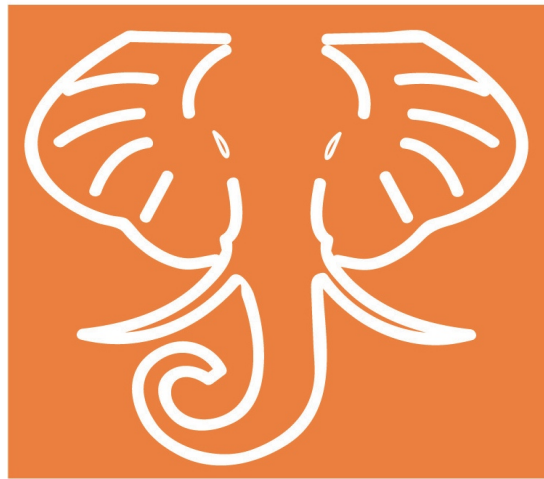


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STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

TWENTY-EIGHTH ANNUAL REPORT OF THE BOARD OF TRUSTEES

For the Fiscal Year Ended
June 30, 1971



1201 South Fifth Street
Springfield, Illinois 62706
Tel. 525-6581 - Area Code 217

BOARD OF TRUSTEES
(As Constituted June 30, 1971)

HOWARD C. REEDER, *Chairman*
Chairman, Executive Committee
Continental Assurance Company

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

HON. JOHN W. McCARTER, JR.
Acting Director of Finance
(Member Ex Officio)

ROBERT E. LANIER
Special Assistant to the Director
Department of Mental Health

RALPH D. BROWN, JR.
Deputy Chief Highway Engineer
Department of Transportation

NORMAN E. LENTZ
Secretary

A. A. WEINBERG
Consulting Actuary

HON. ALAN J. DIXON
State Treasurer
Treasurer

HON. WILLIAM J. SCOTT
Attorney General
Counsel

Printed by Authority of the State of Illinois

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LETTER OF TRANSMITTAL

November 30, 1972

To His Excellency
The Honorable Richard B. Ogilvie
Governor of the State of Illinois
Springfield, 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-Eighth Annual Report of the Board for the fiscal year ended June 30, 1971.

Respectfully Submitted,



Chairman

FINANCIAL FACTS – IN COMPARISON

<i>For the Year</i>	<i>Fiscal Year Ended June 30th</i>	
	<i>1971</i>	<i>1970</i>
Total Revenue	\$ 79,672,195	\$ 69,176,977
Total Expenditures and Charges	31,224,490	30,252,210
Excess of Total Revenues Over Total Expenditures	48,447,705	38,924,767
Contributions by Members	27,371,506	23,784,831
Contributions by Employer	36,800,363	32,069,702
Investment Income	15,500,326	13,322,444
Investment Income as Proportion of Total Revenues	19.5%	19.3%
Service Retirement Allowances	16,272,617	14,142,828
Survivors' Annuities	4,286,527	3,776,941
Disability Benefits	2,955,476	1,956,664
Death Benefits	2,108,411	1,858,711
Refunds	5,601,459	8,517,066
 <i>At End of Year</i>		
Net Present Assets	320,924,592	272,476,887
Accrued Liabilities	717,387,483	551,639,998
Unfunded Accrued Liabilities	396,462,891	279,163,111
Per Cent Funded	44.7%	49.4%
Total Investments	315,868,292	265,117,966

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**TWENTY-EIGHTH ANNUAL REPORT OF THE
BOARD OF TRUSTEES****Fiscal Year Ended June 30, 1971**

The Twenty-Eighth Annual Report of the Board of Trustees, presented herewith, embodies essential facts concerning operations of the System for the fiscal year ended June 30, 1971, and its financial condition at the close of the year.

General. The 1971 legislation affecting the System resulted in substantial additional obligations due to an improvement in the retirement annuity formula and some upgrading in other provisions of the benefit schedule.

Notwithstanding the several substantive changes, the System is in a satisfactory financial condition. Most of the changes that occurred were recommended by the Board of Trustees and reflect the standards and policies approved by the Illinois Public Employees Pension Laws Commission.

The security ratio or rate of funding, representing the extent to which the total accrued liabilities are covered by net present assets, was 44.7%. This rate should improve with future operations under the established method of financing and with increasing income from investments above the interest assumption used in the calculation of costs and liabilities. A condition of relative financial stability is being maintained.

Membership. Total membership at the close of the year was 70,239. Coverage of state employees under social security has steadily increased. At June 30, 1971, approximately 70% of state employees who are members of the System, numbering 48,992, were under the coordinated plan of benefits consisting of social security coverage supplemented by reduced retirement system benefits. Beneficiaries of the System in receipt of annuities numbered 8,646 service retirement annuitants and 2,880 survivors of members.

Financial operations. Revenues for the year totalled \$79,672,195 compared to \$69,176,977 for the preceding year. These revenues are steadily increasing with increased membership, larger salaries and investment income. The expenditures for the year for pensions, benefits, and refunds amounted to \$31,224,490 compared to \$30,252,210 a year ago. These payments are also in a persistent upward trend reflecting an increase in the pension and benefit rolls.

The excess of revenues over expenditures for the year amounted to \$48,447,705. This compares with an excess last year of \$38,924,767. Excess revenue is due primarily to additional pension credits earned by the members for service rendered during the year for which reserves are accumulated as required by law.

The pension roll has shown its normal increase, both in the number and amount of payments. Total pension payments during the year amounted to \$16,272,617 compared to \$14,142,828 in the preceding year. Pension payments will continue in a steady upward trend for many years until the pension roll attains a balance between current retirements and separations from the pension roll due to death.

Ordinary disability benefits (non-occupational) showed a marked increase during the year reflecting the general trend. Accidental disability benefits also increased during the year. Payments for these benefits increased from \$1,956,664 to \$2,955,476. A larger number of claims occurred during the year. Refunds for the year, however, were substantially lower than in the preceding year decreasing from \$8,517,066 to \$5,601,459. It is noted that death benefits increased, both in number and amount. The death benefit payments for the year increased from \$1,858,711 to \$2,108,411. This trend is in accord with the general expectancy.

Reserves. At the close of the year total reserves amounted to \$320,924,592. The reserves increased in the sum of \$48,447,705. This increase is represented by the excess of revenues over expenditures for the year.

The reserves consisted of member contributions plus interest accumulations totaling \$174,372,873, a provision for death benefits payable upon death of pensioners of \$8,921,486, and a reserve for post-retirement increases to present and future retirees of \$13,976,862. The remainder of \$123,653,371 constitutes the general reserve to meet the accrued and accruing liabilities of the System.

INVESTMENTS

At June 30, 1971, the investments of the Board as reported by the Illinois State Board of Investment totalled \$315,868,292. The directive contained in the Illinois Pension Code governing the aforesaid Board granted authority to such Board to manage, invest and reinvest the reserves and monies of the State Employees' Retirement System, the General Assembly Retirement System and the Judges Retirement System.

The report of the Illinois State Board of Investment for the 1971 fiscal year shows total income return on the assets under its management of 5.36% on average monthly cost and 6.14% on average monthly market values. The several types of securities comprising the account of the State Employee's Retirement System and the investment income return hereon are as follows:

Types of Investments	Amount	Per Cent of Total	Investment Income Return	
			% on Average Cost	% on Average Market
U.S. Government Bonds	\$103,561,664	32.8%	3.66%	4.78%
Corporate obligations	139,387,803	44.1	7.05	7.94
Illinois Equity Fund	60,887,660	19.3	3.95	3.62
Cash and Temporary Securities	8,286,538	2.6	6.30	6.30
Receivables, net	3,744,627	1.2	---	---
	<u>\$315,868,292</u>	<u>100.0%</u>	<u>Composite 5.36%</u>	<u>Composite 6.14%</u>

1971 AMENDMENTS

Consideration was given by the Board to possible amendments to the retirement plan to give effect to underlying economic trends. Suggestions for possible basic changes in the plan were formulated and proposed to the Illinois Public Employees Pension Laws Commission for evaluation, report and recommendation.

