

# STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

TWENTY-SECOND ANNUAL STATEMENT  
OF THE  
BOARD OF TRUSTEES

JUNE 30, 1965



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

HD  
7106  
U6  
I4  
1965

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS  
BOARD OF TRUSTEES

ROY TUCHBREITER, *Chairman*  
*Chairman, Executive Committee*  
Continental Assurance Company

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

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

EDWARD F. MERTEN  
*Deputy Director, Administrative Services*  
Department of Mental Health

THEODORE F. MORF  
*Deputy Chief Highway Engineer*  
Department of Public Works and Buildings



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*



(Printed by Authority of the State of Illinois)

(29262—6-66)

## CONTENTS

	PAGE
LETTER OF TRANSMITTAL.....	i
FINANCIAL AND STATISTICAL FACTS.....	ii
REPORT OF BOARD OF TRUSTEES.....	1
ACTUARY'S CERTIFICATION .....	9
Valuation Balance Sheet, June 30, 1965.....	10-11
REPORT OF THE ACTUARY .....	13
ACCOUNTANTS' REPORT AND FINANCIAL STATEMENTS	18
STATISTICAL AND CLAIMS DATA at June 30, 1965.....	25
Membership by Departments .....	26
Number of Members and Total Salaries, Classified by Age and Sex—Male .....	27
Number of Members and Total Salaries, Classified by Age and Sex—Female .....	28
Number of Members, Classified by Length of Service.....	29
Service Retirement Annuitants Classified by Age—Male.....	30
Service Retirement Annuitants Classified by Age—Female.....	31
Service Retirement Annuitants Classified by Age at Retirement..	32
Widow Annuitants Classified by Age.....	33
Survivors' Annuity Beneficiaries Classified by Age.....	34
Deaths Among Members Prior to Retirement—Age and Service Data .....	36
Death Prior to Retirement Classified by Causes of Death.....	37
Statistics on Withdrawals with Refunds, Classified by Age at Withdrawal .....	38
Summary by Departments of Benefit Claims.....	39-40
Service Retirement Allowances .....	41
Widows' Annuity Claims.....	42

**NEW YORK STATE SCHOOL**  
**INDUSTRIAL AND LABOR RELATIONS**  
 CORNELL UNIVERSITY

## CONTENTS—Continued

	PAGE
Survivors' Annuities Claims .....	43
Ordinary Death Claims .....	44
Accidental Death Claims .....	45
Ordinary Disability Claims .....	46
Accidental Disability Claims .....	47
Death Benefits After Retirement.....	48
 <b>APPENDIX</b>	
Summary of Benefit and Contribution Provisions of State Employees' Retirement Act .....	50

## LETTER OF TRANSMITTAL

March 31, 1966

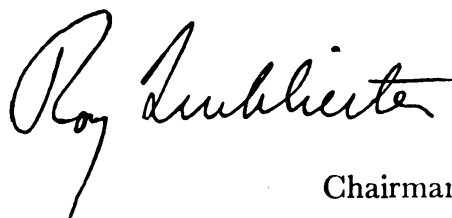
To his Excellency,  
The Honorable Otto Kerner  
Governor of the State of Illinois  
Springfield

Sir:

On behalf of the Board of Trustees of the State Employees' Retirement System of Illinois, I take pleasure in submitting herewith the Twenty- Second Annual Statement of the Board for the fiscal year ended June 30, 1965.

Respectfully submitted,

(Signed)

A handwritten signature in black ink, appearing to read "Roy Lubliner". The signature is written in a cursive style with a large initial "R".

Chairman

ii.

FINANCIAL AND STATISTICAL FACTS

<i>Financial</i>	Fiscal Year Ended June 30,	
<i>At Year-End</i>	1965	1964
Net Assets at End of Year .....	\$ 129,275,053.90	\$ 116,524,301.50
Increase in Net Assets .....	12,750,752.40	13,822,394.48
Investments (at Book Value) .....	126,625,448.33	114,112,848.32
Average Yield on Investments .....	3.85%	3.79%
Unfunded Accrued Liability .....	225,980,476.00	210,726,155.00
<i>Fiscal Year Results</i>		
Total Income for Year .....	28,025,395.85	26,845,114.94
Employee Contributions .....	15,864,082.12	14,226,805.01
State Contributions .....	6,462,528.50	7,497,641.31
Contributions from Federal Funds .....	872,374.53	839,204.81
Interest Income .....	4,612,148.75	4,074,020.25
Total Expenditures .....	15,329,632.77	13,022,720.46
Annuity and Benefit Payments .....	12,074,468.32	10,557,878.43
Refunds .....	3,255,164.45	2,464,842.03
<i>Statistical</i>		
Membership at End of Year .....	47,441	44,534
Service Retirement Annuitants .....	5,966	5,518
Widows' Annuity Beneficiaries .....	753	683
Survivors' Annuity Beneficiaries .....	418	288
<b>Changes in Service Retirement Annuitants:</b>		
Retirements During Year .....	761	792
Re-entry into Service .....	18	16
Deaths Among Retirants .....	294	265
<b>Number of Survivors' and Widows' Annuity Claims Processed During Year:</b>		
Survivors' Annuities .....	184	169
Widows' Annuities .....	90	103
<b>Number of Disability Claims Processed During Year:</b>		
Ordinary .....	318	265
Accidental .....	76	98
<b>Number of Death Claims Processed During Year:</b>		
Ordinary .....	165	153
Accidental .....	3	9
Withdrawal Benefits Paid (Refunds) .....	3,686	3,228

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

The Twenty-Second Annual Statement of the Board of Trustees of the State Employees' Retirement System of Illinois is presented herewith. Included in the statement are financial and statistical facts illustrating the results of operations of the System during the fiscal year ended June 30, 1965, and its financial condition. The principal developments in management and administration during the year are reviewed.

**Membership Statistics**

Number of Members, July 1, 1964.....		44,601
<i>Additions:</i>		
Employees qualifying for membership during the year.....		7,682
		52,283
<i>Deductions:</i>		
Deaths prior to retirement.....	318	
Separations with refunds .....	3,686	
Service retirements .....	761	
	4,765	
<i>Adjustment—</i>		
Deaths prior to retirement—unclaimed accounts.....	77	4,842
		47,441
Number of Members, June 30, 1965.....		47,441

At the close of the year there were 5,966 service retirement allowance recipients, 753 widow annuity beneficiaries and 418 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, 1964.....	5,518	683	288
Claims effective during the year 1964-1965...	761	90	185
Claims previously deferred .....	7	7	8
	6,286	780	481

<b>Deaths</b> (or remarriage or children attaining age 18 in the case of survivors' annuity) ..	294	21	7
Deferments .....	8	6	56
Re-entrants into service .....	18	—	—
<b>Totals</b> .....	<u>320</u>	<u>27</u>	<u>63</u>
Number of retirants June 30, 1965.....	<u>5,966</u>	<u>753</u>	<u>418</u>

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>
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
1965	47,441	5,966	753	418

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

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

### Financial Review

Reserves at the close of the year amounted to \$129,275,053.90. These reserves increased during the year in the sum of \$12,750,752.40. The increase for the most part consisted of contributions by the members.

For a number of years the State of Illinois has been making contributions to the System on a cash basis. The partial funded method specifically prescribed by the Act governing the System has been totally disregarded. As a result, the increase in the unfunded accrued liability has been quite pronounced during recent years. The general reserve that now exists, representing 19% of total reserves, represents an accumulation of State contributions for prior years when the appropriations by the State were in accord with the prescribed financing formula and somewhat above cash expenditures.

Total revenues for the last fiscal year amounted to \$28,080,385.17. Expenditures were \$15,329,632.77. The excess of revenues over expenditures was \$12,750,752.40. This represents the increase in reserves for the year as stated above. As previously pointed out, 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 in the latter part of this annual statement.



An independent 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 15, 1965. In their summary of recommendations and other matters presented in the latter part of the audit report, the auditors have stated

“Accounting procedures of the State Employees’ Retirement System of Illinois provide generally effective controls over the assets and operations of the System. An internal control survey and the audit program has been submitted to the Auditor General. The System’s records were reconciled with those of other State fiscal offices.

“Although 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. This matter is more fully discussed under comments regarding contributions by the State of Illinois.

“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 specially 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. Based upon our tests, it appears that revenues have been properly accounted for, and that expenditures were made in accordance with legislative appropriations and other fiscal requirements.”

Under the heading of “Contributions by State of Illinois”, the auditors made the following statement:

“The State of Illinois contributes to the System through appropriations. Under the governing act, the contribution to be made by the State for any fiscal year should constitute an amount equal to the anticipated average annual expenditure under the provisions of the act for the various annuities and benefits for the period of ten years next following the year for which contributions are to be made, after applying members’ contributions and other revenue. As determined by the System and its actuary, in order to meet the statutory provisions of the retirement law, which does not require the full funding of the System on a current basis, an appropriation of \$36,502,138 was necessary and was requested for the 73rd Biennium. This request consisted of \$20,939,772 for current requirements and \$15,562,366 representing the difference between the amounts requested and the amounts provided in previous bienniums. The appropriation for the 73rd Biennium totaling \$12,925,057 was made on the basis of an approximation of the estimated cash requirements for that biennium and was less than that required under the law.”

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 will ultimately have to be made up by State appropriations. Furthermore, the failure to budget the System's statutory requirements on a departmental basis creates a disproportionate burden to the General Fund of the State. A number of departments receive revenues from special sources including trust and federal funds. Under the method of financing the System by a lump sum appropriation from the General Fund, these departments cannot be made to bear an equitable proportion of the cost of financing the System. Hence, a departmental budgeting of the pension cost would result in a proper distribution thereof.

### Investments

Investments of the System consisted entirely of United States government bonds. Total investments at June 30, 1965 amounted to \$127,242,000.00 at par value. The average rate of income for the year on the investment account was 3.85% compared with 3.79% in the preceding fiscal year.

During the year, the System was subject to the following investment authority:

- (1) Interest bearing bonds, notes, or tax anticipation warrants which are general obligations of the United States Government, of the State of Illinois or of any city, county, school district, township, village, sanitary district, incorporated town, or any other district in this State;
- (2) Interest bearing bonds or notes which are general obligations of any other state in the United States or of any city or county therein; provided such city or county had a population as shown by the last Federal census next preceding the investment of not less than 25,000 inhabitants, and provided that such state, city or county has not defaulted for longer than 30 days in the payment of interest or principal on any of its general obligation indebtedness during the 10 calendar years immediately preceding such investment.

Senate Bill 820, approved August 2, 1965, provided for an extension of the investment authority of the System into corporate bonds under prescribed conditions and restrictions. This legislation, sponsored by the Pension Laws Commission, was intended to give the Board greater latitude in its investment operations within reasonably conservative limitations applicable to a governmental agency. Income from investments for the last fiscal year was equal to 16.4% of total revenues from all sources. This is below the national average for all public employee retirement systems which is 23%. The lower rate of income may be attributed in some measure to inadequate funding of the System's obligations.

### Appropriation Requirements

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

In his certification, the actuary has stated that in the determination of the System requirements, effect had been given to the several basic factors directly affecting pension and benefit expenditures. Among these factors are: (1) future increases in members' salaries; (2) increases in payments resulting from amendments enacted during recent years; (3) normal increases in expenditures resulting from an expanding membership; and (4) the downward trend in mortality among pensioners.

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

Year Ended June 30th	Annuity and Benefit Payments
1961	\$ 6,228,022.08
1962	7,660,430.00
1963	9,050,017.15
1964	10,557,878.43
1965	12,074,468.32

The increase in payments for the last five years has been 94%. This increasing 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 payments by the System.

### Amendments

Several amendments were enacted by the 74th General Assembly effective as of the close of the year. These are briefly described:

1. SENATE BILL No. 441. The bill extended to July, 1966, the period of time in which certain members of the System may elect to contribute for past service.

