....	57	36
04	Auditor of Public Accounts .....	6	2
05	Treasurer .....	5	5
06	Attorney General .....	3	4
07	Public Instruction .....	4	6
08	Courts .....	0	1
09	State Officers .....	18	12
10	Aeronautics .....	1	1
11	Agriculture .....	8	9
12	Conservation .....	6	9
13	Finance .....	10	10
14	Insurance .....	9	1
15	Labor .....	52	27
16	Children's and Family Services.....	12	0
17	Mines and Minerals .....	1	0
19	Financial Institutions .....	3	3
20	Public Health .....	11	15
21	Public Safety .....	43	49
22	Mental Health .....	302	310
23	Public Works and Buildings .....	123	98
24	Registration and Education .....	2	6
25	Revenue .....	29	34
28	Personnel .....	2	0
29	Youth Commission .....	14	14
30	Civil Service Commission .....	1	1
31	Commerce Commission .....	3	8
32	Liquor Control Commission .....	1	2
33	Public Aid .....	51	33
34	Veterans' Commission .....	2	8
35	State Militia .....	2	6
50	Miscellaneous Agencies .....	11	9
	<b>Totals .....</b>	<b>792</b>	<b>720</b>

**WIDOWS' ANNUITY CLAIMS DURING THE PERIOD  
FROM JULY 1, 1963 TO JUNE 30, 1964**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1964	1963
03	Secretary of State .....	5	2
04	Auditor of Public Accounts .....	3	1
05	Treasurer .....	1	1
06	Attorney General .....	1	0
09	State Officers .....	1	1
11	Agriculture .....	2	1
12	Conservation .....	1	3
13	Finance .....	1	2
14	Insurance .....	1	1
15	Labor .....	6	3
17	Mines and Minerals .....	1	1
21	Public Safety .....	10	14
22	Mental Health .....	29	26
23	Public Works and Buildings .....	29	20
25	Revenue .....	6	3
29	Youth Commission .....	0	2
31	Commerce Commission .....	1	1
33	Public Aid .....	2	3
35	State Militia .....	2	0
50	Miscellaneous Agencies .....	1	0
	Totals .....	103	85

**SURVIVORS' ANNUITIES CLAIMS DURING THE PERIOD  
FROM JULY 1, 1963 TO JUNE 30, 1964**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1964	1963
03	Secretary of State .....	14	17
04	Auditor of Public Accounts .....	1	0
05	Treasurer .....	0	1
06	Attorney General .....	1	0
07	Public Instruction .....	0	3
08	Courts .....	2	1
09	State Officers .....	3	0
11	Agriculture .....	2	1
12	Conservation .....	2	3
13	Finance .....	1	0
14	Insurance .....	3	0
15	Labor .....	11	3
16	Children's and Family Services.....	1	0
17	Mines and Minerals .....	2	0
19	Financial Institutions .....	5	4
20	Public Health .....	0	4
21	Public Safety .....	14	14
22	Mental Health .....	47	36
23	Public Works and Buildings .....	32	16
25	Revenue .....	4	5
28	Personnel .....	0	1
29	Youth Commission .....	6	9
31	Commerce Commission .....	2	2
32	Liquor Control Commission .....	2	1
33	Public Aid .....	2	1
34	Veterans' Commission .....	1	2
35	State Militia .....	3	1
50	Miscellaneous Agencies .....	8	5
	<b>Totals .....</b>	<b>169</b>	<b>130</b>

**ORDINARY DEATH CLAIMS COVERING THE PERIOD  
FROM JULY 1, 1963 TO JUNE 30, 1964**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1964	1963
03	Secretary of State .....	9	11
04	Auditor of Public Accounts .....	1	3
05	Treasurer .....	1	0
06	Attorney General .....	4	1
07	Public Instruction .....	0	3
08	Courts .....	0	1
09	State Officers .....	1	1
11	Agriculture .....	3	5
12	Conservation .....	0	3
13	Finance .....	1	1
15	Labor .....	8	17
16	Children's and Family Services.....	2	0
17	Mines and Minerals .....	3	1
19	Financial Institutions .....	0	2
20	Public Health .....	4	4
21	Public Safety .....	9	7
22	Mental Health .....	54	56
23	Public Works and Buildings .....	29	31
24	Registration and Education .....	1	1
25	Revenue .....	9	8
29	Youth Commission .....	3	7
31	Commerce Commission .....	0	2
33	Public Aid Commission .....	6	11
34	Veterans' Commission .....	1	0
35	State Militia .....	2	0
50	Miscellaneous Agencies .....	2	1
	Totals .....	153	177

