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State Employees' Retirement System of Illinois.

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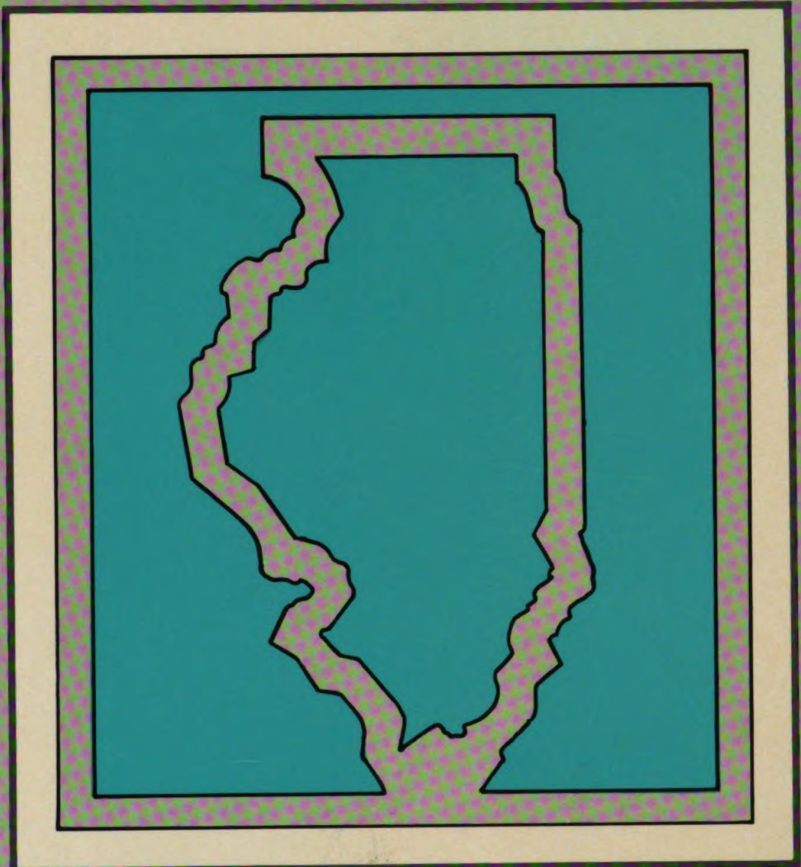
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State Employees' Retirement System of Illinois

1984 ANNUAL REPORT

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State Employees' Retirement System of Illinois

1984 Annual Report

STATE EMPLOYEES' RETIREMENT SYSTEM
OF ILLINOIS
2815 West Washington Street
P.O. Box 4064
Springfield, Illinois 62708

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BOARD OF TRUSTEES

Robert A. Morris

Chairman
Appointed by Governor



E. Allen Bernardi

State Employee
Appointed by Governor



Mark Gallagher

Representing
Robert L. Mandeville
Director, Bureau of the Budget
State of Illinois



Alice Kirby

Representing
Roland W. Burris
Comptroller,
State of Illinois



Joseph T. Pisano

State Employee
Appointed by Governor

ADMINISTRATIVE STAFF

Michael L. Mory

Executive Secretary

Robert V. Knox

Associate Executive Secretary

Patrick P. Cummings, Manager
Claims Division

Robert E. Doolen, Manager
Accounting Division

Joseph S. Maggio, Manager
Service and Refunds Division

Terry E. Radliff
Internal Auditor

William T. Weir, Manager
Administrative Services Division

Dwight N. Garmon, Manager
Data Processing Division

Michael K. Blankenship, Manager
Social Security Division

William R. Thompson, Manager
Field Services Division

To: Board of Trustees
Governor
Active & Retired State Employees
Other Interested Parties

During the fiscal year ended June 30, 1984, activity occurred at both the state and national level on several important issues affecting the System. At the state level, the funding issue was once more in the forefront and legislation was successfully passed by the General Assembly to provide for a phased-in increase in the existing funding level over a ten-year period resulting in an ultimate level necessary to amortize unfunded liabilities over a 30-year period. This legislation was vetoed by the Governor and attempts to override the veto by the General Assembly in December were unsuccessful.

At the national level, amendments were successfully included as part of the Deficit Reduction Act of 1984 to eliminate the five year benefit payout restriction which would have been applicable to nonspousal beneficiaries of certain death benefits paid by the System. Legislation providing for the federal regulation of state and local public employee pension plans was once again introduced but did not reach the floor of either chamber of Congress for an actual vote. While this proposal will undoubtedly be reintroduced in the future, there are strong indications that some congressional committees may be more interested in pursuing the tax qualification issue which is addressed only as a secondary issue in current PERISA/PEPPRA proposals.