2. SENATE BILL No. 820. Extended the investment authority for the System to include corporate bonds. (Approved August 2, 1965)

3. SENATE BILL No. 1312. Repealed the requirement that an employee must be under age 60 at the beginning of his 12-month qualifying period in order to become a member. The purpose of this change was to enable the aged employees to receive limited retirement, disability and death benefit protection in the System. (Approved August 4, 1965)

4. HOUSE BILL No. 1353. The bill was intended to preserve the pension credits of employees who are involuntarily transferred from the Cook County Department of Public Welfare to the service of the Department of Public Aid of the State of Illinois. The Cook County Employees Annuity and Benefit Fund Act was also amended in a complementary form to give effect to this objective. (Approved August 2, 1965)

5. HOUSE BILL No. 1371. Membership in the System was reopened to employees who previously waived membership. These employees were granted the privilege of rescinding their waiver prior to January 1, 1966.

6. HOUSE BILL No. 1496. This bill provided for several clarifying and administrative changes proposed by the Board of Trustees which were necessary to give effect to the intent of the law in fulfillment of the stated objectives of the System. (Approved August 2, 1965)

7. HOUSE BILL No. 2152. The date for electing membership in the System by an elected official or a clerk of the Appellate Court was extended to January 1, 1966. (Approved August 9, 1965)

#### Standing Committees

Three standing committees are maintained by the Board to advise on policy matters or to carry out its directives. These are: a Committee on Investments, a Policy Committee and a Claims Committee.

The Committee on Investments advises the Board in the matter of its investment operations. It is composed of Roy Tuchbreiter, Chairman, Trustee James A. Ronan, and Charles A. Schoeneberger, Vice President, National Boulevard Bank of Chicago.

The Policy Committee deals with problems involving policy arising in determinations and formulates recommendations to the Board. Its membership consists of Trustee Edward F. Merten, as Chairman, Trustee Theodore F. Morf, and L. C. Cortright, Secretary, with the actuary as technical consultant.

The Claims Committee reviews claims for annuities and benefits. It also formulates rules relative to the processing and disposition of claims.

The Committee consists of Trustee Theodore F. Morf, as Chairman, Mr. Lee W. Ensel, an attorney in Springfield, and L. C. Cortright, Secretary.

These Committees have been carrying out their functions efficiently and satisfactorily.

### Social Security Unit

Under the law, the State Employees' Retirement System has been designated as the agency to implement the Social Security Enabling Act which was enacted by the General Assembly in 1951. Under this Act social security coverage is authorized for public employees in Illinois under certain stipulated conditions subject to certain standards and limitations prescribed therein and in the Federal Social Security Act.

The Social Security Unit of the State Employees' Retirement System has continued to expand its operations in keeping with the increasing number of governmental agencies subscribing to social security and the increase in employee coverage.

At the close of the year, 3,841 governmental units were subject to the jurisdiction of this unit on behalf of the State of Illinois. The following statement illustrates the trend of social security coverage in Illinois:

Date	Governmental Units
September 15, 1953 <sup>1</sup> .....	—
June 30 —	
1954 .....	244
1957 .....	1,085
1960 .....	3,702
1963 .....	3,788
1964 .....	3,829
1965 .....	3,841

<sup>1</sup> Date when social security coverage for public employees in Illinois actually became operative.

The average number of employees reported on a quarterly basis for the fiscal year ended June 30, 1965 for social security contributions totaled 117,961. The amount of social security contributions collected for the year ended June 30, 1965 and paid to the federal government (exclusive of adjustments) amounted to \$20,050,187.59.

A number of small cities, villages and other governmental units are still without retirement protection. Increases in coverage, therefore, may be expected in future years. Coverage may also be extended at some future time to members of other retirement systems on a coordinated basis.

### Report of the Actuary

In accordance with the law, the usual annual valuation of the assets and liabilities of the System was completed by the actuary as of June 30, 1965.

The results of this valuation are presented as a part of this statement. The report of the actuary presents the financial condition of the System from a technical standpoint and discusses the several factors pertinent to the changes that occurred during the year.

### Concluding Comment

The results of the year's activities, reported herein, evidence a satisfactory state of affairs from the standpoint of the System's current operations. Substantially larger appropriations by the State are required to meet the accruing obligations.

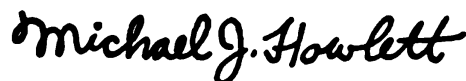
The efforts of the Board will continue to be directed, as in past years, towards the efficient operation of the System in accordance with the provisions of the governing Act and their legislative intent to the end that the objectives of the System may be attained in full measure.

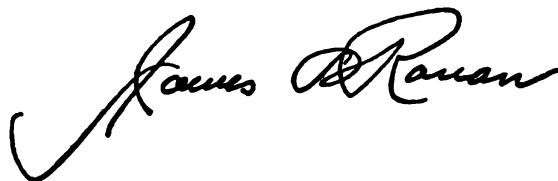
An expression of appreciation is hereby recorded for the cooperation and assistance of the Attorney General and the Treasurer during the year. Acknowledgment is also made of the loyal and efficient services of all members of the administrative staff.

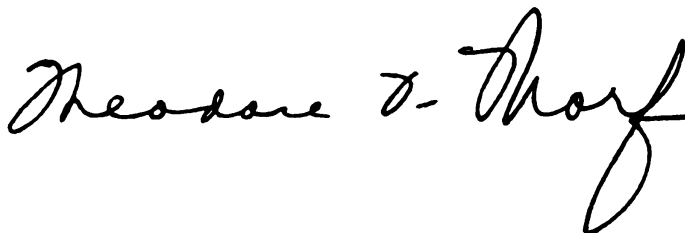
Respectfully submitted,

BOARD OF TRUSTEES  
State Employees' Retirement System  
of Illinois

  
Chairman











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, 1965.

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 dated December 15, 1965.

In our opinion, the accompanying Valuation Balance Sheet correctly presents the condition of the State Employees' Retirement System of Illinois at June 30, 1965, giving effect to all accrued liabilities and reserve requirements under the applicable law.

A. A. Weinberg  
*Consulting Actuary*

February 25, 1966

**VALUATION BALANCE SHEET—JUNE 30, 1965**  
**STATEMENT OF ASSETS, LIABILITIES AND RESERVES**

**ASSETS**

**PRESENT ASSETS:**

Cash .....		\$ 320,663.30
Accounts Receivable—		
Members' Contributions .....	\$ 1,357,392.55	
Illinois Toll Highway Commission...	56,782.64	1,414,175.19
Investments—		
United States Government Securities (at amortized cost) .....		126,625,448.33
Accrued Interest—		
On investments .....		1,331,386.78
Other—		
Due from members for benefits cancelled .....	\$ 10,456.50	
Proportional service retirement allowance .....	1,457.42	11,913.92

**PROSPECTIVE ASSETS:**

Obligations for service to be rendered after June 30, 1965—		
Male members .....	\$ 28,923,391.00	
Female members .....	19,624,549.00	
State of Illinois .....	104,872,251.00	153,420,191.00

**DEFERRED ASSETS:**

Due from the State of Illinois for unfunded accrued pension credits .....		225,980,476.00
<b>TOTAL ASSETS .....</b>		<b>\$ 509,104,254.52</b>



**VALUATION BALANCE SHEET—JUNE 30, 1965**  
**STATEMENT OF ASSETS, LIABILITIES AND RESERVES**

**LIABILITIES**

**CURRENT LIABILITIES:**

Benefits payable .....	\$ 174,913.74	
Refunds payable .....	253,619.88	\$ 428,533.62

**FUTURE SERVICE LIABILITY:**

For pension credits on account of service after June 30, 1965—		
Male members .....	\$ 102,193,721.00	
Female members .....	51,226,470.00	153,420,191.00

**RESERVE REQUIREMENTS**

**RESERVE FOR MEMBERS' CONTRIBUTIONS:**

For prospective retirement and widows' annuities on account of active members.	\$ 52,033,773.52	
For future refunds and death benefits— actuarial value of future payments....	46,821,063.00	98,854,836.52

**RESERVE FOR STATE CONTRIBUTIONS:**

For prospective retirement and widows' annuities on account of active members —present value of total liability for ac- crued requirements .....	\$ 197,152,807.90	
Less, members' contribution credits.....	52,033,773.52	145,119,034.38

**RETIREMENT AND BENEFITS RESERVE:**

Actuarial value of retirement and widows' annuities in force, and other prospec- tive annuities and benefits—		
Retirement annuities and reversion-		
Retirement annuities and reversionary an- nuities on retired members.....	\$ 87,902,631.00	
Widows' annuities .....	8,294,434.00	
Reversionary annuities .....	102,789.00	
Deferred annuities .....	3,085,132.00	
Survivors' annuities .....	9,974,377.00	
Accidental death and disability benefits..	1,922,296.00	111,281,659.00

<b>TOTAL LIABILITIES AND RESERVE REQUIREMENTS.</b>	<b>\$ 509,104,254.52</b>	

The following explanation is given regarding the several items comprising the assets, liabilities and reserves of the System in order to facilitate an understanding thereof.

*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 15, 1965.

*Prospective Assets* represent the obligations of the participants and the State for service to be rendered subsequent to June 30, 1965. They consist of 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. It is commonly referred to as the "unfunded accrued liability" or "actuarial deficit." This is an obligation of the State to be discharged in future years by increasing appropriations to the System.

*Current Liabilities* comprise the accrued benefits and deferred credits.

*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 to the balance sheet date. Part of these credits are subject to refund in future years on account of resignation, dismissal or death, 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 will ultimately 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 under the widows' or survivors' benefit provisions.

*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

### ACTUARIAL VALUATION AS OF JUNE 30, 1965

The results of an actuarial valuation of the State Employees' Retirement System as of June 30, 1965, are presented in the accompanying Valuation Balance Sheet. Accrued liabilities at June 30, 1965, amounted to \$355,255,529.90. Net present assets available to meet these liabilities were \$129,275,053.90, resulting in an unfunded accrued obligation at that date of \$225,980,476.00. This amount constitutes an accrued indebtedness of the State of Illinois to the System for previous service of its employees. It is to be discharged in future years by State 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 is the 1937 Standard Annuity Mortality Table. The interest rate assumption for our calculations is 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 proper and complete form.

#### Membership

	Male	Female
Number of members .....	27,672	19,769
Proportion of total .....	58.3%	41.7%
Aggregate rates of annual salary.....	\$ 168,158,208.00	\$ 93,207,108.00
Average rate of annual salary .....	\$ 6,076.00	\$ 4,714.00
Average age (years).....	46.2	46.4
Average length of service (years).....	6.4	8.1

Included in the foregoing tabulation are 1,121 State police members with an average age of 37.6 years and average service of 6.8 years. Their total annual salaries are \$7,627,536.00 being an average of \$6,804.00.

#### Service Retirements

	Male	Female
Number of annuitants .....	3,135	2,831
Proportion of total .....	52.5%	47.5%
Aggregate annual payments .....	\$ 5,108,545.80	\$ 3,459,447.24
Average annual payment .....	\$ 1,629.52	\$ 1,221.99
Average age (years).....	71.3	71.4
Average age at retirement.....	66.1	65.7

#### Deaths Among Service Retirements

The statistics on deaths among retired members that occurred during the year are summarized as follows:

	Male	Female
Number .....	195	99
Average age at death .....	71.5	74.8
Average age at retirement.....	65.4	67.2

### Widows' and Survivors' Annuities

There were 753 widows on the pension roll at the close of the year receiving annual payments totaling \$616,417.56. The average payment was \$818.62 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, 1965, was 68.5 years.

A total of 418 survivors' annuity beneficiaries received payments amounting to \$743,945.40 per year. The average annual payment was \$1,779.77. The payments represented the following types of beneficiaries:

	Number	Average Age
Widow and Widower .....	396	60.3
Children .....	12	13.1
Parent .....	10	77.7
Total .....	<u>418</u>	

### Deferred Annuities

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

1. Average age at June 30, 1965..... 60.6
2. Average service .....

*Widows' Annuities.* A total of 90 widows' annuity claims were processed during the year involving the following characteristics:

1. Average age of beneficiary at member's death..... 66.3
2. Average age of deceased member at death..... 71.1
3. Average service .....

There were 23 widows' annuities in a deferred status at the end of the year involving the following characteristics:

1. Average age of beneficiary at member's death..... 50.8
2. Average age of deceased member at death..... 64.6
3. Average service .....