**ACCIDENTAL DEATH CLAIMS COVERING THE PERIOD  
FROM JULY 1, 1963 TO JUNE 30, 1964**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1964	1963
03	Secretary of State .....	2	0
11	Agriculture .....	0	1
12	Conservation .....	1	1
15	Labor .....	0	1
19	Financial Institutions .....	1	0
21	Public Safety .....	0	2
22	Mental Health .....	1	1
23	Public Works and Buildings .....	3	5
29	Youth Commission .....	0	1
33	Public Aid .....	1	0
	Totals .....	9	12



**ORDINARY DISABILITY CLAIMS COVERING PERIOD  
FROM JULY 1, 1963 TO JUNE 30, 1964**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1964	1963
03	Secretary of State .....	13	12
06	Attorney General .....	1	1
09	State Officers .....	0	1
11	Agriculture .....	0	1
13	Finance .....	3	2
15	Labor .....	25	15
16	Children's and Family Services.....	1	0
19	Financial Institutions .....	3	2
20	Public Health .....	8	6
21	Public Safety .....	12	33
22	Mental Health .....	159	157
23	Public Works and Buildings .....	8	13
24	Registration and Education .....	1	2
25	Revenue .....	8	7
29	Youth Commission .....	7	8
32	Liquor Control Commission .....	1	0
33	Public Aid .....	8	3
34	Veterans' Commission .....	3	2
35	State Militia .....	2	0
50	Miscellaneous Agencies .....	2	3
	<b>Totals .....</b>	<b>265</b>	<b>268</b>

**ACCIDENTAL DISABILITY CLAIMS COVERING THE PERIOD  
FROM JULY 1, 1963 TO JUNE 30, 1964**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1964	1963
03	Secretary of State .....	0	1
13	Finance .....	1	0
15	Labor .....	2	1
16	Children's and Family Services.....	2	0
20	Public Health .....	1	2
21	Public Safety .....	3	3
22	Mental Health .....	36	20
23	Public Works and Buildings .....	49	39
25	Revenue .....	1	0
29	Youth Commission .....	0	1
33	Public Aid .....	2	0
50	Miscellaneous Agencies .....	1	0
	Totals .....	98	67

**DEATH BENEFITS AFTER RETIREMENT COVERING THE PERIOD  
FROM JULY 1, 1963 TO JUNE 30, 1964**

**Excess of Accumulated Contributions Over Pension Payments Received  
Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1964	1963
03	Secretary of State .....	2	0
04	Auditor of Public Accounts .....	0	1
11	Agriculture .....	1	3
13	Finance .....	1	1
15	Labor .....	1	3
16	Children's and Family Services.....	1	0
20	Public Health .....	2	0
21	Public Safety .....	3	4
22	Mental Health .....	16	14
23	Public Works and Buildings .....	3	4
25	Revenue .....	2	4
29	Youth Commission .....	2	1
31	Commerce Commission .....	2	0
33	Public Aid .....	2	2
35	State Militia .....	1	0
50	Miscellaneous Agencies .....	1	0
	Totals .....	40	37

## APPENDIX

### Summary of Benefit and Contribution Provisions

## SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS OF STATE EMPLOYEES' RETIREMENT ACT\*

### SERVICE RETIREMENT ALLOWANCE

Retirement is optional with a member upon attainment of the age of 60 years, provided at least 8 years of service has been completed.

A member leaving service after age 55 with at least 30 years of creditable service may apply for his pension prior to age 60 at a reduced amount. The reduction would amount to  $\frac{1}{2}$  of 1% for each month under age 60.

Members with at least 20 years of credited service as State highway policemen may retire beginning at age 55 on a service retirement allowance equal to 2% of average final compensation per year of creditable service up to a maximum of 60% of such average final compensation. Service in excess of 20 years in any other capacity in the State service than as a State highway policeman is subject to this special formula. These members contribute an additional 1% of salary.