A number of amendments to the pension law were enacted at the 1971 session of the Legislature. These were far-reaching in scope and character and effected several substantive changes in benefits and qualifying conditions involving cost increases. The principal changes are briefly summarized.

1. *Membership conditions.* (a) The waiting period of 1 year for membership was eliminated effective January 1, 1972. (b) The opportunity to contribute for the qualifying period of the first 12 months of employment was extended to July 1, 1972 for those who had failed to make the payment within 3 years from date of membership. (c) Members originally ineligible for membership due to advanced age and those who waived membership when the system was established were given another opportunity to obtain pension credit for employment prior to membership.

2. *Service retirement allowance.* The pension formula was revised to a basis of progression according to longevity of employment credit, as follows:

	Employees Under Social Security	Employees NOT Under Social Security
Each of first 10 years of credit	1.00%	1.67%
Each of next 10 years	1.10	1.90
Each of third 10 years	1.30	2.10
Each year over 30 years	1.50	2.30

The maximum rate of retirement allowance for all members was increased from 70% to 75% of final average salary.

A similar upgrading in rates of benefit also occurred in the case of the policemen and firemen.

A member with 35 or more years of credit may retire on full pension at any age.

3. *Final average salary base.* The final average salary base for the computation of annuities was revised from a 5-year to a 4-year average based upon the 4 highest consecutive years within the last 10 years of credit.

4. *Post-retirement adjustment.* (a) The rate of increment for post-retirement was increased from 1½% to 2% per year, effective January 1, 1972 for all eligible retired employees, present and prospective. (b) Certain additional retirees being those with between 15 and 20 years of service were made eligible for the post-retirement adjustment.

5. *Disability benefits.* (a) The qualifying period for ordinary disability benefit was reduced from 5 to 1½ years of credit. (b) The rate of benefit for accidental disability was increased from 60% to 75% of salary.

6. *Death benefits.* (a) A minimum payment of \$500.00 was provided upon death of a member while on retirement under prescribed conditions. (b) A death benefit of 1 month's salary, in addition to a return of member's contributions, was provided in the case of a member who dies during his first year of membership if no dependents survive.

7. *Survivors' benefits.* (a) The minimum age for payment of a survivor's annuity or widow's annuity was reduced from 55 to 50 years where no minor children survive. (b) The maximum monthly "survivor annuity" payment for one dependent was increased from \$200 to \$250, and for 2 or more dependents, from \$250 to \$350.

8. *Increase in members' contributions.* To help finance the cost occasioned by the several liberalizing changes, particularly the retirement annuity, the rate of members' contributions for retirement allowance purposes was increased ½ of 1% effective September 1, 1971.

ANNUAL ACTUARIAL VALUATION

An actuarial valuation was completed as of June 30, 1971 in accordance with the directive of the retirement law. The report of the actuary is a part of this annual report. The unfunded accrued liability at the aforesaid date was \$396,462,891. This represents the actuarially computed value of the accrued and unfinanced pension credits. It constitutes an accrued obligation of the State of Illinois to be discharged by future appropriations by the state to the System.

An increase in the accrued unfunded liability occurred during the year in the amount of \$117,299,780 equal to 42% due principally to the effect of the 1971 amendments to the law improving the retirement and other benefits for state employees.

The actuary has certified the State's share of normal cost for financing the System for the 1972-1973 fiscal year to be 6.0% of payroll.

Conclusion. The efforts of the Board are being constantly directed towards an improvement in standards and procedures in administration to the end that a high level of efficiency may be maintained in the operations of the System. The cooperation and service during the year of the officials of the State of Illinois and the competence and loyalty of the administrative staff of the System is hereby acknowledged with appreciation.

BOARD OF TRUSTEES
State Employees' Retirement System of
Illinois

Arnold C. Reuler

Chairman

Michael J. Howlett

John W. McCarter, Jr.

Raymond Brown

Robert E. Romer

Norman E. Lutz

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, 1971.

Appended hereto is a Valuation Balance Sheet showing the total assets, liabilities and reserves of the System at the aforesaid date. Present assets and current liabilities applied in this statement were derived from the financial reports prepared by the Secretary.

In our opinion, the accompanying Valuation Balance Sheet correctly presents the condition of the State Employees' Retirement System of Illinois at June 30, 1971, giving effect to the accrued liabilities on all benefits comprising the benefit schedule and total reserve requirements under the applicable law.

A. A. Weinberg
Consulting Actuary

August 31, 1971

VALUATION BALANCE SHEET
JUNE 30, 1971

VALUATION BALANCE SHEET – JUNE 30, 1971
STATEMENT OF ASSETS, LIABILITIES AND RESERVES

ASSETS

PRESENT ASSETS:

Cash	\$ 401,865	
Accounts receivable	5,137,043	
Investments	<u>315,868,292</u>	\$321,407,200

PROSPECTIVE ASSETS:

Obligations for service to be rendered after June 30, 1971 –		
Male members	\$114,312,435	
Female members	73,405,392	
State of Illinois	<u>159,763,888</u>	347,481,715

DEFERRED ASSETS:

Obligation of the State of Illinois for unfinanced accrued pension credits		<u>396,462,891</u>
TOTAL ASSETS		<u><u>\$1,065,351,806</u></u>

VALUATION BALANCE SHEET – JUNE 30, 1971

STATEMENT OF ASSETS, LIABILITIES AND RESERVES

LIABILITIES

CURRENT LIABILITIES:

Benefits payable	\$ 317,142	
Refunds payable	<u>165,466</u>	\$ 482,608

FUTURE SERVICE LIABILITY:

For pension credits on account of service after June 30, 1971 –		
Male members	\$209,287,016	
Female members	<u>138,194,699</u>	347,481,715

RESERVE LIABILITIES

MEMBERS' CONTRIBUTIONS:

For prospective retirement and widows' annuities on account of active members	\$ 94,339,759	
For future refunds and death benefits – actuarial value of future payments	<u>80,033,112</u>	174,372,871

EMPLOYER CONTRIBUTIONS:

For prospective retirement, widows' and survivors' annuities on account of active members – present value of total liability for accrued requirements	\$434,772,962	
Less, Members' contribution credits	<u>94,339,759</u>	340,433,203

RETIREMENT AND BENEFITS RESERVE:

Actuarial value of retirement, widows' and survivors' annuities in force		<u>202,581,409</u>
---	--	--------------------

TOTAL LIABILITIES AND RESERVE REQUIREMENTS		\$1,065,351,806
--	--	-----------------

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 comprise the assets on hand as taken from the financial statements submitted by the Secretary for the 1971 fiscal year.

Prospective Assets represent the obligations of the participants and the state for service to be rendered subsequent to June 30, 1971. They consist of amounts, actuarially determined, with the application of the factors of mortality, interest, turnover and others that enter into the computation of the present value of 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. This item is 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 consist of 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 Liabilities embrace three items and represent the amounts necessary to fully fund all accrued liabilities for pensions and refunds for service prior to the balance sheet date. The three items comprising these requirements are described below.

Reserve for Members' Contributions represent 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 represent 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 required to pay out during the future lifetime of the present pensioners and beneficiaries the pensions and other benefits previously granted and in force at the balance sheet date.

REPORT OF THE ACTUARY

Article 14 of the "Illinois Pension Code" governing the State Employees' Retirement System provides, among other things, that the actuary shall

"make an annual valuation of the liabilities and reserves of the system, an annual determination of the amount of contributions required from the State under this Article, and certify the results thereof to the Board,"

In accordance with this directive, an actuarial valuation of the System was completed as of June 30, 1971. The results are presented in this report.

Basis of valuation. The benefit and contribution provisions governing the System forming the basis of this valuation are summarized in the appendix. The 1971 amendments became effective after the valuation date. However, effect has been given in this valuation to all changes in the benefits prior to the date of valuation in order to establish the financial condition of the System on a current basis.