*Survivors' Annuities.* Of the 184 claims processed during the year, 48 were deferred to age 55 and are included in the foregoing group. In such cases the surviving spouse was the only beneficiary, there being no minor children. The statistics covering these 184 new claims are as follows:

1. Average age of beneficiary at member's death..... 56.1
2. Average age of deceased member at death..... 59.3
3. Average service .....

A total of 145 survivors' annuities were in a deferred status at the close of the year. Of this total, 38 were widows who were employed by the State. The remainder involved widows who were under age 55 without minor children surviving the member. Statistics regarding these beneficiaries are as follows:

1. Average age of beneficiary at member's death..... 50.3
2. Average age of deceased member at death..... 56.4
3. Average service .....

*Ordinary Death Benefit.* This benefit consists of (a) a return of the member's 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.

The addition of the survivors' annuity in 1961 had the effect of reducing the number of death claims on account of death due to non-occupational causes. The claims in the 1965 fiscal year numbered 165 compared to 252 in the year preceding the effective date of the survivors' annuity.

*Accidental Death.* The total number of beneficiaries in receipt of accidental death benefits at the close of the year was 71. The average number of new claims incurred during the last five fiscal years was 6 per year. This record reflects a satisfactory experience.

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.* The average number of accidental disability claims incurred during the last five years was 66. This appears to be a normal experience for the size of the group comprising the membership of the System and the type of employment represented in State government operations. The department of Public Works and Buildings and Mental Health, representing the two largest departments of the State, account for the great majority of these claims.

*Ordinary Disability.* The number of claims processed during recent years has been somewhat irregular as will be observed in the following statement:

Year Ended June 30th	Number of Claims
1961	213
1962	278
1963	268
1964	265
1965	318

An analysis of these claims discloses that most of them occurred in the Department of Mental Health. Another department contributing in some measure to these claims is the Department of Labor. There were 389 claims in force at the end of the year. The average age of these claimants was 55.4 years and their average service 16.7 years.

*Withdrawal Benefits.* The following statistics are illustrative of the trend in withdrawals from the System and the amounts paid as refunds:

Year Ended June 30th	Number of Withdrawals	Total Payments	Average Refund
1961	4,791	\$4,223,768.36	\$881.60
1962	3,285	2,498,611.35	760.61
1963	3,214	2,227,406.70	692.90
1964	3,228	2,464,842.03	763.57
1965	3,686	3,182,398.29	863.37

It is noted that 71.9% of all refunds involved 3 years of service or less. This compares with 73.9% in the 1964 fiscal year. The number of withdrawals from the System due to refunds reflects substantially the expectancy under the actuarial functions in use in this valuation.

*Legislation.* Several amendments to the Act were approved at the 1965 session of the General Assembly. These amendments for the most part were administrative and clarifying. One amendment provided for the elimination of the maximum age of 60 years for membership in the System. This has created additional liabilities and costs. Other amendments permitting certain employees to obtain membership under certain elective provisions or to purchase part service credit will also result in some increase in liabilities. However, the total increase in liabilities occasioned by these amendments is of relatively small proportions. The amount thereof will be reflected in the actuarial valuation of the System for the 1966 fiscal year.

*Survey of Operating Experience.* The law governing the System requires that the actuary shall make a periodic investigation and survey of its operating experience with particular emphasis on such factors as "mortality, retirement, disability, employment, turnover, interest and earnable compensation." The purpose of such survey is to check the validity of the actuarial functions being used in current actuarial valuations and cost analyses of proposals for changes or revisions in the benefit schedule.

A study of the results of operations of the System has disclosed that the actual operating experience supports substantially the assumptions in force with respect to the foregoing factors and others that are prominent in cost calculations.

It is noted that the rates of mortality experienced among active members are 81.2% of the expected. In the case of mortality among retired members, the ratio of actual to expected is favorable being 110.8% of the expected.

Mortality among widow pensioners and survivors' beneficiaries is somewhat below the expected, being 94.3% of the estimated number of deaths. This unfavorable trend covers only a relatively short period and is not sufficient to warrant a change in our assumptions. An adjustment of the mortality functions, however, may be necessary in the future to measure more accurately the mortality among beneficiaries of widows and survivors' benefits after a longer period of experience is had with these risks.

The rates of separation from the System with refund seems to be confirmed by actual experience. The actual number of these separations approximates the expected according to the assumed functions.

The rate of retirement and the average age of those going on service retirement conforms to the assumed standards. This factor as well as all others are being constantly checked in the annual valuations

of the assets and liabilities of the System. This explains the recurring requests each year for a variety of statistical information dealing with various aspects of the operations of the System.

Some adjustment of the basic functions has been made to give effect to salary increments. The assumptions made have proved to be below the actual experience and the expected future trend in this item.

The rate of interest assumed in the valuation is 3% per annum. While the effective yield on investments of the System is 3.85%, no higher interest rate assumption would seem justified in the light of the policy in effect which is directed exclusively towards investment in United States Government Bonds. At the 1965 session of the Legislature, the System was granted authority to invest in corporate bonds under prescribed conditions and limitations. With additional experience under this broader authority, it may be prudent at a future date to use a somewhat higher interest rate in annual valuations.

*Conclusion.* The procedures in effect in the administration of the System are in accord with accepted standards. The benefit schedule which now embodies a full program of survivors provisions seems to meet the test of reasonable adequacy for the type of employees comprising the membership of the System. The System is operating satisfactorily in fulfillment of its purposes and objectives as an essential adjunct of a progressive personnel policy for the State government.

A. A. Weinberg  
*Actuary*

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**  
**ACCOUNTANTS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 1965**



## AUDITORS REPORT

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, 1964 through June 30, 1965. 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, 1965, 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 September 30, 1965 on a consistent basis.

ALEXANDER GRANT & COMPANY

Bloomington, Illinois  
 December 15, 1965

**SYSTEM FUND ACCOUNT  
FINANCIAL BALANCE SHEET**

June 30, 1965

**ASSETS**

Cash .....	\$ 308,235.97	
Cash items in Transit .....	12,427.33	\$ 320,663.30
<hr/>		
<b>Accounts Receivable</b>		
Contributions by Members .....	1,357,392.55	
Contributions from Illinois State Toll		
Highway Commission .....	56,782.64	
Proportional Service Retirement		
Allowance .....	1,457.42	
Cancellations		
Service Retirement Allowance.....	2,248.31	
Ordinary Disability .....	6,398.54	
Accidental Death .....	16.67	
Accidental Disability .....	405.76	
Widow's Annuity .....	546.61	
Survivors Annuity .....	590.00	
Error Refunds .....	16.44	
Resignation Refunds .....	234.17	1,426,089.11
<hr/>		
Accrued Interest on Investments.....		1,331,386.78
Investments (at amortized book value).....		126,625,448.33
		<hr/>
		<b>\$ 129,703,587.52</b>
		<hr/> <hr/>

**LIABILITIES**

<b>Benefits Payable</b>		
Accidental Disability .....	\$ 6,399.25	
Death Benefit After Retirement.....	9,031.71	
Ordinary Death .....	51,318.33	
Ordinary Disability .....	96,891.65	
Service Retirement Allowance.....	3,984.18	
Survivors Annuity .....	3,663.87	
Widow's Annuity .....	3,624.75	\$ 174,913.74
<hr/>		
<b>Refunds Payable</b>		
Termination .....	249,731.39	
Widow's or Survivors Annuity Contribu-		
tions .....	3,888.49	253,619.88
<hr/>		
<b>Reserves</b>		
Member's Contributions .....	89,668,218.84	
Interest Accumulations .....	9,186,617.68	
Annuitants Death Benefits.....	4,077,716.35	
Funded Benefits—Illinois State Toll High-		
way Commission .....	1,200,590.83	
Contingent General Reserve.....	25,141,910.20	\$ 129,275,053.90
		<hr/>
		<b>\$ 129,703,587.52</b>
		<hr/> <hr/>

48 218

**SYSTEM FUND ACCOUNT**  
**SUMMARY OF REVENUE, EXPENDITURES AND CHARGES**  
**(Exclusive of Administrative Expense Appropriations)**  
**Period July 1, 1964 to June 30, 1965**

**REVENUE**

Contributions:			
By Members .....	\$ 15,620,310.51		
Based on disability			
benefits .....	160,411.30		
Repayment of refunds.	83,360.31		
By State of Illinois....	6,462,528.50		
From Federal funds...	872,374.53		
By Illinois State Toll			
Highway Commission	214,219.40		
From Reciprocating			
Systems .....	42.55	\$ 23,413,247.10	
<hr/>			
Interest:			
On Investments (as			
amortized) .....	4,594,744.31		
Paid by members ....	17,404.44	4,612,148.75	
<hr/>			
Total Income .....			\$ 28,025,395.85

**EXPENDITURES AND CHARGES**

Benefit Payments:			
Accidental Death Benefits—Accumulat-			
ed Contributions .....		11,831.93	
Accidental Death Benefits—State Al-			
lowance .....		116,251.56	
Accidental Disability Benefits .....		65,686.45	
Ordinary Death Benefits—Accumulated			
Contributions .....		749,004.62	
Ordinary Death Benefits—State Allow-			
ance .....		213,473.39	
Ordinary Disability Benefits.....		1,195,612.75	
Death Benefit After Retirement (Excess			
of Accumulated Contributions over			
Pension Payments Received).....		54,393.00	
Service Retirement Allowance.....		8,171,068.64	
Survivors Annuity .....		851,011.96	
Widow's Annuity .....		635,965.58	
Reversionary Annuity .....		10,168.44	\$ 12,074,468.32
<hr/>			
Refunds:			
To Members — With-			
drawal from Service.\$	3,182,398.29		
To Members—Widow's			
or Survivors Annuity			
Contributions .....	72,766.16	\$ 3,255,164.45	
<hr/>			
Total Expenditures and Charges.....			\$ 15,329,632.77
<hr/>			
Balance, Before Adjustments .....			\$ 12,695,763.08
Gains from Sale of U. S. Government Bonds.....		+	54,989.32
<hr/>			
Balance, June 30, 1965, Excess of Revenue Over Expenditures			\$ 12,750,752.40
and Charges, Carried to Reserves .....			<hr/>

**NOTE TO FINANCIAL STATEMENTS****June 30, 1965**

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, 1964, the actuary's report discloses unfunded accrued pension credits of approximately \$198,000,-000.00 as being due from the State of Illinois. An actuarial valuation of the State Employees' Retirement System of Illinois as of June 30, 1965 has not been completed. Consequently, actuarially computed reserves and related data are not included in the accompanying financial statements.