*Vesting.* Any State employee becoming separated from service on or after July 1, 1957, prior to age 55, is entitled to a vested interest in his retirement allowance, or in the widow's annuity, if he has at least 10 years of creditable service.

In the case of a member who left State service prior to age 55, with at least 8 but less than 10 years' service and who re-enters State service after age 55, additional service of at least 12 months or a period of time sufficient to complete 10 years' service, whichever is the lesser, must be rendered to qualify for a service retirement allowance at age 60 or over.

A member withdrawing from service after age 55 but prior to age 60 with at least 8 years of service credit has a vested right to a service retirement allowance at age 60.

The allowance consists of the following:

- (a) An annuity which is equal to 1/120th of average final compensation for each year of membership service, i.e., contributing service after January 1, 1944.
- (b) A State annuity equal to 1/120th of average final compensation of the member for each year of membership service.
- (c) A prior service annuity equal to 1/60th of average final compensation for each credited year of prior service, i.e., service before January 1, 1944, not to exceed 35 years.

*Limitations and Guarantees.* A service retirement allowance to any member cannot exceed 60% of average final compensation, provided that the service retirement allowance to any member who was in service on July 1, 1951 cannot be less than the amount to which he was entitled under the provisions of the Act in effect prior to that date.

*Estimating Retirement Allowance.* The retirement allowance set out in the foregoing paragraphs labeled (a), (b) and (c) is equal to 1-2/3% of average final compensation multiplied by the total number of years of credited service subject to the aforesaid limitations.

*Optional Minimum Benefit.* An optional minimum annual retirement benefit is provided in the case of any member aged 65 years or over, having 15 or more years of creditable service. This minimum is equal to 1% of average final compensation per year of credited service, plus the sum of \$25.00 for each year of service, subject to a minimum payment of \$780.00 per year and a maximum payment of 60% of average final compensation.

*Average Final Compensation.* Average final compensation is the average annual rate of earnable compensation for the 5 consecutive years within the last 10 years of service prior to retirement when such average was highest.

*Special Retirement Provision.* Any disabled 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, or age 50 with at least 20 years of credited service, may retire and receive a retirement allowance as of his attained age, without reduction in the amount thereof because of retirement before age 60.

\* This summary sets forth in brief the principal provisions of the plan of operation underlying the System now in force. It is not to be accepted as a substitute for the applicable law. The law must be considered as controlling under all circumstances.

## OPTION TO A WIDOW

The widow of a deceased male member who had established for his wife the right to a widow's annuity benefit as well as the survivors' annuity benefit has the option of receiving either the widow's annuity or survivors' annuity benefit.

## WIDOW'S ANNUITY

This benefit does not apply to any member who first established membership in the System on or after July 19, 1961.

The following conditions must be fulfilled for eligibility of a widow for a widow's annuity:

(a) The deceased member must have at least 8 years of credited service or must have fulfilled the service requirements for establishing a right to a service retirement allowance.

(b) The widow must be exclusively nominated as beneficiary in the beneficiary designation filed with the Retirement System.

(c) The widow must have been married to the member at least one year prior to the date of his death or retirement, whichever first occurs, and also on the last day of State employment.

The widow's annuity consists of the following:

(a) A widow's annuity equal to 50% of the service retirement allowance earned by the member (with 8 years of creditable service or more) at the date of his death, and (b) a lump sum death benefit payment amounting to \$500.00.

The widow's annuity begins immediately if the widow is aged 55 years or over at the date of death of the member. If she is under age 55 at such time, payment of the monthly annuity is deferred until such time as she attains age 55. In any event, the lump sum death benefit (part (b) above) is payable immediately following death of the member.

If the widow has in her care a minor child or children under age 18 (children of the blood or adopted children) payment of the widow's annuity benefit begins immediately even though the widow is under age 55. In such event, the widow's annuity portion of the benefit (part (a)) is increased 5% of the service retirement allowance earned by the deceased member, on account of each such minor child, subject to a maximum payment of 66-2/3% of the service retirement allowance earned by the member.

Adopted children have the same status as children of the blood provided the proceedings for adoption were begun at least one year prior to the date of death of the member.