The valuation of reserves and liabilities under the established benefit schedule was made according to the GA-1951 table of mortality with an interest assumption of $4\frac{1}{2}\%$ per annum. Deaths occurring while in service were valued upon the basis of the 1960 Commissioners Standard Group Table.

Results of valuation. The accompanying Valuation Balance Sheet presents the results of this valuation and illustrates the financial condition of the System at June 30, 1971. Total accrued liabilities amounted to \$717,387,483. To meet these liabilities, the System had net present assets of \$320,924,592. The difference amounting to \$396,462,891 represents the unfunded accrued liability, commonly referred to as the actuarial reserve deficiency. It constitutes a deferred obligation of the State of Illinois to be discharged by future appropriations.

A substantial increase occurred in the unfunded accrued liability in the amount of \$117,299,780. This was equal approximately to 42%. The increase was due partially to the improvements in the benefit schedule resulting from the 1971 amendments and to some extent to an adjustment in the rate of salary progression. It was noted that the average salaries of the members increased during the year at a higher rate than that assumed in the valuation. An adjustment, therefore, was made in this factor to give effect to this current variation from the assumed standard.

Statistical data. The statistics required for the preparation of this report were compiled and tabulated by members of the staff of the System under the direction and supervision of Norman E. Lentz, Secretary. Detailed tables reflecting this data are presented in the appendix of this report.

<i>Membership.</i>	<i>Male</i>	<i>Female</i>
Number of members	38,032	32,207
Proportion of total	54.1%	45.9%
Aggregate annual salaries	\$352,227,024	\$218,239,224
Average annual salary	\$ 9,261	\$ 6,776
Average age	46.9	44.7
Average service	5.9	6.5

Service retirements.

Number of retired members	4,317	4,329
Proportion of total	49.9%	50.1%
Aggregate annual payments	\$ 9,122,521	\$ 7,127,620
Average annual payment	\$ 2,113	\$ 1,646
Average age at June 30, 1971	71.8	72.6
Average age at retirement	65.7	65.7

Survivors' benefits. The following statistics are pertinent to survivors' benefits payable by the System:

	<i>Widows' Annuities</i>	<i>Survivors' Annuities</i>
Number of beneficiaries	1,111	1,769
Annual payments	\$ 1,000,692	\$ 3,047,427
Average annual payment	\$ 900	\$ 1,722
Average age (exclusive of children)	72.5	64.5

Non-occupational death benefit. This ordinary death benefit consists of (a) members' accumulated contributions, and (b) an amount equal to 1/12th of the annual rate of salary for each year of credited service not to exceed 50% of salary. The benefit represents a substantial amount of life insurance for state employees.

Claims incurred during the year on deaths occurring while in service did not vary materially from the claims incurred during the preceding year. The rate of incidence has approximated the expectancy according to the assumed mortality standards.

Occupational death. The rate of incidence of these claims has been below the expectancy according to the standard in use in an evaluation of the effect of these risks among the employees comprising the membership of the System. Claims must first be adjudicated by the Industrial Commission under the Workmen's Compensation Act before they are considered by this Board.

Non-occupational disability. Members with at least 1½ years of credit who are under age 65 are eligible for the non-occupational disability benefit. Previous to the 1971 amendments, the qualifying period of credit was 5 years. The number of these claims increased materially during the year due principally to a larger membership.

Withdrawal benefits - refunds. It is noted that marked reduction occurred in refund payments both in number and amount to state employees terminating employment. The number of withdrawals from the System were slightly below the rates of separation assumed in the actuarial functions used for our valuation and cost calculations. Approximately 80% of the refund payments were made to employees with less than 5 years of service.

Financing the System. A check of the normal cost rate for the State's share of the cost indicates that the rate of 6.0% of payroll is reasonably adequate in meeting the accruing cost for future service of the members for the fiscal year 1973. This rate will be reexamined for the certification of the requirements for the fiscal year 1974. At such time the composition of the membership will be determined with respect to the extent of social security coverage of the members and as to further possible substantive changes that may be contemplated in the benefit schedule.

General. The report presents pertinent facts as to the condition of the System and the results of its operations for the 1971 fiscal year. The method of currently budgeting for the State's normal cost of the System on a departmental basis which has been maintained during recent years has resulted in producing adequate revenues for the System at least for current service. Increased investment income plus special appropriations by the State will be required to meet the interest accrual on the unfunded accrued liability to the extent of stabilizing the liability and avoiding further increases therein.

A. A. Weinberg
Actuary

**AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 1971**

AUDITORS' REPORT

David B. Thomas
Auditor General
State of Illinois

We have examined the accompanying statements of assets and liabilities of the System Trust Fund, Social Security Contribution Fund, General Assembly Appropriation Fund, and State Property Fund of the State Employees' Retirement System of Illinois at June 30, 1971, and the related statements of revenue and expenditures and changes in reserves for the System Trust Fund, statements of cash receipts and disbursements and changes in fund balance for the Social Security Contribution Fund, statement of changes in fund balance for the General Assembly Appropriation Fund, and the statement of changes in fund balance for the State Property Fund for the year then ended. 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. We did not examine the financial statements of the State Employees Investment Fund of the Illinois State Board of Investment which holds investments contributed by the State Employees' Retirement System of Illinois. The statements of the Illinois State Board of Investment were examined by other auditors whose report thereon has been furnished to us, and our opinion herein, insofar as it relates to amounts related to investments contributed by the State Employees' Retirement System of Illinois, is based in part upon the report of the other auditors.

As is more fully described in note A, the accompanying financial statements of the System Trust Fund do not reflect the actuarially determined reserves for employee benefits and the resultant receivable from the State, as prescribed by the Illinois Pension Code.

Because of the significance of the matter discussed in the preceding paragraph, we are of the opinion that the financial statements referred to above do not present fairly the financial position of the System Trust Fund at June 30, 1971 or the results of its operations for the year then ended in conformity with generally accepted accounting principles. In our opinion, however, based upon our examination and the report of other auditors, the following items in the financial statements referred to in the preceding paragraph are presented fairly at June 30, 1971 and for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year: cash; accounts receivable; investments; refunds payable; payments by members; contributions by employing state agencies; investment income; interest paid by members; repayments of refunds; receipts from reciprocating systems; and refunds. In our opinion the financial statements of the Social Security Contribution Fund present fairly the assets and liabilities of the aforementioned fund at June 30, 1971 arising from cash receipts and disbursements, on a basis consistent with that of the preceding year. In our opinion the financial statements of the General Assembly Appropriation Fund and the State Property Fund present fairly the financial position of the respective funds and the changes in fund balances for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Alexander Grant & Company
Certified Public Accountants

Bloomington, Illinois
August 18, 1972

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
SYSTEM TRUST FUND**

STATEMENT OF ASSETS AND LIABILITIES

June 30, 1971

ASSETS

CURRENT ASSETS

Cash		\$ 401,866
Contributions receivable		
From members	\$ 2,165,757	
From employer	2,958,461	5,124,218
Other accounts receivable		12,826
Total current assets		<u>5,538,910</u>

INVESTMENTS

Investment in Illinois State Board of Investment, State Employees' Investment Fund (note C)		315,868,292
		<u>\$321,407,202</u>

LIABILITIES

CURRENT LIABILITIES

Benefits payable		\$ 317,143
Refunds payable		165,467
Total current liabilities		<u>482,610</u>

RESERVES

Member's accumulated contributions	\$156,521,045	
Interest accumulations	17,851,828	
Annuitants' death benefits	8,921,486	
Retired members' supplemental annuities	7,062,894	
Automatic annuity increase	6,913,968	
Contingent general	123,653,371	320,924,592
		<u>\$321,407,202</u>

The accompanying notes are an integral part of this statement.