STATEMENT OF APPROPRIATIONS BY 73RD GENERAL ASSEMBLY

Period from July 1, 1963 to September 30, 1965

	73rd Biennium appropriations	Expenditures July 1, 1963 through June 30, 1965	Unexpended appropriations June 30, 1965	Expenditures July 1, 1965 through Sept. 30, 1965	Balances lapsed Sept. 30, 1965
Personal service .....	\$ 393,615.00	\$ 368,937.22	\$ 24,677.78	\$ 8,504.34	\$ 16,173.44
Contractual services .....	153,570.00	137,562.95	16,007.05	3,040.27	12,966.78
Postage .....	8,000.00	7,586.00	414.00	—	414.00
Travel .....	8,700.00	6,960.30	1,739.70	85.23	1,654.47
Commodities .....	2,000.00	889.29	1,110.71	36.67	1,074.04
Equipment .....	6,000.00	4,071.00	1,929.00	236.77	1,692.23
Stationery, printing and office supplies .....	19,000.00	17,305.38	1,694.62	816.16	878.46
Contingencies .....	2,500.00	—	2,500.00	—	2,500.00
Administrative expenses of Widows' Annuity Benefits .....	24,000.00	4,243.41	19,756.59	833.86	18,922.73
General administrative expense—totals.	617,385.00	547,555.55	69,829.45	13,553.30	56,276.15
Administrative expenses of Social Security Enabling Act .....	135,250.00	66,626.84	68,623.16	2,211.58	66,411.58
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	12,925,057.00	—	—	—
Total .....	\$ 13,692,692.00	\$ 13,554,239.39	\$ 138,452.61	\$ 15,764.88	\$ 122,687.73

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

June 30, 1965

	Maturity Date	Principal Amount	Amortized Cost
<b>Investment series bonds</b>			
2½% Series A .....	10- 1-65	\$ 250,000.00	\$ 250,000.00
<b>Treasury bonds</b>			
3⅞% .....	5-15-68	2,475,000.00	2,484,968.79
4% .....	10- 1-69	2,000,000.00	1,984,701.97
4% .....	8-15-70	6,325,000.00	6,297,953.96
3⅞% .....	11-15-71	1,305,000.00	1,299,347.14
4% .....	2-15-72	2,025,000.00	1,999,670.45
4% .....	8-15-72	3,500,000.00	3,504,324.94
4% .....	8-15-73	3,351,000.00	3,303,875.53
4⅞% .....	11-15-73	4,706,000.00	4,679,907.49
3⅞% .....	11-15-74	8,491,000.00	8,607,086.87
4% .....	2-15-80	6,275,000.00	6,185,970.28
3½% .....	11-15-80	1,600,000.00	1,606,757.48
3¼% .....	6-15-83/78	13,270,000.00	13,450,242.52
4¼% .....	5-15-85/75	1,000,000.00	1,006,539.26
3¼% .....	5-15-85	4,000,000.00	3,993,545.19
3½% .....	2-15-90	29,538,000.00	28,861,111.66
4¼% .....	8-15-92/87	22,631,000.00	22,725,137.92
4% .....	2-15-93/88	4,300,000.00	4,307,323.70
4⅞% .....	5-15-94/89	8,800,000.00	8,842,005.60
3½% .....	11-15-98	1,400,000.00	1,234,977.58
		<b>\$ 127,242,000.00</b>	<b>\$ 126,625,448.33</b>

**STATISTICAL  
AND  
CLAIMS DATA**

## MEMBERSHIP BY DEPARTMENTS

Code No.	Department	Male	Female	Total	Percent of Total Membership
1	Governor .....	10	18	28	.06
2	Lieutenant Governor .....	—	—	—	—
3	Secretary of State .....	581	522	1,103	2.32
4	Auditor of Public Accounts.....	61	79	140	.30
5	Treasurer .....	70	38	108	.22
6	Attorney General .....	123	84	207	.44
7	Public Instruction .....	90	126	216	.46
8	Courts .....	63	66	129	.27
9	State Officers .....	125	82	207	.44
10	Aeronautics .....	20	14	34	.07
11	Agriculture .....	464	152	616	1.30
12	Conservation .....	482	101	583	1.23
13	Finance .....	140	156	296	.62
14	Insurance .....	80	58	138	.29
15	Labor .....	1,142	1,409	2,551	5.38
16	Children's & Family Services.....	472	785	1,257	2.65
17	Mines and Minerals .....	56	11	67	.14
18	Audits .....	5	2	7	.01
19	Financial Institutions .....	183	56	239	.50
20	Public Health .....	337	607	944	1.99
21	Public Safety .....	2,919	336	3,255	6.86
22	Mental Health .....	5,297	8,196	13,493	28.44
23	Public Works & Buildings.....	7,081	581	7,662	16.15
24	Registration and Education.....	84	106	190	.40
25	Revenue .....	582	589	1,171	2.47
28	Personnel .....	30	73	103	.22
29	Youth Commission .....	730	346	1,076	2.27
30	Civil Service Commission.....	3	3	6	.01
31	Commerce Commission .....	121	82	203	.43
32	Liquor Control Commission .....	25	16	41	.09
33	Public Aid .....	496	1,398	1,894	3.99
34	Veterans' Commission .....	57	81	138	.29
35	State Militia .....	191	37	228	.48
50	Miscellaneous Agencies .....	812	439	1,251	2.64
	Inactives .....	4,740	3,120	7,860	16.57
	Totals .....	27,672	19,769	47,441	100.00



**NUMBER OF MEMBERS AND TOTAL SALARIES AT JUNE 30, 1965  
CLASSIFIED BY AGE AND SEX**

**Male Employees**

Age at June 30, 1965	Number of Members	Aggregate Annual Salary Rate	Age at June 30, 1965	Number of Members	Aggregate Annual Salary Rate
18	2	\$ 8,280	55	726	\$ 4,563,984
19	90	389,652	56	736	4,672,500
20	182	766,428	57	783	4,962,660
21	226	975,024	58	711	4,365,132
22	265	1,170,660	59	732	4,638,588
23	256	1,227,012	60	702	4,361,448
24	296	1,508,340	61	650	3,913,776
25	415	2,247,264	62	555	3,314,292
26	489	2,735,508	63	464	2,843,340
27	433	2,500,800	64	388	2,456,400
28	420	2,492,808	65	307	1,882,284
29	499	3,098,328	66	249	1,534,860
30	488	3,046,488	67	240	1,446,996
31	472	3,023,340	68	174	1,011,840
32	469	3,046,404	69	145	852,792
33	440	2,894,856	70	126	769,500
34	487	3,264,048	71	90	559,536
35	454	3,047,208	72	83	509,460
36	442	2,937,756	73	74	463,320
37	479	3,284,544	74	46	257,652
38	527	3,680,844	75	31	162,900
39	512	3,515,184	76	33	178,212
40	543	3,735,720	77	23	120,072
41	564	3,988,332	78	16	100,524
42	552	3,843,468	79	13	61,812
43	535	3,655,824	80	10	34,824
44	559	3,765,120	81	4	21,648
45	537	3,406,500	82	2	4,800
46	501	3,219,372	83	5	22,248
47	575	3,691,392	84	3	10,860
48	532	3,285,120	86	2	12,588
49	603	3,632,148	87	1	1,200
50	595	3,689,928	88	1	3,000
51	641	4,114,692	89	1	1,716
52	641	3,990,228	91	1	2,640
53	674	4,150,380			
54	746	4,684,104			
				25,268	\$ 157,832,508
				2,404	10,325,700
				<u>27,672</u>	<u>\$ 168,158,208</u>

Members having uncompleted Membership Records . . . . .

Totals . . . . .

**NUMBER OF MEMBERS AND TOTAL SALARIES AT JUNE 30, 1965  
CLASSIFIED BY AGE AND SEX**

**Female Employees**

Age at June 30, 1965	Number of Members	Aggregate Annual Salary Rate \$	Age at June 30, 1965	Number of Members	Aggregate Annual Salary Rate \$
16	1	3,900	52	574	2,856,840
19	60	214,320	53	528	2,588,772
20	255	917,244	54	535	2,749,092
21	299	1,100,712	55	580	2,917,500
22	345	1,337,280	56	531	2,676,744
23	350	1,444,524	57	539	2,747,028
24	344	1,517,352	58	542	2,699,088
25	319	1,451,832	59	498	2,458,272
26	303	1,379,376	60	477	2,397,276
27	290	1,364,712	61	411	2,093,412
28	272	1,249,716	62	371	1,912,080
29	243	1,084,068	63	343	1,790,424
30	241	1,091,424	64	286	1,495,608
31	230	1,060,536	65	292	1,495,248
32	265	1,207,104	66	192	978,312
33	233	1,066,788	67	195	981,048
34	231	1,042,128	68	143	740,004
35	242	1,137,576	69	137	698,652
36	281	1,330,668	70	119	589,788
37	247	1,160,844	71	67	336,180
38	337	1,631,148	72	84	421,848
39	309	1,478,640	73	62	326,724
40	346	1,624,836	74	42	225,624
41	340	1,597,032	75	31	135,336
42	378	1,768,608	76	24	120,960
43	412	1,983,936	77	25	129,432
44	431	2,063,796	78	6	24,660
45	434	2,054,580	79	7	30,792
46	428	2,071,596	80	2	7,644
47	467	2,242,644	81	8	32,580
48	427	2,066,784	82	2	5,760
49	474	2,310,912	83	1	1,320
50	541	2,647,788	85	1	1,320
51	546	2,710,068			
				18,576	\$ 89,079,840
				Members having uncompleted Membership Records . . . . . 1,193	4,127,268
				19,769	\$ 93,207,108

## NUMBER OF MEMBERS AT JUNE 30, 1965

## CLASSIFIED BY LENGTH OF SERVICE

Length of Service at June 30, 1965 (Years)	Number		Total
	Male	Female	
Less Than One Year.....	3,653	2,491	6,144
1 .....	3,958	2,968	6,926
2 .....	2,607	1,631	4,238
3 .....	4,435	1,425	5,860
4 .....	1,369	882	2,251
5 .....	1,071	731	1,802
6 .....	1,146	683	1,829
7 .....	1,293	786	2,079
8 .....	911	877	1,788
9 .....	785	800	1,585
10 .....	646	733	1,379
11 .....	683	627	1,310
12 .....	562	510	1,072
13 .....	412	433	845
14 .....	395	345	740
15 .....	434	359	793
16 .....	365	291	656
17 .....	288	299	587
18 .....	339	294	633
19 .....	256	265	521
20 .....	196	193	389
21 .....	119	188	307
22 .....	135	176	311
23 .....	181	263	444
24 .....	293	292	585
25 .....	144	176	320
26 .....	183	153	336
27 .....	121	127	248
28 .....	119	116	235
29 .....	95	88	183
30 .....	83	86	169
31 .....	76	85	161
32 .....	64	90	154
33 .....	41	49	90
34 .....	25	34	59
35 .....	45	40	85
36 .....	21	26	47
37 .....	31	30	61
38 .....	19	18	37
39 .....	11	20	31
40 .....	18	12	30
41 .....	5	9	14
42 .....	15	16	31
43 .....	7	10	17
44 .....	—	11	11
45 .....	5	8	13
46 .....	4	12	16
47 .....	5	4	9
48 .....	1	2	3
49 .....	1	3	4
50 .....	—	1	1
51 .....	—	1	1
56 .....	1	—	1
Totals .....	<u>27,672</u>	<u>19,769</u>	<u>47,441</u>

**SERVICE RETIREMENT ANNUITANTS CLASSIFIED BY  
AGE AT JUNE 30, 1965**

**Male**

Age at June 30, 1965	Number	Annual Payments
54 .....	1	\$ 3,286.08
56 .....	2	4,963.80
57 .....	1	4,997.52
58 .....	2	3,955.56
59 .....	10	27,210.00
60 .....	33	62,799.12
61 .....	67	110,482.20
62 .....	77	135,238.92
63 .....	93	181,892.04
64 .....	126	233,652.60
65 .....	143	260,996.52
66 .....	175	371,822.28
67 .....	188	375,714.36
68 .....	181	319,616.76
69 .....	222	389,184.12
70 .....	222	330,441.12
71 .....	198	318,301.92
72 .....	160	260,762.16
73 .....	192	285,275.76
74 .....	148	216,227.04
75 .....	149	224,904.84
76 .....	124	194,372.04
77 .....	111	165,591.12
78 .....	93	133,992.72
79 .....	88	116,867.16
80 .....	84	114,597.24
81 .....	52	57,517.32
82 .....	50	67,059.36
83 .....	34	34,417.32
84 .....	25	23,736.60
85 .....	24	25,632.48
86 .....	14	12,995.76
87 .....	10	10,265.16
88 .....	12	7,929.48
89 .....	10	7,728.24
90 .....	4	2,675.64
91 .....	1	1,557.00
92 .....	3	4,229.40
93 .....	2	1,501.92
94 .....	3	2,259.72
95 .....	1	1,895.40
<b>Totals .....</b>	<b>3,135</b>	<b>\$ 5,108,545.80</b>