Marriage of a child renders the child ineligible for further consideration in the payment of or increase in a widow's annuity. If the widow is under age 55 at such time, the widow's annuity shall be suspended until she attains age 55.

Attainment of age 18 by a child renders such child ineligible for further consideration in the increase of the widow's annuity, but payment of the widow's annuity is continued thereafter without regard to her age even if it be less than age 55.

## SURVIVORS' BENEFIT

The survivors' benefit consists of: (a) A single sum payment of \$1,000.00, divided pro rata among the beneficiaries entitled thereto; and (b) a survivors' annuity payable to certain eligible beneficiaries, under the conditions stated below and at the rates specified.

These benefits are applicable to all members of the System, both male and female. The benefits apply immediately to a member who has been a contributor for a period of at least 1½ years and was in State service on July 19, 1961. If a member enters or re-enters State service after July 19, 1961, the benefits will become effective when he has made contributions for at least 1½ years subsequent to that date.

If death of a member occurs while not in State service, the benefits are payable only if the member had established a vested right in the service retirement allowance at the date of termination of service.

The benefits do not apply to a member who retired prior to July 19, 1961, unless he re-enters service and completes at least 1½ years of contributing membership service following re-entry.

*Eligibility.* The benefits are payable to the following survivors:

(1) A widow or dependent widower aged 55 or over, unless minor children under age 18 of the member are in the care of the widow or dependent widower in which event payments begin immediately upon death of the member.

(2) If no widow or dependent widower survives a member, a dependent child or children of the member would qualify for the benefit.

(3) If there be no widow, dependent widower, or dependent children of the member under age 18, the benefits are payable to a dependent parent or parents aged 55 or over. If a parent is under age 55 at the date of death of the member, payment of the annuity is deferred until attainment of age 55.

(4) If no widow, dependent widower, children under 18 of the member or dependent parents survive the member, no survivors' benefits are payable.

A beneficiary is disqualified from receiving a survivors' annuity during the time he is receiving salary from the State of Illinois or as an employee of an employer covered by the State Universities Retirement System.

The survivors' annuity terminates upon death or remarriage of the widow, dependent widower or dependent parent.

Marriage, attainment of age 18, or death of a child renders him ineligible for consideration in the payment of a survivors' annuity to a widow, or in continuing payments to the widow prior to her attainment of age 55.

Marriage, attainment of age 18, or death of a child results in the termination of the survivors' annuity payment on account of that child.

A beneficiary is deemed a dependent if such beneficiary was receiving at the date of death of the member at least one-half of his support from the member for maintenance including board, lodging, medical care and like costs.

A dependent child under age 18 of a member includes a dependent stepchild or dependent adopted child who has been either a stepchild or adopted child for at least one year at the date of death, of the member, or at the date of the member's withdrawal from service, whichever first occurs.

A dependent parent of the member includes a dependent stepparent or dependent adopting parent, if the marriage of the stepparent or the adoption of the member occurred prior to the member's attainment of age 18.

In order to qualify for these benefits, a wife or dependent husband of a member must have been married to the member at least one year at the date of his death or at the date of the member's withdrawal from service, whichever first occurs.

If death occurs while in service, the survivors' annuity is payable as follows:

(1) If the beneficiary is a widow or dependent widower, the survivors' annuity is 30% of average final compensation as defined herein. The maximum annuity is \$200.00 per month.

In addition to the foregoing amount, if a dependent child or children under age 18, also survive the member and are under the care of the widow or dependent widower, an additional amount is payable equal to 20% of average final compensation on account of each such child, plus 10% of such compensation divided equally among all such children; provided that the combined payments on account of all beneficiaries cannot exceed \$250.00 per month or 80% of average final compensation, whichever is the lesser.

(2) If the beneficiary is a dependent minor child or children the survivors' annuity is 20% of average final compensation to each child and 10% of such compensation divided equally among all children eligible for such annuity; provided that the combined payments to all children cannot exceed \$250.00 per month or 80% of average final compensation, whichever is the lesser. The maximum annuity payments on account of any one child is \$125.00 per month.