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
SYSTEM TRUST FUND**

STATEMENT OF REVENUE AND EXPENDITURES

Year ended June 30, 1971

Revenue		
Payments by members	\$27,177,897	
Contributions by employing State agencies	35,880,363	
Contribution from State of Illinois from appropriations made directly to the State Employees' Retirement System of Illinois	<u>920,000</u>	\$63,978,260
Investment income from the State Employees' Investment Fund of the Illinois State Board of Investment, (net of expenses of \$115,147)		15,500,326
Interest paid by members		40,272
Repayment of refunds		152,404
Receipts from reciprocating systems		<u>933</u>
		<u>79,672,195</u>
 Expenditures		
Benefits		
Service Retirement Allowance	15,686,770	
Death benefit after retirement	113,705	
Ordinary death	1,716,127	
Accidental death	278,579	
Ordinary disability	2,770,158	
Accidental disability	185,318	
Survivors' annuity	3,272,265	
Widows' annuity	1,004,483	
Retired members supplemental annuity	585,475	
Reversionary annuity	9,779	
Automatic annuity increase	<u>372</u>	25,623,031
Refunds		<u>5,601,459</u>
Excess of revenue over expenditures		<u>\$48,447,705</u>

The accompanying notes are an integral part of this statement.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
 SYSTEM TRUST FUND

STATEMENT OF CHANGES IN RESERVE BALANCES
 Year ended June 30, 1971

	Allocation by reserve					
	Members contri- butions	Interest accumu- lations	Annuity death benefits	Retired member's supple- mental annuity	Automatic annuity increase	Contingent general
	Total					
Excess of revenue or (expenditures)	\$ 48,447,705	\$ 18,243,723	\$	\$ (529,985)	\$ 4,549,307	\$ 26,184,660
Reserve transfers						(1,694,212)
Interest credited		1,694,212				
Transfer accumulated contributions of members who retired during the year, net of accumulated contributions of annuitants who resumed employment, to contingent general reserve		(4,931,756)				4,931,756
Transfer to adjust annuitants' death benefit reserve to an amount representing the excess of annuitants' contributions over payments made		(915,757)	915,757			
Interest income in excess of 4% average investments at June 30, 1971				3,960,070		(3,960,070)
Credit reserve for automatic annuity increase with 4% interest on balance at July 1, 1970					90,948	(90,948)
Net increase in reserves for year	\$ 48,447,705	\$ 1,694,212	\$ 915,757	\$ 3,430,085	\$ 4,640,255	\$ 25,371,186
Reserve balances at July 1, 1970	272,476,887	144,124,835	8,005,729	3,632,809	2,273,713	98,282,185
Reserve balances at June 30, 1971	\$320,924,592	\$156,521,045	\$ 8,921,486	\$ 7,062,894	\$ 6,913,968	\$123,653,371

NOTES TO FINANCIAL STATEMENTS

Note A – Method of Accounting

System Trust Fund

The accounts of the State Employees' Retirement System of Illinois do not reflect the employer contributions which would be required from State of Illinois appropriation to provide for the actuarial requirements of the employee benefits provided for by the Illinois Pension Code. Accordingly the financial statements presented herein do not contain the unrecorded benefits actuarially accrued for active members. Expenditures for benefits are reported at amounts actually paid during the year ended June 30, 1971 rather than on the basis for full provision for the current cost of benefits as actuarially determined.

Social Security Contribution Fund

The financial statements of the Social Security Contribution Fund are reported on the cash basis. Deposits are received from participating political subdivisions; Auditor of Public Accounts, which represents amounts withheld from State employees for social security; and from employing State agencies for the employers' share. Disbursements to the Social Security Administration applicable to the State of Illinois are made based on payroll data submitted by the Auditor of Public Accounts. The liabilities for unremitted contributions represent the excess of amounts deposited into the fund over the amounts remitted to the Social Security Administration. However, the liabilities do not represent the total liability for social security tax applicable to salaries paid prior to July 1, 1971. Deposits and adjustments subsequent to June 30, 1971 represent collections on the liability for these wages.

Other Funds

The financial statements of the General Assembly Appropriation Fund and the State Property Fund are presented in accordance with generally accepted accounting principles.

Note B – Actuarial Data

The 75th General Assembly enacted legislation which provided that the State's contribution, together with members' contributions, interest and other income, should be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial reserve requirements. Cumulative contributions by the State of Illinois to the State Employees' Retirement System of Illinois have not provided for the funding of benefits on an actuarial basis as determined by the regularly retained actuary as of June 30, 1970. The amount reported by the actuary as of June 30, 1970 and 1969 is shown in the following summary:

	1970	1969
Reserve requirements as shown by the actuarial balance sheet	\$ 551,639,998	\$ 503,132,139
Reserves as shown on the books of the System	272,476,887	233,552,120
Unfunded accrued liability and unfunded obligation of the State of Illinois as reported by the actuary	\$ 279,163,111	\$ 269,580,019

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The total reserve requirements as shown above represent the actuarially determined total accrued liability for all annuities and benefits for both present and retired members for service rendered to the respective dates.

As of June 30, 1970 actuarial determinations were being made utilizing a 4% interest assumption.

Note C – Investments

Under the provisions of Article 22A of the Illinois Pension Code, the investments of the State Employees' Retirement System of Illinois were transferred to the Illinois State Board of Investment as of June 30, 1970. The equity in the State Employees' Investment Fund is carried on the System's books at cost or amortized cost.

The components of the assets held by the State Employees' Investment Fund of the Illinois State Board of Investment are as follows:

	<i>Cost or amortized cost</i>	<i>Market</i>
U.S. Government obligations	\$ 103,561,664	\$ 80,868,879
Corporate debt	139,387,803	124,428,430
Illinois Equity Fund (5,436,808 units or 96%) . .	60,887,660	66,092,352
Cash and equivalents	8,286,538	8,286,538
Interest receivable and other	3,744,627	3,744,627
	<u>\$ 315,868,292</u>	<u>\$ 283,420,826</u>

The Illinois State Board of Investment carries these assets at market value.

Note D – Subsequent Events

On April 1, 1972, the Illinois State Board of Investment transferred U. S. Government and Corporate Bonds from the State Employees' Investment Fund to the Illinois Bond Fund, a newly established commingled fixed income fund. Assets transferred had an approximate amortized cost of \$224,000,000 with a market value approximating \$197,500,000, thereby realizing a loss of approximately \$26,500,000.

APPENDIX A
Statistical and Claims Data

**TABLE 1. MEMBERSHIP BY DEPARTMENTS
JUNE 30, 1971**

<i>Code No.</i>	<i>Department</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Percent of Total Member- ship</i>
01	Governor	108	81	189	.27
02	Lieutenant Governor	3	4	7	.01
03	Secretary of State	812	1,284	2,096	2.98
04	Auditor of Public Accounts	71	113	184	.26
05	Treasurer	42	35	77	.12
06	Attorney General	291	152	443	.63
07	Public Instruction	148	236	384	.55
08	Courts.	169	311	480	.68
09	State Officers	239	155	394	.56
10	Aeronautics	26	16	42	.06
11	Agriculture	504	151	655	.93
12	Conservation	747	194	941	1.34
13	Finance	47	61	108	.15
14	Insurance	126	80	206	.29
15	Labor	1,377	1,984	3,361	4.78
16	Children & Family Services.	591	1,427	2,018	2.88
17	Mines and Minerals	49	17	66	.09
18	Audits.	4	3	7	.01
19	Financial Institutions	72	33	105	.15
20	Public Health	400	572	972	1.38
21	Law Enforcement	2,121	291	2,412	3.43
22	Mental Health	6,712	12,643	19,355	27.56
23	Public Works & Buildings	7,408	861	8,269	11.78
24	Registration and Education	125	152	277	.39
25	Revenue	540	882	1,422	2.02
26	Business & Economic Development	45	31	76	.12
27	General Services	438	154	592	.84
28	Personnel	142	337	479	.68
29	Corrections	2,911	842	3,753	5.34
30	Civil Service Commission	5	4	9	.01
31	Commerce Commission	134	96	230	.33
32	Liquor Control Commission	28	19	47	.08
33	Public Aid	610	1,835	2,445	3.48
34	Veterans' Commission	73	86	159	.23
35	State Militia	171	27	198	.28
45	Local Governmental Affairs	53	41	94	.13
50	Miscellaneous Agencies	1,674	841	2,515	3.58
	Inactives	4,016	6,156	15,172	21.60
	Totals	<u>38,032</u>	<u>32,207</u>	<u>70,239</u>	<u>100.00</u>