Average Age—71.29 years  
Average Allowance—\$1,629.52

**SERVICE RETIREMENT ANNUITANTS CLASSIFIED BY  
AGE AT JUNE 30, 1965**

**Female**

Age at June 30, 1965	Number	Annual Payments
51 .....	1	\$ 1,534.08
52 .....	2	3,199.08
54 .....	1	1,762.08
56 .....	2	3,076.44
57 .....	3	4,037.16
58 .....	6	7,346.16
59 .....	4	7,605.36
60 .....	36	51,006.00
61 .....	79	109,616.16
62 .....	82	108,917.76
63 .....	93	116,885.88
64 .....	83	106,811.40
65 .....	125	176,763.24
66 .....	131	166,835.16
67 .....	165	198,217.56
68 .....	172	232,715.52
69 .....	178	215,777.76
70 .....	178	222,521.64
71 .....	176	217,917.72
72 .....	151	189,274.80
73 .....	150	178,026.00
74 .....	144	178,749.84
75 .....	147	174,477.24
76 .....	113	129,293.64
77 .....	112	131,540.76
78 .....	97	114,522.24
79 .....	86	98,500.44
80 .....	76	87,933.00
81 .....	62	64,323.12
82 .....	37	32,978.64
83 .....	33	38,745.96
84 .....	30	26,939.40
85 .....	19	18,458.28
86 .....	15	12,506.88
87 .....	14	10,154.88
88 .....	6	3,707.76
89 .....	7	4,953.24
90 .....	8	6,654.72
92 .....	2	1,406.64
93 .....	2	1,267.92
94 .....	2	2,038.44
95 .....	1	447.24
<b>Totals .....</b>	<b>2,831</b>	<b>\$ 3,459,447.24</b>

Average Age—71.42 years  
Average Allowance—\$1,221.99

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

Age at Retirement	Number	
	Male	Female
50 .....	1	4
51 .....	—	1
53 .....	1	3
54 .....	—	3
55 .....	6	8
56 .....	4	8
57 .....	5	9
58 .....	4	19
59 .....	12	12
60 .....	453	413
61 .....	187	171
62 .....	192	172
63 .....	177	181
64 .....	177	142
65 .....	339	323
66 .....	271	198
67 .....	202	208
68 .....	182	154
69 .....	161	163
70 .....	215	206
71 .....	111	97
72 .....	103	93
73 .....	82	70
74 .....	65	72
75 .....	56	29
76 .....	39	28
77 .....	29	15
78 .....	23	13
79 .....	18	6
80 .....	3	4
81 .....	4	3
82 .....	2	2
83 .....	6	—
84 .....	2	—
85 .....	1	1
86 .....	2	—
<b>Totals</b> .....	<u>3,135</u>	<u>2,831</u>
<b>Average Age at Retirement</b>		
Males—	66.09	
Females—	65.72	

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**  
**WIDOW ANNUITANTS CLASSIFIED BY AGE AT**  
**JUNE 30, 1965**

Age at June 30, 1965	Number	Annual Payments
40 .....	1	\$ 933.60
44 .....	1	448.80
45 .....	2	3,540.36
46 .....	1	1,325.64
48 .....	3	2,378.04
49 .....	1	419.04
50 .....	4	2,832.36
51 .....	3	2,202.24
52 .....	4	4,594.92
53 .....	4	4,587.48
54 .....	5	4,085.88
55 .....	4	6,681.36
56 .....	13	13,899.00
57 .....	10	7,996.92
58 .....	15	15,216.12
59 .....	12	14,138.28
60 .....	21	15,459.00
61 .....	21	19,847.04
62 .....	26	27,775.20
63 .....	34	24,975.72
64 .....	32	28,727.16
65 .....	40	39,099.72
66 .....	38	41,012.40
67 .....	40	28,490.76
68 .....	27	20,081.16
69 .....	44	37,830.48
70 .....	33	31,023.60
71 .....	52	39,742.68
72 .....	34	23,082.24
73 .....	24	20,626.56
74 .....	34	20,081.88
75 .....	32	23,759.88
76 .....	22	13,060.68
77 .....	23	14,966.76
78 .....	26	18,774.12
79 .....	19	11,584.80
80 .....	12	8,488.44
81 .....	12	7,587.48
82 .....	8	4,871.64
83 .....	4	4,083.24
84 .....	4	1,882.44
85 .....	2	861.96
86 .....	2	2,069.40
87 .....	3	965.76
89 .....	1	325.32
<b>Totals .....</b>	<b>753</b>	<b>\$ 616,417.56</b>

**SURVIVORS ANNUITY BENEFICIARIES CLASSIFIED BY  
AGE AT JUNE 30, 1965**

**Relationship of Beneficiary**

Age	Widow or Widower	Child	Parent	Total	Annual Payment
2	—	1	—	1	\$ 1,500.00
8	—	1	—	1	1,262.40
11	—	1	—	1	1,262.40
13	—	2	—	2	2,883.24
14	—	1	—	1	1,225.56
15	—	2	—	2	2,010.72
16	—	2	—	2	2,603.76
17	—	2	—	2	2,342.52
28	1	—	—	1	3,000.00
30	1	—	—	1	3,000.00
31	2	—	—	2	6,000.00
33	2	—	—	2	5,560.56
34	3	—	—	3	8,722.80
35	4	—	—	4	11,615.16
36	1	—	—	1	3,000.00
38	3	—	—	3	8,826.12
40	2	—	—	2	6,000.00
41	4	—	—	4	9,755.40
42	3	—	—	3	9,000.00
43	3	—	—	3	9,000.00
44	4	—	—	4	11,422.56
45	6	—	—	6	15,859.68
46	1	—	—	1	3,000.00
47	7	—	—	7	19,131.36
48	2	—	—	2	5,137.80
49	2	—	—	2	4,620.00
50	2	—	—	2	6,000.00
51	7	—	—	7	20,903.76
52	4	—	—	4	11,763.60
53	4	—	—	4	10,536.00
54	8	—	—	8	20,322.36
55	5	—	—	5	8,769.60
56	19	—	—	19	37,227.48
57	13	—	—	13	25,891.44
58	21	—	—	21	33,724.80
59	15	—	—	15	24,431.52
60	27	—	—	27	45,376.32
61	23	—	—	23	39,514.08
62	22	—	—	22	33,975.12
63	24	—	—	24	32,634.00
64	14	—	1	15	22,638.24
65	24	—	—	24	34,248.24
66	18	—	—	18	27,836.04
67	12	—	—	12	15,780.36
68	8	—	—	8	12,045.96
69	12	—	—	12	16,823.52
70	12	—	—	12	16,546.92
71	15	—	—	15	17,190.96
72	5	—	—	5	8,216.52
73	5	—	1	6	10,661.52
74	9	—	—	9	14,988.96
75	9	—	—	9	13,358.28
76	3	—	2	5	7,878.96
77	2	—	1	3	4,119.48



78 .....	—	—	1	1	1,162.68
79 .....	3	—	1	4	6,974.28
80 .....	—	—	1	1	2,037.84
85 .....	—	—	1	1	1,047.36
89 .....	—	—	1	1	1,577.16
<b>Totals .....</b>	<b><u>396</u></b>	<b><u>12</u></b>	<b><u>10</u></b>	<b><u>418</u></b>	<b><u>\$743,945.40</u></b>

**DEATHS AMONG MEMBERS PRIOR TO RETIREMENT—AGE AND  
SERVICE DATA—FISCAL PERIOD JULY 1, 1964 TO JUNE 30, 1965**

**Number of Claims**

Age at Death	Male	Female	Total
18 to 24 incl. ....	2	1	3
25 to 29 incl. ....	1	1	2
30 to 34 incl. ....	6	0	6
35 to 39 incl. ....	4	3	7
40 to 44 incl. ....	8	2	10
45 to 49 incl. ....	22	7	29
50 to 54 incl. ....	39	19	58
55 to 59 incl. ....	53	15	68
60 to 64 incl. ....	57	19	76
65 to 69 incl. ....	29	11	40
70 or over .....	17	2	19
<b>Totals</b> .....	<b>238</b>	<b>80</b>	<b>318</b>
<b>Service Data:</b>			
Less than 6 years of service ..	117	20	137 43%
6 years of service or over ...	121	60	181 57%
			<b>318</b>

**DEATH PRIOR TO RETIREMENT CLASSIFIED BY CAUSES OF DEATH**  
**FISCAL PERIOD JULY 1, 1964 TO JUNE 30, 1965**

Cause of Death	Number
<b>Diseases of the Heart, Blood Vessels and Kidneys:</b>	
Heart Disease .....	155
Apoplexy .....	20
Nephritis .....	14
Cancer and Tumor .....	67
Pneumonia and Influenza .....	16
Diabetes .....	2
Liver Disease .....	5
Pulmonary Tuberculosis .....	4
<b>Diseases of the Digestive Tract, Including Ulcers of the Stomach and</b>	
Duodenum and Appendicitis .....	9
Automobile Accidents .....	14
Other Violent Deaths—Including War Deaths.....	8
All Other Causes.....	4
Causes Unknown .....	0
Totals .....	318
	318

**Above Statistics Classified as to Types of Benefits:**

Ordinary Death (Nonoccupational) .....	165
Accidental Death (Occupational) .....	3
Survivors' Annuity .....	149
Widows' Annuity .....	1
	318
	318

## STATISTICS ON WITHDRAWALS WITH REFUNDS

### Classified by Age at Withdrawal

Age at Withdrawal	Number of Refunds Year Ended June 30	
	1965	1964
18-19 incl. ....	13	4
20-24 incl. ....	745	594
25-29 incl. ....	677	726
30-34 incl. ....	436	416
35-39 incl. ....	347	347
40-44 incl. ....	337	291
45-49 incl. ....	306	237
50-54 incl. ....	288	233
55-59 incl. ....	256	174
60-64 incl. ....	161	132
65-69 incl. ....	86	50
70 and over ....	28	18
No age data ....	6	6
<b>Totals</b> .....	<b>3,686</b>	<b>3,228</b>

### Classified by Length of Service

Less Than 1 Year .....	592	486
1 Year .....	941	960
2 Years .....	658	633
3 Years .....	459	308
4 Years .....	215	231
5 Years and Over .....	821	610
<b>Totals (as above)</b> .....	<b>3,686</b>	<b>3,228</b>

**SUMMARY BY DEPARTMENT OF BENEFIT CLAIMS COVERING  
THE PERIOD FROM JULY 1, 1964 TO JUNE 30, 1965**

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 .....	1	—	—	—	—	—	—	—	—
02	Lieutenant Governor .....	—	—	—	—	—	—	—	—	—
03	Secretary of State .....	109	7	—	13	—	—	4	9	5
04	Auditor of Public Accounts .....	5	1	—	—	—	—	—	—	—
05	Treasurer .....	3	1	—	—	1	—	—	—	1
06	Attorney General .....	5	2	—	1	—	—	1	—	1
07	Public Instruction .....	2	2	—	—	—	—	—	2	—
08	Courts .....	5	1	—	—	—	—	—	—	—
09	State Officers .....	7	—	—	2	—	—	—	—	—
10	Aeronautics .....	1	—	—	—	—	—	—	—	—
11	Agriculture .....	7	1	—	3	—	—	—	1	6
12	Conservation .....	7	1	—	—	—	—	2	2	7
13	Finance .....	5	2	—	4	—	—	1	1	1
14	Insurance .....	3	—	—	—	—	—	1	—	1
15	Labor .....	34	15	—	23	2	—	2	3	18
16	Children's and Family Services .....	30	6	—	8	2	—	—	3	7
17	Mines and Minerals .....	2	—	—	—	—	—	—	2	1
18	Audits .....	—	—	—	—	—	—	—	—	—
19	Financial Institutions .....	7	—	—	—	—	—	—	2	4
20	Public Health .....	17	6	—	8	—	—	2	—	1
21	Public Safety .....	40	8	2	14	—	—	1	10	20
22	Mental Health .....	266	50	—	198	38	—	17	17	51
23	Public Works and Buildings .....	81	27	—	16	31	—	2	24	33
24	Registration and Education .....	6	—	—	—	—	—	—	1	1
25	Revenue .....	24	10	—	4	1	—	1	5	9
28	Personnel .....	3	—	—	—	—	—	—	—	—

(Continued)