(3) If the beneficiary is a dependent parent, the survivors' annuity is 20% of average final compensation to each parent plus 10% of such compensation divided equally among the parents who qualify, subject to a maximum payment to both dependent parents of \$200.00 per month.

If death of the member occurs after his last withdrawal from service, or after retirement, the survivors' annuity to all eligible beneficiaries is further limited to a maximum of 80% of the service retirement allowance earned by the member at the date of his last withdrawal from service.

In addition to the survivors' benefits, consisting of the \$1,000.00 single sum benefit and the survivors' annuity, the named beneficiary or estate of a member

whose death occurs prior to retirement, from any cause other than occupational injuries or disease, is entitled to refund of retirement annuity contributions, without interest.

#### REVERSIONARY ANNUITY

A member may elect to receive a reduced retirement allowance for himself and provide an annuity for a dependent designated beneficiary on an actuarial equivalent basis to be paid upon his death.

#### ORDINARY DISABILITY BENEFIT

This benefit is available to any member under the age of 65 years who has rendered at least 5 years of creditable service and who has been a contributor to the System for at least 12 months, provided he was granted a leave of absence for disability. The amount of the benefit is 50% of earnable compensation, plus a credit to the member's account of service and contributions at the applicable percentage of earnable compensation. The benefit begins on 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.

#### DEATH BENEFIT—DEATH BEFORE RETIREMENT

Upon death of a member from any cause other than occupational injuries or disease, leaving no dependent eligible to the survivors' or widow's annuity benefit, his designated beneficiary is entitled to a return of his contributions, including interest.

If death of a member leaving no dependent eligible to the survivors' or widow's annuity benefit occurs while in service and he was in receipt of salary from the State within a period of 12 months prior to his death, and had at least 12 months of contributing membership service, the beneficiary nominated by the member is entitled to a death benefit equal to  $\frac{1}{12}$  of the member's annual salary for each completed year of creditable service not exceeding  $\frac{1}{2}$  year's salary.

The accumulated contributions of the member and the death benefit provided from State contributions are payable to any named beneficiary, or the estate of the member. If a widow's annuity or survivors' annuity becomes payable by election or otherwise, no death benefit is payable. However, upon death of a member prior to retirement where a survivors' annuity becomes payable, the death benefit payable to the nominated beneficiary or estate consists of the deceased member's contributions for service retirement allowance only.

#### DEATH BENEFIT UPON DEATH AFTER RETIREMENT

Upon death of a retired member leaving no survivors eligible for a widow's annuity or survivors' annuity, a death benefit may be payable to the person or persons nominated by the member to receive such payment, or to his estate, provided the member did not elect a reversionary annuity.

This death benefit is equal to the excess, if any, of the amount of his contributions at the time of his retirement (including interest to the date of retirement) over the total amount of payments received by the retired member as a service retirement allowance.

Upon death of the last survivor of the member and his beneficiary, if a widow's annuity or survivors' annuity has been paid in such case, a death benefit may be payable to the estate of the survivor. This death benefit is equal to the excess, if any, of the total amount of available contributions made by the member, for both service retirement allowance and widow's annuity, or survivors' annuity, including interest, over the total amount of payments made for such purposes.

#### ACCIDENTAL DISABILITY BENEFIT

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



The benefit is equal to 60% of earnable compensation plus a credit to the member's account of service and contributions at the applicable percentage of earnable compensation. The benefit is reduced by amounts provided as Workmen's Compensation.

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.

#### ACCIDENTAL DEATH BENEFIT

Upon death of a member as the direct result of injury sustained or a hazard undergone while in the course of employment, his accumulated contributions are payable in full to his nominated beneficiary. If a widow survives, she is entitled to a benefit equal to 50% of the member's earnable compensation for the 12 months preceding death, payable during widowhood. If a child under age 18 also survives, the annuity to the widow is increased by 15% of average salary because of each child subject to a maximum of 75% of average salary. If there be no widow, or if the widow remarries or dies before all children of the deceased have attained the age of 18 years, each such child receives a monthly allowance of 15% of average salary, payable until attainment of age 18. The combined payments to children are not to exceed 50% of earnable compensation of the member. Payments to or on account of children terminate upon their attainment of age 18 or upon their death or marriage before such age.