**TABLE 2. NUMBER OF MEMBERS AND TOTAL SALARIES
AT JUNE 30, 1971
CLASSIFIED BY AGE AND SEX
Male Members**

<i>Age at June 30, 1971</i>	<i>Number of Members</i>	<i>Aggregate Annual Salary Rate</i>	<i>Age at June 30, 1971</i>	<i>Number of Members</i>	<i>Aggregate Annual Salary Rate</i>
16	20	\$ 107,544	50	728	\$ 7,542,960
17	9	33,960	51	688	7,045,356
18	47	226,584	52	639	6,317,136
19	98	520,860	53	712	6,999,360
20	139	853,500	54	690	6,461,820
21	219	1,437,876	55	768	7,158,024
22	276	1,790,556	56	733	6,748,764
23	361	2,526,300	57	826	7,734,324
24	612	4,898,904	58	817	7,424,256
25	680	5,760,360	59	863	7,775,904
26	526	4,677,792	60	889	7,941,312
27	593	5,438,100	61	846	7,793,772
28	619	6,049,716	62	767	7,062,144
29	617	6,232,740	63	781	7,083,756
30	562	5,710,404	64	653	5,771,364
31	535	5,577,000	65	593	5,161,320
32	563	5,990,388	66	455	4,147,416
33	569	6,052,368	67	363	3,105,240
34	505	5,200,824	68	284	2,436,660
35	586	6,534,744	69	232	1,990,008
36	534	5,929,764	70	207	1,703,052
37	503	5,613,336	71	189	1,647,600
38	529	6,045,900	72	150	1,240,176
39	523	5,933,916	73	132	1,069,668
40	552	6,119,040	74	114	874,476
41	550	6,188,220	75	83	642,348
42	522	6,544,824	76	55	401,952
43	569	6,343,776	77	41	241,716
44	614	6,703,092	78	40	337,704
45	610	6,805,788	79	37	237,408
46	617	6,556,944	80 and over	117	643,380
47	693	8,166,780			
48	701	7,624,020			
49	664	7,082,256			
				30,809	\$300,018,552
Members having uncompleted Membership Records				7,223	52,208,472
Totals				38,032	\$352,227,024

**TABLE 3. NUMBER OF MEMBERS AND TOTAL SALARIES
AT JUNE 30, 1971
CLASSIFIED BY AGE AND SEX
Female Members**

<i>Age at June 30, 1971</i>	<i>Number of Members</i>	<i>Aggregate Annual Salary Rate</i>	<i>Age at June 30, 1971</i>	<i>Number of Members</i>	<i>Aggregate Annual Salary Rate</i>
16	4	\$ 26,232	50	703	\$ 4,993,692
17	2	8,544	51	730	5,010,900
18	21	95,988	52	699	4,879,560
19	86	432,072	53	725	5,080,416
20	392	2,000,916	54	728	5,024,316
21	529	2,900,988	55	776	5,383,524
22	558	3,167,292	56	765	5,233,404
23	565	3,370,656	57	798	5,571,744
24	717	4,667,712	58	762	5,320,176
25	715	5,535,432	59	725	5,130,324
26	616	4,395,600	60	705	4,904,688
27	571	4,123,896	61	675	4,541,136
28	541	3,977,748	62	549	3,768,384
29	517	3,787,596	63	543	3,646,812
30	438	3,134,664	64	459	3,100,512
31	407	2,965,788	65	361	2,450,772
32	414	3,060,432	66	277	1,955,112
33	412	2,961,120	67	233	1,681,560
34	380	2,690,436	68	183	1,302,024
35	386	2,715,732	69	166	1,207,140
36	385	2,709,972	70	137	1,048,464
37	377	2,714,736	71	139	947,892
38	408	2,828,508	72	90	591,324
39	380	2,642,064	73	92	643,416
40	428	2,986,848	74	68	456,060
41	466	3,271,896	75	59	389,904
42	491	3,442,644	76	41	215,892
43	510	3,590,448	77	25	134,892
44	606	4,387,044	78	36	213,600
45	568	4,008,432	79	25	158,664
46	607	4,247,016	80 and over	55	280,584
47	621	4,393,188			
48	626	4,496,040			
49	676	4,811,796			
				27,749	\$191,816,364
Members having uncompleted Membership Records				4,458	26,422,860
Totals				32,207	\$218,239,224

**TABLE 4. NUMBER OF MEMBERS AT JUNE 30, 1971
CLASSIFIED BY LENGTH OF SERVICE**

<i>Length of Service at June 30, 1971 (Years)</i>	<i>Number</i>		
	<i>Male</i>	<i>Female</i>	<i>Total</i>
Less than 1 year	6,380	4,344	10,724
1	8,768	4,760	13,528
2	3,028	3,680	6,708
3	2,491	3,164	5,655
4	1,775	2,406	4,181
5	1,699	1,904	3,603
6	1,600	1,652	3,252
7	1,475	1,251	2,726
8	1,258	906	2,164
9	1,215	784	1,999
10	923	635	1,558
11	691	527	1,218
12	810	469	1,279
13	921	562	1,483
14	557	610	1,167
15	526	578	1,104
16	438	494	932
17	390	402	792
18	361	353	714
19	284	303	587
20	251	242	493
21	288	210	498
22	285	167	452
23	188	168	356
24	201	185	386
25	174	157	331
26	119	109	228
27	57	101	158
28	56	93	149
29	99	160	259
30	165	192	357
31	102	103	205
32	98	83	181
33	95	96	191
34	54	59	113
35	48	55	103
36	34	48	82
37	30	36	66
38	32	43	75
39	16	25	41
40	9	13	22
41	16	21	37
42	8	10	18
43	4	8	12
44	1	5	6

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**TABLE 4. NUMBER OF MEMBERS AT JUNE 30, 1971
CLASSIFIED BY LENGTH OF SERVICE—Continued**

<i>Length of Service at June 30, 1971 (Years)</i>	<i>Number</i>		<i>Total</i>
	<i>Male</i>	<i>Female</i>	
45	1	5	6
46	3	6	9
47 . . . . .	....	2	2
48	2	5	7
49	1	....	1
50 . . . . .	....	4	4
51 . . . . .	....	3	3
52	1	4	5
53 . . . . .	....	1	1
54	1	2	3
55	1	1	2
57	1	1	2
59	1	....	1
Totals	<u>38,032</u>	<u>32,207</u>	<u>70,239</u>

**TABLE 5. SERVICE RETIREMENT ANNUITANTS CLASSIFIED
BY AGE AT JUNE 30, 1971**

Male

<i>Age at June 30, 1971</i>	<i>Number</i>	<i>Annual Payments</i>
57	1	\$ 1,895.40
58	2	10,217.04
59	3	17,183.76
60	35	84,310.92
61	85	173,013.84
62	123	277,451.40
63	123	354,471.12
64	141	298,006.08
65	213	557,357.88
66	250	638,523.72
67	269	627,054.24
68	252	521,943.84
69	236	554,164.20
70	256	562,423.56
71	222	479,438.76
72	244	536,537.40
73	245	503,403.36
74	189	397,676.04
75	229	439,213.08
76	192	360,538.44
77	164	316,722.60
78	145	292,858.32
79	132	224,753.16
80	116	193,971.00
81	97	171,750.12
82	84	131,740.56
83	63	97,813.92
84	52	84,569.52
85	37	55,557.96
86	36	55,764.96
87	21	29,535.12
88	21	32,604.84
89	13	13,420.80
90	9	9,497.16
91	8	7,434.48
92	3	4,924.20
93	4	3,508.56
94	2	1,269.96
Totals	4,317	\$9,122,521.32