**SUMMARY BY DEPARTMENTS OF BENEFIT CLAIMS COVERING  
 THE PERIOD FROM JULY 1, 1964 TO JUNE 30, 1965**

(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 .....	23	4	1	8	—	—	—	2	4
30	Civil Service Commission...	—	—	—	—	—	—	—	—	—
31	Commerce Commission .....	1	2	—	1	—	—	—	1	3
32	Liquor Control Commission..	1	—	—	—	—	—	—	—	—
33	Public Aid .....	53	10	—	10	1	—	2	2	3
34	Veterans' Commission .....	2	1	—	1	—	—	1	1	1
35	State Militia .....	4	4	—	—	—	—	—	2	2
50	Miscellaneous Agencies .....	7	4	—	3	—	—	2	—	3
	<b>Totals .....</b>	<b>761</b>	<b>165</b>	<b>3</b>	<b>318</b>	<b>76</b>	<b>—</b>	<b>39</b>	<b>90</b>	<b>184</b>

**SERVICE RETIREMENT ALLOWANCE EFFECTIVE DURING THE  
PERIOD FROM JULY 1, 1964 TO JUNE 30, 1965**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1965	1964
01	Governor .....	1	0
03	Secretary of State .....	109	57
04	Auditor of Public Accounts .....	5	6
05	Treasurer .....	3	5
06	Attorney General .....	5	3
07	Public Instruction .....	2	4
08	Courts .....	5	0
09	State Officers .....	7	18
10	Aeronautics .....	1	1
11	Agriculture .....	7	8
12	Conservation .....	7	6
13	Finance .....	5	10
14	Insurance .....	3	9
15	Labor .....	34	52
16	Children's and Family Services.....	30	12
17	Mines and Minerals .....	2	1
19	Financial Institutions .....	7	3
20	Public Health .....	17	11
21	Public Safety .....	40	43
22	Mental Health .....	266	302
23	Public Works and Buildings .....	81	123
24	Registration and Education .....	6	2
25	Revenue .....	24	29
28	Personnel .....	3	2
29	Youth Commission .....	23	14
30	Civil Service Commission .....	0	1
31	Commerce Commission .....	1	3
32	Liquor Control Commission .....	1	1
33	Public Aid .....	53	51
34	Veterans' Commission .....	2	2
35	State Militia .....	4	2
50	Miscellaneous Agencies .....	7	11
	<b>Totals .....</b>	<b>761</b>	<b>792</b>

**WIDOWS' ANNUITY CLAIMS DURING THE PERIOD  
FROM JULY 1, 1964 TO JUNE 30, 1965**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1965	1964
03	Secretary of State .....	9	5
04	Auditor of Public Accounts .....	0	3
05	Treasurer .....	0	1
06	Attorney General .....	0	1
07	Public Instruction .....	2	0
09	State Officers .....	0	1
11	Agriculture .....	1	2
12	Conservation .....	2	1
13	Finance .....	1	1
14	Insurance .....	0	1
15	Labor .....	3	6
16	Children's and Family Services.....	3	0
17	Mines and Minerals .....	2	1
19	Financial Institutions .....	2	0
21	Public Safety .....	10	10
22	Mental Health .....	17	29
23	Public Works and Buildings .....	24	29
24	Registration and Education .....	1	0
25	Revenue .....	5	6
29	Youth Commission .....	2	0
31	Commerce Commission .....	1	1
33	Public Aid .....	2	2
34	Veterans' Commission .....	1	0
35	State Militia .....	2	2
50	Miscellaneous Agencies .....	0	1
	<b>Totals .....</b>	<b>90</b>	<b>103</b>



**SURVIVORS' ANNUITY CLAIMS DURING THE PERIOD  
FROM JULY 1, 1964 TO JUNE 30, 1965**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1965	1964
03	Secretary of State .....	5	14
04	Auditor of Public Accounts .....	0	1
05	Treasurer .....	1	0
06	Attorney General .....	1	1
08	Courts .....	1	2
09	State Officers .....	0	3
11	Agriculture .....	6	2
12	Conservation .....	7	2
13	Finance .....	1	1
14	Insurance .....	1	3
15	Labor .....	18	11
16	Children's and Family Services.....	7	1
17	Mines and Minerals .....	1	2
19	Financial Institutions .....	4	5
20	Public Health .....	1	0
21	Public Safety .....	20	14
22	Mental Health .....	51	47
23	Public Works and Buildings .....	33	32
24	Registration and Education .....	1	0
25	Revenue .....	9	4
29	Youth Commission .....	4	6
31	Commerce Commission .....	3	2
32	Liquor Control Commission .....	0	2
33	Public Aid .....	3	2
34	Veterans' Commission .....	1	1
35	State Militia .....	2	3
50	Miscellaneous Agencies .....	3	8
	<b>Totals .....</b>	<b>184</b>	<b>169</b>

**ORDINARY DEATH CLAIMS COVERING THE PERIOD  
FROM JULY 1, 1964 TO JUNE 30, 1965**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1965	1964
03	Secretary of State .....	7	9
04	Auditor of Public Accounts .....	1	1
05	Treasurer .....	1	1
06	Attorney General .....	2	4
07	Public Instruction .....	2	0
08	Courts .....	1	0
09	State Officers .....	0	1
11	Agriculture .....	1	3
12	Conservation .....	1	0
13	Finance .....	2	1
15	Labor .....	15	8
16	Children's and Family Services.....	6	2
17	Mines and Minerals .....	0	3
20	Public Health .....	6	4
21	Public Safety .....	8	9
22	Mental Health .....	50	54
23	Public Works and Buildings .....	27	29
24	Registration and Education .....	0	1
25	Revenue .....	10	9
29	Youth Commission .....	4	3
31	Commerce Commission .....	2	0
33	Public Aid Commission .....	10	6
34	Veterans' Commission .....	1	1
35	State Militia .....	4	2
50	Miscellaneous Agencies .....	4	2
	<b>Totals .....</b>	<b>165</b>	<b>153</b>

**ACCIDENTAL DEATH CLAIMS COVERING THE PERIOD  
FROM JULY 1, 1964 TO JUNE 30, 1965  
Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1965	1964
03	Secretary of State .....	0	2
12	Conservation .....	0	1
19	Financial Institutions .....	0	1
21	Public Safety .....	2	0
22	Mental Health .....	0	1
23	Public Works and Buildings .....	0	3
29	Youth Commission .....	1	0
33	Public Aid .....	0	1
	<b>Totals .....</b>	<b>3</b>	<b>9</b>
		<b>3</b>	<b>9</b>

## ORDINARY DISABILITY CLAIMS COVERING PERIOD

FROM JULY 1, 1964 TO JUNE 30, 1965

## Summary by Departments

Code No.	Name of Department	Year Ended June 30	
		1965	1964
03	Secretary of State .....	13	13
06	Attorney General .....	1	1
09	State Officers .....	2	0
11	Agriculture .....	3	0
13	Finance .....	4	3
15	Labor .....	23	25
16	Children's and Family Services .....	8	1
19	Financial Institutions .....	0	3
20	Public Health .....	8	8
21	Public Safety .....	14	12
22	Mental Health .....	198	159
23	Public Works and Buildings .....	16	8
24	Registration and Education .....	0	1
25	Revenue .....	4	8
28	Personnel .....	1	0
29	Youth Commission .....	8	7
31	Commerce Commission .....	1	0
32	Liquor Control Commission .....	0	1
33	Public Aid .....	10	8
34	Veterans' Commission .....	1	3
35	State Militia .....	0	2
50	Miscellaneous Agencies .....	3	2
	<b>Totals .....</b>	<b>318</b>	<b>265</b>

**ACCIDENTAL DISABILITY CLAIMS COVERING THE PERIOD  
FROM JULY 1, 1964 TO JUNE 30, 1965**

**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1965	1964
05	Treasurer .....	1	0
13	Finance .....	0	1
15	Labor .....	2	2
16	Children's and Family Services.....	2	2
20	Public Health .....	0	1
21	Public Safety .....	0	3
22	Mental Health .....	38	36
23	Public Works and Buildings .....	31	49
25	Revenue .....	1	1
33	Public Aid .....	1	2
50	Miscellaneous Agencies .....	0	1
	<b>Totals .....</b>	<b>76</b>	<b>98</b>

**DEATH BENEFITS AFTER RETIREMENT COVERING THE PERIOD**  
**FROM JULY 1, 1964 TO JUNE 30, 1965**  
**Excess of Accumulated Contributions Over Pension Payments Received**  
**Summary by Departments**

Code No.	Name of Department	Year Ended June 30	
		1965	1964
03	Secretary of State .....	4	2
06	Attorney General .....	1	0
11	Agriculture .....	0	1
12	Conservation .....	2	0
13	Finance .....	1	1
14	Insurance .....	1	0
15	Labor .....	2	1
16	Children's and Family Services.....	0	1
20	Public Health .....	2	2
21	Public Safety .....	1	3
22	Mental Health .....	17	16
23	Public Works and Buildings .....	2	3
25	Revenue .....	1	2
29	Youth Commission .....	0	2
31	Commerce Commission .....	0	2
33	Public Aid .....	2	2
34	Veterans' Commission .....	1	0
35	State Militia .....	0	1
50	Miscellaneous Agencies .....	2	1
	<b>Totals .....</b>	<b>39</b>	<b>40</b>

## APPENDIX

### Summary of Benefit and Contribution Provisions

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

**CONDITIONS FOR RETIREMENT.** 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 with at least 20 years of credited service as a State highway policeman 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 years' 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 terminating service after age 55 but before age 60 with at least 8 years of credit has a vested right to his pension at age 60.

### **AMOUNT OF SERVICE RETIREMENT ALLOWANCE:**

(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.

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.

**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.

**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.

**OPTIONAL MINIMUM RETIREMENT ALLOWANCE.** 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.

\* This summary sets forth in brief the principal provisions of the plan of operation underlying the System in force on June 30, 1965. It is not to be accepted as a substitute for the applicable law. The law must be considered as controlling under all circumstances.



**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.

**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.

**ELIGIBILITY FOR 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 required 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.

**AMOUNT OF WIDOW'S ANNUITY.** (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' BENEFITS.** These benefits are applicable to all members of the System, both male and female. The benefits apply immediately to a member in State service 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 out of 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.

**AMOUNT OF SURVIVORS' BENEFITS.** The survivors' benefits consist 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 and at the rates specified.

**ELIGIBILITY REQUIREMENTS.** (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, dependent 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.

**DEPENDENCY CONDITIONS.** 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.

**OTHER CONDITIONS.** 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 payment 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.

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.

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.

**TERMINATION OF SURVIVORS' BENEFITS.** 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.

**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.

**CONTRIBUTIONS 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 1 year 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. The minimum period of one year of service is set aside if consolidation of two or more functions occurs between different governmental units.

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.

The employee must make a contribution to the system under which retirement occurs prior to the date retirement annuity begins equal to the lesser of the following:

\* 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.

(a) 1% of his actual full-time rate of salary on the date of separation from service under each of the other systems, multiplied by the number of years of pension credit in each of those systems; or

(b) 1% of the final average salary credited in the system under which retirement occurs multiplied by the number of years of pension credit in each of the other systems.

Pension credit under a system which is financed wholly or partially by a governmental unit which also finances wholly or partially the system under which retirement occurs, shall not be considered in determining the amount the employee must pay to qualify for the alternative formula.

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.