If there be no widow nor minor children under age 18, a benefit of 25% of earnable compensation is payable to each surviving dependent parent for life. If none of the prescribed beneficiaries exist, no accidental death benefit is payable. In such a case, the ordinary death benefit is applicable.

The accidental death benefit is reduced by amounts provided as Workmen's Compensation. Before a claim for accidental death may be considered by the System it must have been adjudicated as service-connected by the Industrial Commission.

#### REFUNDS

Upon complete severance of employment with the State, by resignation or dismissal, a member may receive a refund of his total contributions to the System. No interest is paid on such refunds.

If a male member is unmarried at the date of retirement, or if a member does not have a beneficiary who may qualify for survivors' benefits, a refund is payable of the amounts contributed by the member towards the widow's annuity and survivors' benefits, without interest.

If death of the survivor of a retired member occurs before the survivor has attained the age to qualify for a widow's annuity or survivors' annuity, no widow's annuity or survivors' annuity contributions are refunded. However, the estate of the survivor will be entitled to the excess, if any, of the total contributions made by the member to the System, with interest, over the total amount of service retirement allowance payments made by the System.

#### CONTRIBUTIONS

*By Members.* Members, both male and female, are required to contribute for service retirement allowance purposes 6% of salary, except members of the State police force who contribute 7% of salary. Effective with salary accruing on and after August 1, 1961, each member, regardless of marital status, must make an additional contribution of 1% of salary for survivors' benefits. The 1% contribution being made by male members towards a widow's annuity prior to that date became their contributions towards the survivors' benefits.

Contributions by members cease when a member has been a contributor for 36 years at which time a paid-up status is established and no contributions thereafter are required from the member.

*By the State.* The State of Illinois is obligated to meet the remainder of the cost of the benefits provided by the System and expense of administration through biennial appropriations.

The employer's obligation on account of members who are employees of the Illinois State Toll Highway Commission is to be contributed by the Commission from its own revenues, on an actuarial basis, according to rates fixed by the System.

#### PRESERVATION OF RETIREMENT CREDITS

A member terminating his service as a State employee with less than the minimum of service required to qualify for a pension, who enters public employment in another capacity, leaving intact his retirement credit in the State Employees' Retirement System, may make use of his fractional retirement credit under conditions prescribed by the State-wide reciprocity law to which the State Employees' Retirement System has subscribed.

The combined service credits under two or more retirement systems in which credits have been established are available for determining eligibility for retirement annuity or widow's annuity. Proportionate annuities are granted by each system according to its own formula, provided: (a) employment in all retirement systems in which credit has been established has terminated; (b) the longest qualifying period prescribed by any of the retirement systems involved in the combined credits has been fulfilled; (c) at least 1½ years of creditable service has been established in each of the systems concerned; and (d) the minimum qualifying condition with respect to age has been attained under the last system in which participation occurred.

No transfer of funds between the several reciprocal retirement systems is required. Each system assumes its own proportionate cost of the applicable fractional annuity.

An alternate plan is provided whereby the total of the pension credits earned by a member under all retirement systems may be considered by the last\* retirement system. Such system would calculate the total retirement allowance according to its own formula and the final average salary in that system. The last\* retirement system would pay the entire retirement allowance to the member and would be reimbursed by the other retirement systems to the extent of their obligation for their own accumulated credits.

The following conditions must be fulfilled by a member if the alternate plan is to be applicable:

(a) The member must have been a contributing participant in the last\* retirement system for at least 5 years;

(b) If the pension credit under another system is to be considered the period of interruption in service covered by one system and the beginning date of participation under another system is to be not more than 5 years; provided that if such separation is more than 5 years, pension credit under another system will be considered if the period of pension credit in the last\* system was continuous for at least 7½ years immediately preceding the latest separation from service.

(c) The member must make a contribution to the last\* retirement system of 1% of his actual final annual salary on the last day of service in each system (other than the last\*) for each year of service for which credit was allowed in each such system.

The alternate plan applies only to a retirement annuity. Ordinary disability benefits, accidental disability benefits and death benefits are excluded from the application of either of the foregoing plans.

\* The last system is that to which the member contributed on or after July 1, 1961 and to which he has last contributed for a period of at least 5 years.