Average age – 71.83 years; Average allowance – \$2,113.16

**TABLE 6. SERVICE RETIREMENT ANNUITANTS CLASSIFIED
BY AGE AT JUNE 30, 1971**

Female			
<i>Age at June 30, 1971</i>		<i>Number</i>	<i>Annual Payments</i>
52		1	\$ 4,022.76
55		2	3,336.24
56		2	4,089.60
57		4	8,476.80
58		6	12,446.88
59		5	15,037.08
60		24	40,510.80
61		70	139,213.68
62		106	214,727.16
63		106	186,731.40
64		134	234,099.60
65		152	299,729.76
66		218	396,100.44
67		235	461,905.68
68		246	454,929.48
69		245	456,760.44
70		213	359,188.44
71		250	403,876.56
72		213	362,585.28
73		239	344,925.12
74		217	363,285.72
75		213	317,125.56
76		227	362,488.80
77		188	277,464.12
78		168	254,740.20
79		154	242,418.00
80		118	175,804.92
81		116	150,044.64
82		92	130,738.32
83		99	144,624.48
84		67	85,197.96
85		59	71,466.36
86		44	51,806.64
87		32	37,492.68
88		16	15,102.72
89		15	17,320.32
90		14	12,485.16
91		6	5,622.36
92		7	4,627.80
93		4	3,270.48
95		1	1,105.80
96		1	694.44
Totals		<u>4,329</u>	<u>\$7,127,620.68</u>

Average age – 72.61 years; Average allowance – \$1,646.48

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**TABLE 7. SERVICE RETIREMENT ANNUITANTS CLASSIFIED
BY AGE AT RETIREMENT**

<i>Age at Retirement</i>	<i>Number</i>	
	<i>Male</i>	<i>Female</i>
50 . . . . .	....	6
51 . . . . .	....	1
53	1	4
54 . . . . .	....	3
55	5	14
56	9	11
57	14	14
58	10	26
59	15	25
60	654	669
61	267	270
62	294	259
63	259	258
64	238	225
65	571	540
66	371	298
67	305	287
68	256	246
69	203	223
70	210	226
71	136	152
72	123	149
73	81	116
74	72	81
75	74	62
76	47	55
77	30	32
78	20	29
79	21	14
80	10	16
81	5	4
82	5	8
83	4	1
84	1	2
85	4	2
86	1	1
89	1	....
Totals	4,317	4,329
Average Age at Retirement		
Males—65.67		
Females—65.72		

**TABLE 8. WIDOW ANNUITANTS CLASSIFIED BY AGE
AT JUNE 30, 1971**

<i>Age</i>	<i>Number</i>	<i>Annual Payments</i>
42	1	\$ 305.04
45	1	5,941.20
46	2	2,281.44
48	1	4,105.80
49	1	422.04
51	3	8,350.32
52	2	1,325.64
54	5	2,274.24
55	5	2,301.60
56	10	18,265.20
57	6	5,095.44
58	13	21,107.40
59	13	13,399.56
60	19	21,402.00
61	10	13,116.48
62	23	25,338.96
63	20	24,684.48
64	33	41,196.96
65	27	34,074.36
66	33	23,934.72
67	37	34,476.84
68	48	48,853.44
69	55	50,623.92
70	40	39,909.60
71	61	66,147.72
72	51	62,565.36
73	75	56,590.20
74	52	42,216.36
75	56	49,503.24
76	59	49,879.68
77	57	42,643.92
78	47	30,276.12
79	39	28,932.36
80	43	26,120.52
81	34	22,166.88
82	19	11,128.80
83	32	22,674.84
84	29	17,015.04
85	18	13,898.28
86	7	3,911.88
87	8	4,455.48
88	4	2,672.40
89	5	2,303.28

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**TABLE 8. WIDOW ANNUITANTS CLASSIFIED BY AGE
AT JUNE 30, 1971—Continued**

<i>Age</i>	<i>Number</i>	<i>Annual Payments</i>
90	2	648.96
91	2	861.96
93	1	497.52
94	1	469.56
95	1	325.32
Totals	1,111	\$1,000,692.36

**TABLE 9. SURVIVORS' ANNUITY BENEFICIARIES CLASSIFIED
BY AGE AT JUNE 30, 1971**

<i>Age</i>	<i>Number</i>	<i>Annual Payments</i>
Under 18 (Children)	39	\$ 81,462.48
18	6	14,283.60
19	5	10,541.76
20	2	4,342.80
21	3	6,111.96
27	1	619.20
28	1	2,612.16
31	1	3,000.00
32	5	13,615.08
33	1	3,000.00
34	2	6,000.00
35	2	6,000.00
36	2	4,671.00
37	3	9,000.00
38	2	5,549.76
39	7	19,314.00
40	6	18,000.00
41	5	14,615.16
42	10	28,516.80
43	3	9,000.00
44	8	23,329.32
45	6	15,648.84
46	11	33,000.00
47	10	29,211.12
48	7	20,728.32
49	6	15,000.00
50	12	35,716.80
51	11	30,934.44
52	8	20,328.72
53	7	19,856.04
54	9	26,898.96
55	26	50,453.04
56	53	102,301.80
57	64	114,831.12
58	66	117,233.76
59	77	142,650.84
60	72	124,022.04
61	76	126,360.48
62	75	124,361.76
63	80	132,517.08
64	93	142,683.84

**TABLE 9. SURVIVORS' ANNUITY BENEFICIARIES CLASSIFIED
BY AGE AT JUNE 30, 1971—Continued**

<i>Age</i>	<i>Number</i>	<i>Annual Payments</i>
65	74	111,350.16
66	84	137,451.48
67	84	133,093.32
68	62	95,915.16
69	82	118,962.72
70	53	80,456.04
71	85	122,352.96
72	55	81,820.56
73	54	78,360.36
74	43	68,830.68
75	34	45,842.04
76	37	54,341.88
77	29	41,022.48
78	19	28,040.64
79	25	41,531.40
80 and over	66	99,731.64
Totals	1,769	\$3,047,427.60

**TABLE 10. WITHDRAWALS WITH REFUNDS
By Age at Withdrawal**

<i>Age at Withdrawal</i>	<i>Number of Refunds Year Ended June 30</i>	
	<i>1971</i>	<i>1970</i>
Under 20	120	135
20-24 incl.	1,005	883
25-29 incl.	973	1,121
30-34 incl.	556	711
35-39 incl.	381	583
40-44 incl.	410	539
45-49 incl.	405	598
50-54 incl.	384	595
55-59 incl.	296	598
60-64 incl.	269	457
65-69 incl.	220	357
70 and over	259	217
Totals	<u>5,278</u>	<u>6,794</u>

By Length of Service

Less than 1 year	741	806
1 year	1,474	1,692
2 years	899	1,101
3 years	632	703
4 years	490	646
5 years and over	1,042	1,846
Totals	<u>5,278</u>	<u>6,794</u>

**TABLE 11. SERVICE RETIREMENT ALLOWANCE CLAIMS
JULY 1, 1970 TO JUNE 30, 1971**

Summary by Departments

Code No.	Name of Department	Year Ended June 30	
		1971	1970
01	Governor	1	4
03	Secretary of State	83	38
04	Auditor of Public Accounts	4	3
05	Treasurer	—	1
06	Attorney General	6	11
07	Public Instruction	23	5
08	Courts.	4	1
09	State Officers	11	13
10	Aeronautics	1	—
11	Agriculture	18	23
12	Conservation	15	27
13	Finance	3	4
14	Insurance	4	5
15	Labor	82	75
16	Children and Family Services	28	25
17	Mines and Minerals	5	6
18	Audits.	—	1
19	Financial Institutions	2	2
20	Public Health.	42	34
21	Law Enforcement	12	36
22	Mental Health	340	346
23	Public Works and Buildings	91	250
24	Registration and Education	3	6
25	Revenue	44	39
27	General Services	18	20
28	Personnel	1	4
29	Corrections	82	38
31	Commerce Commission.	7	5
32	Liquor Control Commission	2	—
33	Public Aid	57	37
34	Veterans' Commission	8	—
35	State Militia	7	19
45	Local Governmental Affairs	1	1
50	Miscellaneous Agencies	46	30
	Totals	1,051	1,109