**ILLINOIS**  
*Land of Lincoln*

# STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

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

JUNE 30, 1966



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, 1966)

ROY TUCHBREITER, *Chairman*<sup>1</sup>  
*Chairman, Executive Committee*  
Continental Assurance Company

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

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

EDWARD F. MERTEN  
*Deputy Director, Administrative Services*  
Department of Mental Health

THEODORE F. MORF  
*Deputy Chief Highway Engineer*  
Department of Public Works and Buildings



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*

<sup>1</sup>Succeeded by  
MR. HOWARD C. REEDER  
on July 29, 1966



(41138—6-67)

(Printed by Authority of the State of Illinois)

## CONTENTS

	PAGE
LETTER OF TRANSMITTAL.....	i
FINANCIAL AND STATISTICAL FACTS.....	ii
REPORT OF BOARD OF TRUSTEES.....	1
ACTUARY'S CERTIFICATION .....	7
Valuation Balance Sheet, June 30, 1966.....	8-9
REPORT OF THE ACTUARY .....	11
ACCOUNTANTS' REPORT AND FINANCIAL STATEMENTS	16
STATISTICAL AND CLAIMS DATA at June 30, 1966.....	23
Membership by Departments .....	24
Number of Members and Total Salaries, Classified by Age and Sex—Male.....	25
Number of Members and Total Salaries, Classified by Age and Sex—Female.....	26
Number of Members, Classified by Length of Service.....	27
Service Retirement Annuitants Classified by Age—Male.....	28
Service Retirement Annuitants Classified by Age—Female.....	29
Service Retirement Annuitants Classified by Age at Retirement..	30
Widow Annuitants Classified by Age.....	31
Survivors' Annuity Beneficiaries Classified by Age.....	32
Deaths Among Members Prior to Retirement—Age and Service Data .....	34
Death Prior to Retirement Classified by Causes of Death.....	35
Statistics on Withdrawals with Refunds, Classified by Age at Withdrawal .....	36
Summary by Departments of Benefit Claims.....	37-38
Service Retirement Allowances.....	39
Widows' Annuity Claims .....	40

PROPERTY OF LIBRARY  
NEW YORK STATE SCHOOL  
INDUSTRIAL AND LABOR RELATIONS  
CORNER

Original from  
CORNELL UNIVERSITY

## CONTENTS—Continued

	<b>PAGE</b>
Survivors' Annuity Claims .....	41
Ordinary Death Claims .....	42
Accidental Death Claims .....	43
Ordinary Disability Claims .....	44
Accidental Disability Claims .....	45
Death Benefits After Retirement .....	46

### APPENDIX

Summary of Benefit and Contribution Provisions of State Employees' Retirement Act.....	48
-------------------------------------------------------------------------------------------	----

## LETTER OF TRANSMITTAL

April 30, 1967

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

Sir:

On behalf of the Board of Trustees of the State Employees' Retirement System of Illinois, I take pleasure in submitting herewith the Twenty-Third Annual Statement of the Board for the fiscal year ended June 30, 1966.

Respectfully submitted,



Chairman

## FINANCIAL AND STATISTICAL FACTS

<i>Financial</i>	Fiscal Year Ended June 30,	
<i>At Year-End</i>	1966	1965
Net Assets .....	\$ 145,650,749.46	\$ 129,275,053.90
Increase in Net Assets.....	16,375,695.56	12,750,752.40
Investments (at Book Value).....	142,429,618.18	126,625,448.33
Average Yield on Investments .....	3.94%	3.85%
Unfunded Accrued Liability .....	243,082,782.46	225,980,476.00
<i>Fiscal Year Results</i>		
Total Income for Year.....	\$ 33,690,697.91	\$ 28,025,395.85
Employee Contributions .....	18,304,380.05	15,864,082.12
State Contributions .....	8,784,072.90	6,462,528.50
Contributions from Federal Funds.....	1,080,132.83	872,374.53
Interest Income .....	5,267,337.72	4,612,148.75
Total Expenditures .....	17,315,002.35	15,329,632.77
Annuity and Benefit Payments.....	13,717,388.79	12,074,468.32
Refunds .....	3,597,613.56	3,255,164.45
<i>Statistical</i>		
Membership at End of Year.....	51,289	47,441
Service Retirement Annuitants .....	6,403	5,966
Widows' Annuity Beneficiaries .....	825	753
Survivors' Annuity Beneficiaries .....	591	418
Changes in Service Retirement Roll:		
Retirements During Year .....	788	761
Re-entrants into Service.....	17	18
Deaths Among Retirants .....	332	294
Survivors' and Widows' Annuity Claims Processed During Year:		
Survivors' Annuities .....	230	184
Widows' Annuities .....	83	90
Disability Claims Processed During Year:		
Ordinary .....	286	318
Accidental .....	91	76
Death Claims Processed During Year:		
Ordinary .....	190	165
Accidental .....	9	3
Withdrawal Benefits Paid (Refunds).....	4,325	3,686



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

The Twenty-Third Annual Statement of the Board of Trustees of the State Employees' Retirement System of Illinois is presented herewith for the fiscal year ended June 30, 1966. The statement embodies pertinent statistical and financial information relating to the operations of the System.

**Membership Statistics**

Number of Members, July 1, 1965.....		47,518
<i>New members:</i>		
Employees qualifying for membership during the year.....		9,346
		56,864
<i>Separations:</i>		
Deaths prior to retirement.....	385	
Withdrawals with refunds.....	4,325	
Service retirements .....	788	
	5,498	
<i>Adjustment—</i>		
Deaths prior to retirement—unclaimed accounts.....	77	5,575
		51,289
Number of Members, June 30, 1966.....		

The changes in the retirement roll for the year were as follows:

	Service Retirements	Widows' Annuities <sup>1</sup>	Survivors' Annuities <sup>2</sup>
Number, July 1, 1965.....	5,966	753	418
Claims effective during the year.....	784	83	232
Claims previously deferred .....	4	10	29
	6,754	846	679
<b>Deaths</b>			
(or remarriage or children attaining age 18 in the case of survivors' annuities)			
Deaths .....	332	11	10
Deferments .....	2	10	78
Re-entrants into service .....	17	..	..
	351	21	88
Number, June 30, 1966.....	6,403	825	591

<sup>1</sup> Established July 1, 1953. It applies to members who became separated from service or retired before that date.

<sup>2</sup> Established July 18, 1961, with conditions varying from the widow's annuity. A widow of a deceased member who became a participant on or before July 18, 1961 has the option of receiving either a widow's annuity or a survivor's annuity.

Membership of the System increased during the last 5 years from 40,518 to 51,289, or 26.6%. The pension roll, including service retirements, widows' and survivors' annuities, increased from 5,190 to 7,819, or 50.7%.

### Financial Review

While the increase in reserves is not in itself a measure of the progress of the System during a fiscal year, such information is generally of interest to the membership. Reserves for the year increased from \$129,275,053.90 to \$145,650,749.46. The increase of \$16,375,695.56 was due for the most part to the change in the reserves representing the contribution credits of the members. These reserves increased from \$102,932,552.87 to \$115,201,410.24 or \$12,268,857.37.

The total increase in reserves was more than offset by the larger accrued liabilities. The unfunded accrued liability increased during the year in the sum of \$17,102,306.46 to the amount of \$243,082,782.46. This increase was due to the lack of adequate appropriations on the part of the State of Illinois and to the interest accrual for the year on the unfunded accrued liability. Requests for larger appropriations by the State to meet the requirements of the System have been consistently made by this Board.

### Annual Audit

An audit and examination of the books and accounts of the System was completed after the close of the year by accountants designated by the Auditor General of the State. The following are quotes from the audit report:

"In our opinion, the books and records in use are adequate to record the financial transactions of the agency including the provision for reconciling cash receipts, disbursements, and balances with the State Treasurer, and appropriation balances with the Department of Finance and the Auditor of Public Accounts.

"Except where indicated in a subsequent section of this report, it is our opinion that the system of internal control is adequate in the circumstances and functioning effectively."

The following two recommendations were made dealing with certain procedures in the internal operations of the System:

"The Agency should undertake a special systems study, using outside consultants and an employee, the principal objective of such study being to make recommendations for improvement in data processing.

"Improve internal control over mail remittances by requiring listings of receipts by mail openers."

The necessary steps to give effect to these recommendations have been taken. Financial statements consisting of a financial balance sheet as of June 30, 1966 and a statement of income and expenditures

for the year ended on that date are presented in the latter part of this annual statement following the report of the actuary.

### Investment Operations

During the year, the Board continued its policy of investing available funds in United States Government Bonds. Although the Board has had authority for the last two years to make investments in corporate bonds, it has not exercised this authority. Its policy in continuing to make investments in United States Government Bonds has been influenced by the fact that the major part of the reserves of the System consist of members' contributions. It is for this reason that the Board has confined its investments to the highest type of securities.

Total investments at June 30, 1966 amounted to \$142,429,618.18 at book value. The average rate of income on investments for the year was 3.94% compared with 3.85% last year. This rate represents the ratio of the investment income for the year to the average amount of investments owned at book value.

Purchases made by the Board during the year consisted of the following described securities in the amounts indicated:

\$8,600,000.00 par value 5% TREASURY NOTES due November 15, 1970  
 1,500,000.00 par value 4% U. S. TREASURY BONDS due February 15, 1970  
 6,000,000.00 par value 4¼% U. S. TREASURY BONDS due August 15, 1922/1987

There were no sales of bonds. A total of \$250,000.00 Series "A" bonds due October 1, 1965 were redeemed during the year.

A Committee on Investments is maintained to advise the Board on its investment operations. This committee consisted of Roy Tuchbreiter, Chairman, Trustee James A. Ronan and Charles A. Schoenberger, Vice President of the National Boulevard Bank of Chicago.

### State Appropriations

As previously reported, the Board had certified as the amount of its appropriation requirements for the 1965-1967 biennium the sum of \$45,961,561.00. This consisted of the normal statutory requirements according to the method of financing prescribed by the law plus a deficiency appropriation for the five preceding bienniums.

The amount actually granted the System, however, was \$17,048,457.00, thus further adding to the deficiency for prior years and increasing materially the unfunded accrued liability.

During the year the System was paid one-half of the aforesaid appropriation of \$17,048,457.00 together with a proportionate allocation from the escheat fund amounting to \$259,844.40.

The Board has consistently requested appropriations according to the statutory formula emphasizing the importance of properly funding the currently accruing normal costs as well as the accrued liabilities for prior years.

### **Amendatory Legislation**

Several amendments were enacted by the 74th General Assembly at its regular 1965 session which became operative during the year. These amendments may briefly be described as follows:

The period of time in which certain members of the System may elect to contribute for past service was extended.

The investment authority for the System was broadened to include corporate bonds.

The requirement that an employee must be under age 60 at the beginning of his 12-month qualifying period in order to become a member was repealed. Its purpose was to enable the aged employees to receive limited retirement, disability and death benefits.

The pension credits of employees who were involuntarily transferred from the Cook County Department of Public Welfare to the service in a department of the State of Illinois were preserved.

Membership in the System was reopened for a limited period to employees who previously waived membership.

The date for electing membership in the System by certain elected officials was extended.

### **Standing Committees**

In addition to the Committee on Investments, two other standing committees are maintained by the Board to advise on policy matters or to carry out its directives, namely, a Policy Committee and Claims Committee.

The Policy Committee is to review matters arising during the course of operations of the System of special character involving a judgment by the Board. Its responsibility is to formulate recommendations for the consideration of the Board. Its membership consists of Trustee Edward F. Merten, Chairman, Trustee Theodore F. Morf and the Secretary, with the actuary as technical consultant.

The Claims Committee reviews claim procedures and policies affecting annuities and benefits. It also formulates required rules for the processing and disposition of claims.

The Committee consists of Trustee Theodore F. Morf, Chairman, Mr. Lee W. Ensel, an attorney in Springfield, and the Secretary.

### **Social Security Unit**

The State Employees' Retirement System is the agency charged with the duty of implementing the Social Security Enabling Act which was enacted in 1951. Under this Act, social security coverage is authorized for public employees in Illinois under certain stipulated conditions subject to prescribed standards and limitations. Social security coverage for public employees in Illinois actually became operative on September 15, 1953.

At the close of the year, 3,907 governmental units whose employees were covered by social security were subject to the jurisdiction of this unit. The total number of employees involved in this coverage for the last quarterly period of the fiscal year covered by this report was 142,874.

Increases in coverage, therefore, may be expected in future years since the employees of a number of small cities, villages and other governmental units are still without retirement protection.

### **Report of the Actuary**

As provided by law, an annual valuation of the assets and liabilities of the System was completed by the Actuary as of June 30, 1966. The results of this valuation are presented in the report of the Actuary which forms a part of this annual statement.

### **Concluding Comments**

This annual statement records the results of the year's operations of the System in the several most important areas. Although the assets of the System increased during the year, this is not truly indicative of progress or improvement in its financial condition. A more pertinent index in such an evaluation is the trend of the unfunded accrued liability. This amount has again increased in a substantial measure, thus further impairing the financial condition of the System.