**TABLE 12. WIDOWS' ANNUITY CLAIMS
JULY 1, 1970 TO JUNE 30, 1971**

Summary by Departments

<i>Code No.</i>	<i>Name of Department</i>	<i>Year Ended June 30</i>	
		<i>1971</i>	<i>1970</i>
03	Secretary of State	2	3
04	Auditor of Public Accounts	4	1
05	Treasurer	--	1
06	Attorney General	2	1
08	Courts.	--	--
09	State Officers	1	2
11	Agriculture	--	1
12	Conservation	2	3
13	Finance	--	1
14	Insurance	--	--
15	Labor	7	5
16	Children and Family Services	1	2
19	Financial Institutions	--	1
20	Public Health.	--	1
21	Law Enforcement	6	17
22	Mental Health	19	27
23	Public Works and Buildings.	26	29
24	Registration and Education	--	--
25	Revenue	4	4
28	Personnel	--	1
29	Corrections	5	1
31	Commerce Commission.	--	2
32	Liquor Control Commission	1	--
33	Public Aid	1	3
35	State Militia	--	1
50	Miscellaneous Agencies	2	--
	Totals	83	107

**TABLE 13. SURVIVORS' ANNUITY CLAIMS
JULY 1, 1970 TO JUNE 30, 1971**

Summary by Departments

Code No.	Name of Department	Year Ended June 30	
		1971	1970
01	Governor	--	--
03	Secretary of State	32	25
04	Auditor of Public Accounts	--	--
05	Treasurer	--	1
06	Attorney General	1	5
07	Public Instruction	1	2
08	Courts	2	--
09	State Officers	--	5
11	Agriculture	7	6
12	Conservation	12	3
13	Finance	1	--
14	Insurance	--	2
15	Labor	22	18
16	Children and Family Services	9	7
17	Mines and Minerals	2	1
19	Financial Institutions	3	2
20	Public Health	5	6
21	Law Enforcement	17	27
22	Mental Health	99	90
23	Public Works and Buildings	45	32
24	Registration and Education	3	--
25	Revenue	8	9
26	Business and Economic Development	--	1
27	General Services	7	7
28	Personnel	--	1
29	Corrections	25	12
31	Commerce Commission	2	--
32	Liquor Control Commission	--	2
33	Public Aid	6	6
34	Veterans' Commission	--	1
35	State Militia	4	2
50	Miscellaneous Agencies	13	11
	Total	327	284

**TABLE 14. ORDINARY DISABILITY CLAIMS
JULY 1, 1970 TO JUNE 30, 1971**

Summary by Departments

Code No.	Name of Department	Year Ended June 30	
		1971	1970
03	Secretary of State	9	4
04	Auditor of Public Accounts	--	1
05	Treasurer	--	1
06	Attorney General	--	1
07	Public Instruction	2	2
08	Courts	2	--
09	State Officers	--	1
11	Agriculture	3	2
12	Conservation	1	2
13	Finance	--	--
14	Insurance	--	1
15	Labor	44	38
16	Children and Family Services	9	12
17	Mines and Minerals	1	1
19	Financial Institutions	1	1
20	Public Health	14	7
21	Law Enforcement	2	10
22	Mental Health	225	209
23	Public Works and Buildings	10	13
24	Registration and Education	1	2
25	Revenue	10	9
27	General Services	--	9
28	Personnel	4	3
29	Corrections	43	6
33	Public Aid	17	8
35	State Militia	--	--
50	Miscellaneous Agencies	8	4
	Totals	<u>406</u>	<u>347</u>

APPENDIX B
Summary of Benefit and Contribution
Provisions of the System

**BENEFIT AND CONTRIBUTION PROVISIONS OF
THE STATE EMPLOYEES' RETIREMENT ACT
(Inclusive of 1971 amendments)**

The summary is not to be accepted as a substitute for the applicable law. The law embodied in Article 14 of the "Illinois Pension Code" must be taken as controlling under all circumstances.

CONDITIONS FOR RETIREMENT. Optional with a member upon or after attainment of the age of 60 with at least 8 years of service. The State Highway Police and Firefighters may retire beginning at age 55, with at least 20 years of credit in such positions.

A member with 35 or more years of credit may retire at any age with no reduction in pension.

A member terminating service between ages 55 and 60 years with at least 30 but less than 35 years of creditable service may retire prior to age 60 at a reduction in the retirement allowance of $\frac{1}{2}$ of 1% for each month under age 60 at retirement.

VESTING. Any State employee becoming separated from service prior to age 60 is entitled to a vested interest in his retirement allowance, and in the survivors annuity, if he has at least 8 years of credit. The deferred service retirement allowance in such a case is payable beginning upon or after attainment of age 60.

AMOUNT OF SERVICE RETIREMENT ALLOWANCE. The retirement allowance formula reflects a graded or progression method according to length of credit and is as follows:

	<i>Employees Under Social Security</i>	<i>Employees Not Under Social Security</i>
Each of the first 10 years of credit	1.0%	1.67%
Each of the next 10 years . . .	1.1	1.9
Each of the third 10 years . . .	1.3	2.1
Each year above 30	1.5	2.3

STATE POLICE AND FIREFIGHTERS. For 20 years or more of credited service in the aforesaid capacity and attainment of age 55, the rate of retirement allowance is as follows:

For the first 20 years of credit	42.5%
Each year above 20	2.5%

AVERAGE FINAL COMPENSATION. The average annual rate of earnable compensation for the 4 highest consecutive years within the last 10 years of employment.

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 age 55 and has at least 15 years of credit, or attained age 50 with at least 20 years of credit, may receive a retirement allowance as of his attained age, without reduction because of retirement before age 60.

LIMITATIONS. The maximum service retirement allowance at retirement in the case of any member is 75% of average final compensation.

AUTOMATIC INCREASE IN SERVICE RETIREMENT ALLOWANCE. A plan for an automatic increase in the service retirement allowance (pension) was established for State employees terminating employment after December 31, 1969. This increase begins on January 1 next following the expiration of the first full year on retirement provided the member has attained age 60. Future increases are effective each January 1 thereafter. Effective January 1, 1972, the rate of increase is 2% of the original service retirement allowance.

SUPPLEMENTARY SERVICE RETIREMENT ALLOWANCE. The service retirement allowance for a member who terminated service prior to January 1, 1970 and retired with at least 15 years of credit is increased 1½% for each full year on retirement based upon the original amount of allowance up to January 1, 1972 and 2% per year thereafter.

To meet legal requirements, such an annuitant must make a one-time contribution to the Retirement System, in a single sum, equal to 1% of the monthly final average salary upon which the retirement allowance was based times the number of full years of credit at retirement.

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 survivor's annuity benefit has the option of receiving either benefit.

SURVIVORS' BENEFITS. Applicable to all members of the System, both male and female. If a member enters or reenters State employment after July 19, 1961, the benefits are effective when he has made contributions for at least 1½ years subsequent to that date.

If death occurs while out of State service, the benefits are payable only if the member had established a vested right in the service retirement allowance.

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

AMOUNT OF SURVIVORS' BENEFITS. The survivors' benefits consist of: (a) a single sum payment of \$1,000, divided pro rata among the beneficiaries entitled thereto; and (b) a monthly survivor's annuity payable to certain eligible beneficiaries, under the conditions and at the rates specified below.

Upon death while in service, the survivor's annuity is payable as follows:

(1) If the beneficiary is an eligible spouse, the survivor's annuity is 30% of average final compensation. The maximum annuity is \$250 per month. (See "4" below)

In addition, if a dependent child or children under age 18 also survive the member and are under the care of the spouse, 20% of average final compensation is payable 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 may not exceed the lesser of \$350 per month or 80% of average final compensation. (See "4" below)

(2) If the beneficiary is a dependent minor child or children, the survivor's 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 may not exceed the lesser of \$350 per month or 80% of average final compensation. (See "4" below)

(3) If the beneficiary is a dependent parent, the survivor's 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 of \$250 per month.