Greatly increased appropriations by the State of Illinois are required to meet the needs of the System in a minimum amount equal to the member contributions. This will at least meet normal cost requirements. An additional appropriation to provide for the interest accrual on the unfunded accrued liability would serve to stabilize that amount and prevent its further increase.

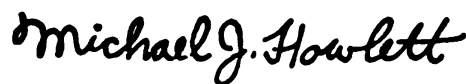
The loyal and efficient services of the members of the administrative staff and the cooperation and assistance during the year of the Attorney General and the State Treasurer are hereby acknowledged with appreciation.

Respectfully submitted,

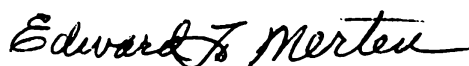
BOARD OF TRUSTEES  
State Employees' Retirement System  
of Illinois



Chairman









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, 1966.

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 Whitney, Hakman & Conaghan, Certified Public Accountants, on an audit of the operations of the System dated April 25, 1967.

In our opinion, the accompanying Valuation Balance Sheet correctly presents the condition of the State Employees' Retirement System of Illinois at June 30, 1966, giving effect to all accrued liabilities and reserve requirements under the applicable law.

A. A. Weinberg  
*Consulting Actuary*

April 30, 1967

**VALUATION BALANCE SHEET—JUNE 30, 1966**  
**STATEMENT OF ASSETS, LIABILITIES AND RESERVES**

**ASSETS**

**PRESENT ASSETS:**

Cash .....		\$ 777,665.87
Accounts Receivable—		
Members' Contributions .....	\$ 1,474,810.41	
Illinois Toll Highway Commission...	116,847.97	1,591,658.38
Investments—		
United States Government Securities (at amortized cost) .....		142,429,618.18
Accrued Interest—		
On investments .....		1,501,072.27
Other—		
Due from members for benefits cancelled .....	\$ 14,226.47	
Proportional service retirement allowance .....	6,826.08	21,052.55

**PROSPECTIVE ASSETS:**

Obligations for service to be rendered after June 30, 1966—		
Male members .....	\$ 48,732,891.00	
Female members .....	25,314,500.00	
State of Illinois .....	83,966,150.00	158,013,541.00

**DEFERRED ASSETS:**

Due from the State of Illinois for unfunded accrued pension credits .....		243,082,782.46
<b>TOTAL ASSETS .....</b>		<b>\$ 547,417,390.71</b>



**VALUATION BALANCE SHEET—JUNE 30, 1966**  
**STATEMENT OF ASSETS, LIABILITIES AND RESERVES**

**LIABILITIES**

**CURRENT LIABILITIES:**

Benefits payable .....	\$ 206,845.67		
Refunds payable .....	463,020.66	\$	669,866.33
Deferred credit to income .....			451.46

**FUTURE SERVICE LIABILITY:**

For pension credits on account of service after June 30, 1966—			
Male members .....	\$ 104,901,278.00		
Female members .....	53,112,263.00	\$	158,013,541.00

**RESERVE REQUIREMENTS**

**RESERVE FOR MEMBERS' CONTRIBUTIONS:**

For prospective retirement and widows' annuities on account of active members.	\$ 59,162,815.07		
For future refunds and death benefits—actuarial value of future payments....	51,318,922.00	\$	110,481,737.07

**RESERVE FOR STATE CONTRIBUTIONS:**

For prospective retirement and widows' annuities on account of active members—present value of total liability for accrued requirements .....	\$ 214,525,830.92		
Less, members' contribution credits.....	59,162,815.07	\$	155,363,015.85

**RETIREMENT AND BENEFITS RESERVE:**

Actuarial value of retirement and widows' annuities in force, and other prospective annuities and benefits .....			122,888,779.00

**TOTAL LIABILITIES AND RESERVE REQUIREMENTS.    \$ 547,417,390.71**

The following explanation is given regarding the several items comprising the assets, liabilities and reserves of the System in order to facilitate an understanding of these items.

*Present Assets* require no explanation since they comprise the assets on hand as taken from the report of audit of Whitney, Hakman & Conaghan dated April 25, 1967.

*Prospective Assets* represent the obligations of the participants and the State for service to be rendered subsequent to June 30, 1966. They consist of amounts, actuarially determined, giving effect to the factors of mortality, interest, turnover and others that are pertinent in the computation of the present value of the liabilities for benefits accruing on account of future service.

*Deferred Assets* constitute the amount accrued and unpaid on account of service rendered prior to the balance sheet date. It is commonly referred to as the "unfunded accrued liability" or "actuarial deficit." This is an obligation of the State to be discharged by increasing appropriations to the System.

*Current Liabilities* comprise the accrued benefits, accrued administrative expenses and deferred credits.

*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 to the balance sheet date. Part of these credits are subject to refund in future years on account of resignation, dismissal or death, 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 will ultimately qualify for 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 will ultimately become entitled to retirement annuities at the ages assumed for their retirement or whose beneficiaries may become eligible for payments under the widows' or survivors' benefit provisions.

*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 State Employees' Retirement System as of June 30, 1966

The accompanying Valuation Balance Sheet shows the results of an actuarial valuation of the State Employees' Retirement System as of June 30, 1966. Accrued liabilities at that date amounted to \$388,733,531.92. Net present assets available to meet these liabilities were \$145,650,749.46, resulting in an unfunded accrued obligation at that date of \$243,082,782.46. This amount constitutes an accrued obligation of the State of Illinois to the System for previous service of its employees to be discharged by future State 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 with an interest rate assumption of  $3\frac{1}{2}\%$  per annum.

Previously established salary projection rates were applied with some modifications to give effect to current developments. The usual disability rates were used to measure the rates of incidence on account of disability among the members.

*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 proper form.

### Results of Valuation

The true test of financial progress in the operation of a retirement system is the extent to which inroads have been made in the unfunded accrued liability. An increase in total assets, even of substantial proportions, cannot be construed as an indication of progress. It will not bring about improved stability unless it has been of sufficient proportions to increase the measure of coverage of the accrued liability.

This assumes that a system is funded according to a systematic plan which recognizes the accruing aspects of the pension cost. A pension liability represents a discounted sum in which effect has been given to the application of an interest factor as well as other pertinent factors. The liabilities incurred in the past, therefore, accrue continuously at the assumed interest rate.

Over the years, the State Employees' Retirement System has been subject to a plan of financing which may be described as partial funding. This has resulted in a deferment of current costs and a steady and persistent upward trend in the unfunded amount of the liabilities.

The valuation of the System has disclosed that an increase occurred for the year in the unfunded accrued liability in the amount of \$17,102,306.46. This increase is reconciled as follows:

Increase in the unfunded accrued liability from July 1, 1965 to June 30, 1966 .....	\$ 17,102,306.46
Less, interest at 3½% on the unfunded accrued liability at June 30, 1965 .....	7,909,316.66
Deficiency due to inadequacy in the current service requirements for the 1965-1966 fiscal year .....	<u>\$ 9,192,989.80</u>

The full funded cost of financing current service has been established at 7% of payroll. Applying this rate to the average salaries for the year, results in a current service cost of \$19,600,000.00. Assuming full funding of current service, the deficiency in State contributions for the year is determined to be as follows:

State's current service cost .....	\$ 19,600,000.00
Actual contributions by the State .....	8,784,072.90
Deficiency .....	<u>\$ 10,815,927.10</u>

The difference between the aforesaid two amounts may be explained by the several variables that exist in the calculation of liabilities. It is also probably due to a slight weighting of the State's current service rate as a provision for contingencies.

### Membership

	Male	Female
Number of members .....	29,598	21,691
Proportion of total .....	57.7%	42.3%
Aggregate rates of annual salary.....	\$ 192,151,056.00	\$ 107,262,468.00
Average rate of annual salary .....	\$ 6,492.00	\$ 4,945.00
Average age (years).....	47.2	46.3
Average length of service (years).....	6.1	7.4

The foregoing tabulation includes approximately 1,200 State police members who are subject to special conditions for retirement, larger rates of contribution and a higher rate of service retirement allowance.

### Service Retirements

	Male	Female
Number of annuitants .....	3,321	3,082
Proportion of total .....	51.9%	48.1%
Aggregate annual payments .....	\$ 5,621,453.28	\$ 3,960,884.76
Average annual payment .....	\$ 1,692.70	\$ 1,285.17
Average age (years).....	71.5	71.6
Average age at retirement.....	66.0	65.7

### **Mortality Among Service Retirements**

Deaths among retired members that occurred during the year numbered 332. The rate of death among these annuitants was about 110% of the expected according to the mortality tables used in measuring this risk.

### **Widows' and Survivors' Annuities**

There were 825 widows on the pension roll at the close of the year receiving annual payments totalling \$672,569.40, or an average annual payment of \$815.24 per year. A total of 591 survivors' annuity beneficiaries received payments amounting to \$1,043,399.88 per year. Their average annual payment was \$1,765.48. The mortality rate among these beneficiaries was somewhat below the expected, being 82% thereof.

### **Deferred Annuities**

There were 15 deferred service retirement allowances. Several of these deferments involve the application of the Retirement Systems Reciprocal Act. Under the said Act, a proportional annuity payable by the System may not begin prior to a members attainment of age 60. The remainder of the annuities were suspended for other causes.

A total of 22 widows' annuities were deferred until the attainment by the widow of age 55. In these cases, a member left no minor children surviving him.

There were 192 survivors' annuities deferred at the close of the year. This deferment was due either to the fact that the widow was under age 55 and did not have minor children in her care or the widow was employed by the State. The latter category consisted of 43 widows who were working in a department or division of the State government.

### **Reversionary Annuities**

Reversionary annuities in force numbered 14. There were also 7 members on retirement who had elected a reversionary annuity option. A relatively small number of the members exercise this option.

### **Ordinary Death Benefit**

This benefit consists of (a) a return of the member's 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. This benefit

is payable only in cases where there is no one surviving the member who could qualify for either the widow's annuity or survivors' benefit.

The claims arising in the 1966 fiscal year numbered 190 compared to 165 during the preceding year.

### Accidental Death

The total number of beneficiaries in receipt of accidental death benefits at the close of the year was 80. An additional 17 claims will mature when the offset of Workmen's Compensation has been completed. The average number of new claims incurred during the last 6 fiscal years has been about 6 per year. This record reflects a satisfactory experience.

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

The average number of accidental disability claims processed each year has been about 70. This appears to be a normal experience for the size of the group comprising the membership of the System and the type of employment represented in the State government. The Public Works and Buildings and Mental Health departments, being the two largest in the State from the standpoint of membership, account for the great majority of these claims.

### Ordinary Disability

The number of claims processed during recent years has fluctuated between years as will be observed in the following statement:

Year Ended June 30th	Number of Claims
1962	278
1963	268
1964	265
1965	318
1966	286

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

### Withdrawal Benefits

The following statistics are illustrative of the trend in withdrawals from the System and the amounts paid as refunds:

Year Ended June 30th	Number of Withdrawals	Total Payments	Average Refund
1962	3,285	\$2,498,611.35	\$760.61
1963	3,214	2,227,406.70	692.90
1964	3,228	2,464,842.03	763.57
1965	3,686	3,182,398.29	863.37
1966	4,325	3,502,090.74	809.73

It is noted that the great majority of refunds involve 3 years of service or less. The number of withdrawals with refund reflects substantially the expectancy.

### Legislation

Several amendments to the Act approved at the 1965 session of the General Assembly became operative during the year. For the most part, these amendments were administrative and clarifying. One amendment provided for the elimination of the maximum age of 60 years for membership in the System. This has created additional liabilities and costs. Other amendments permitting certain employees to obtain membership under prescribed elective provisions or to purchase past service credit resulted in some increase in liabilities.

### Conclusion

This report deals with several of the important aspects of the analysis of the year's operations and a determination of the System's financial condition. Every effort should be made to bring about larger appropriations by the State in keeping with the statutory obligations. Also, future amendatory proposals calling for any increases in current service costs or accrued liabilities should be resisted if they are not accompanied by increases in revenues to provide for the systematic funding thereof.

A. A. Weinberg  
*Actuary*