(4) The monthly benefit payable to a survivor member who was covered by social security as a State employee is reduced by 50% of the amount of benefit the survivor is entitled to from social security.

In addition to the survivors' benefits, consisting of the \$1,000 single sum benefit and the monthly survivor's 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 a refund of retirement annuity contributions, with interest.

If death of the member occurs after his last withdrawal from service, or after retirement, the survivor's 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 death.

ELIGIBILITY REQUIREMENTS. (1) A widow or widower aged 50 or over, unless minor children under age 18 of the member are in the care of the widow or widower in which event payments begin immediately upon death of the member.

(2) If no widow or widower survives a member, a dependent child or children under age 18 of the member shall qualify for the benefit.

(3) If there is no widow, widower or dependent children of the member under age 18, the benefits are payable to a dependent parent or parents aged 50 or over. If a parent is under age 50 at the date of death of the member, payment of the annuity is deferred until attainment of age 50.

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

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, a wife or 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.

TERMINATION OF SURVIVORS' BENEFITS. Terminates upon death or remarriage of the surviving spouse or dependent parent.

Marriage, attainment of age 18, or death of a child renders him ineligible for consideration in the payment of a survivor's annuity to a spouse, or in continuing payments to the spouse prior to attainment of age 50.

ELIGIBILITY FOR WIDOW'S ANNUITY. This benefit applies only to a member who first established membership in the System prior to 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 credit or must have fulfilled the minimum service requirements for a service retirement allowance; (b) the widow must be exclusively nominated as beneficiary in the beneficiary designation filed with the retirement system; and (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 monthly payment 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, plus (b) a lump sum death benefit payment amounting to \$500.

The monthly annuity begins immediately for a widow aged 50 years or over at the date of death of the member. If she is under age 50, payment is deferred until such time as she attains age 50. In any event, the lump sum death benefit (part b) is payable immediately upon death of the member.

If a 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 50. In such event, the monthly annuity 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 began 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 50 at such time, the widow's annuity is suspended until she attains age 50.

Attainment of age 18 by a child renders the child ineligible for further consideration in the increase of the widow's annuity, but payment of the widow's annuity is continued without regard to her age if it is less than 50.

The monthly annuity is payable to the widow for life; it does not terminate upon her remarriage. Any such benefit, however, paid to the widow of a member covered by social security as a State employee, is reduced by 50% of the amount of any benefit she is eligible to from social security.

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. Available to any member under the age of 65 years who has at least 1½ years of credit 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 does not receive nor has a right to receive compensation, and may extend for an aggregate period of time not to exceed ½ of the member's period of service at date of disability, but in no event beyond age 65.

Any disability benefit paid to a member covered by social security as a State employee is reduced by the full amount of any benefit he is eligible to from social security.

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 survivor's 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 survivor's 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, the beneficiary nominated by the member is entitled to a death benefit equal to 1/12 of the member's annual salary for each completed year of creditable service not exceeding ½ year's salary. A minimum payment of one month's salary is provided.

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 survivor's annuity is 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 survivor's 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, subject to a minimum payment of \$500.

Upon death of the last survivor of the member and his beneficiary, if a widow's annuity or survivor's 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 contributions made by the member, including interest, over the total amount of benefit payments made.

ACCIDENTAL DISABILITY BENEFIT. Provided for 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. Before a claim for this benefit can be considered, it must be determined to be service-connected by the Industrial Commission.

The benefit is equal to 75% of earnable compensation plus pension credit to the member's account and contributions at the applicable percentage of earnable compensation. The benefit is reduced by 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 is entitled to a service retirement allowance. 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 is 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 may not 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 is no widow or 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 Workmen's Compensation. A claim for accidental death must first be 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, without interest.

If, at the date of retirement, a member is unmarried or 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 survivor's benefits, without interest.

CONTRIBUTIONS BY MEMBERS. Members are required to contribute a percentage of salary as their share of meeting the costs of the various benefits as shown below:

	<i>Pension</i>	<i>Widow's and/or Survivors Annuity</i>	<i>Automatic Pension Increases</i>	<i>Total</i>
Members not Under Social Security	6½%	1%	½%	8%
Members Under Social Security	3%	½%	½%	4%
State Police, Certain Air Pilots, Certain Firefighters	7½%	1%	½%	9%

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.

RETIREMENT SYSTEMS RECIPROCAL ACT. Under this Act, pension credits established in other public retirement systems in Illinois, covered thereunder, may be considered together at the time of retirement of an employee, for the purpose of determining whether the employee or his survivor is eligible for a retirement annuity or survivor's annuity.

Its purpose is to assure full and continuous pension credit for public employment in Illinois in the case of employees who transfer employment from one governmental unit to another. The Act provides for the preservation of pension credits in the retirement system in which the credits were earned. It does not require a transfer of employee contributions or credits from one system to another before retirement.

PARTICIPATING SYSTEMS. The following named retirement systems are subject to the provisions of both PLANS ONE and TWO explained in the following paragraphs, except for the two retirement systems designated by an asterisk (*). Those two are governed only by the provisions of PLAN ONE.

- Chicago Teachers' Pension Fund
- Chicago Sanitary District Annuity and Benefit Fund
- Cook County Employees' Annuity and Benefit Fund
- Forest Preserve District Annuity and Benefit Fund
- Laborers' Annuity and Benefit Fund of Chicago
- Municipal Employees' Annuity and Benefit Fund of Chicago
- Park Employees' Annuity and Benefit Fund of Chicago
- State Employees' Retirement System of Illinois
- State Universities Retirement System
- Teachers' Retirement System of the State of Illinois
- General Assembly Retirement System
- *Judges Retirement System of Illinois
- *Illinois Municipal Retirement Fund

A member having pension credit in any of the above-named retirement systems of at least 1 year, may make use of this credit upon retirement.

The member's combined applicable service credits in all systems must meet the longest minimum service requirements of the two or more systems involved.

Three formulas hereby designated as PLAN ONE, PLAN TWO and PLAN THREE are available for this purpose, subject to prescribed conditions, namely:

PLAN ONE. Proportionate. At the date of a member's retirement, each retirement system in which he has established credit pays a proportionate annuity for the amount of the pension credit earned in such system based upon its own pension formula and average final compensation.

PLAN TWO. Alternative formula. An alternative method is provided whereby the total of the pension credits earned by a member under all retirement systems subscribing to PLAN TWO 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 compensation 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 if PLAN ONE had been used. The following conditions must be fulfilled by a member if PLAN TWO is to be applicable:

(a) The member must have been a contributing participant in the last retirement system after July 1, 1961 and for a period of at least 4 years;

(b) The member must make a contribution to the last retirement system for each year of service for which credit was allowed in each such system, provided that this payment is not to be made in any case in which the retirement systems involved in such situation are financed by the same governmental unit. The payment may be made while the employee is in service or within 90 days after the effective date of retirement.

The alternative formula may be applied to a member covered by coordination of the system with social security, provided the service credits covered by social security are disregarded for calculation under the alternative formula.

PLAN THREE. Conversion Formula. A member has a further option at the time of retirement of transferring pension credits and contributions, including interest, between retirement systems. The transfer is to be on a proportional pension credit basis according to the respective rates of pension credit in each of the systems that are involved. The converted pension credit in the system receiving the transfer is limited to 6 years.

A member pays the difference, if any, between the amounts transferred from the other systems and the contributions required by the system to which the transfer is made for the credit that is to be granted by each system.

OTHER BENEFITS. The foregoing PLAN ONE also applies to a widow's annuity and survivor's benefit under certain stipulated conditions. PLAN TWO, however, applies only to a retirement annuity. Ordinary disability benefits, accidental disability benefits and death benefits are excluded from the application of reciprocity.

ILLINOIS STATE EMPLOYEES' GROUP INSURANCE PROGRAM.
Members retiring on pension may apply for continued coverage under the Illinois State Employees' Group Insurance Program. Such persons will be enrolled for this coverage by their employing agency at the time they terminate State service.





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