Financial Condition

As of June 30, 1984, net present assets of the System were \$1.581 billion. This represents an increase over June 30, 1983, of \$172.5 million. On the liability side, the System's total actuarial accrued liability increased \$323.5 million to a level of \$3.1 billion as of the end of FY-84. As a result, the System's unfunded accrued liability increased \$151.0 million or 10.8% as of the end of the fiscal year. Due primarily to a reduced level of capital gains on the sale of investments, total revenues of \$310.1 million were down \$26.7 million as compared to FY-83. Expenses totaled \$137.6 million of which \$135.1 million was paid in benefits to terminated/retired/disabled state employees and their survivors.

Once again, the employer contribution to the System for FY-84 was based on 60% of anticipated benefit payout plus administrative expenses. This formula would have produced revenues from employer contributions of approximately \$75 million. However, action taken by the System's Board of Trustees in July of 1983 to certify an employer contribution rate one full percent above the level appropriated to each department resulted in the receipt of \$7.2 million above the target funding level. In addition, the financial statements which follow reflect a net employer contribution receivable of \$5.7 million after establishment of an allowance for uncollectible accounts of \$9.8 million which reflects the difference between calculated contributions due at the Board certified rate and the amounts contributed by the employing agencies. The System will pursue collection of the \$9.8 million through the Court of Claims, however, due to its questionable collectability at this time, the special allowance has been established.

As previously discussed, the funding issue was very much in the forefront during FY-84. This issue was also the primary topic of a special management audit of the five state financed retirement systems conducted by the Office of the Auditor General. While the final report resulting from this audit made no specific recommendations regarding a revised funding program, models were developed utilizing several alternative contribution levels to project the financial condition of each system by year 2000. Continuation of the present policy (60% of payout) increased the existing funding ratio of 50.6% to approximately 68%, according to the report. The dollar amount of the System's unfunded accrued liability, however, increased over \$570 million between 1984 and 2000 to a level just under \$2 billion. While it is acknowledged that the payment of benefits made by the System is a statutory as well as a constitutional guarantee, concern over the state's ultimate ability to meet this financial obligation must be expressed.

Program Content

Periodically, staff of the System reviews benefit levels provided to our membership for reasonable adequacy as well as comparability to other programs. Our analysis indicates that our program compares reasonably in all areas except the amount of the basic retirement benefit. To arrive at this conclusion, age, service and compensation characteristics of state employees retiring since January 1, 1982, were reviewed. Utilizing this profile of a typical retiring state employee, benefit levels were developed based on the existing SERS plan as well as representative plans from both in and outside the State of Illinois. Sample results of this study are illustrated in Exhibit A:

EXHIBIT A

Employee

Fund	Contribution Rate	Monthly Benefit
Illinois SERS	Current - 4%	\$269.88

Illinois IMRF	4½%	\$445.17
Indiana PERS	3%	\$366.92
Iowa PERS	3.75%	\$429.21
Kansas PERS	4%	\$361.99
Kentucky ERS	4%	\$413.70
Michigan ERS	Non-contributory	\$387.84
Minnesota MSRS	3.73%	\$315.16
Missouri SER	Non-contributory	\$323.20
Tennessee CRS	5%	\$405.79
Wisconsin WRS	5%	\$413.70

Averages Excluding SERS	3.30%	\$386.27

Based on the benefit levels produced as illustrated in Exhibit A, the formula currently in effect for coordinated members of SERS would have to be increased over 40% in order to reach the average benefit amount of \$386.27.

While the cost impact of upgrading the System's basic retirement formula is significant, exceeding \$200 million, it is believed that the disparity in benefit levels produced when compared to other retirement systems, in particular the Illinois Municipal Retirement Fund, the only other Illinois System coordinated with social security, should be addressed in the near future.

Administration and Reporting

Administrative operations of the System are under the direction of the Executive Secretary assisted by a staff of 65 full-time employees, excluding Social Security Division personnel.

All funds of the System required for current operations are held by the Treasurer of the State of Illinois. Receipts to and disbursements from the System's trust fund are accomplished through the Comptroller of the State of Illinois according to rules and regulations issued under statutory authority by the Comptroller and the Treasurer.

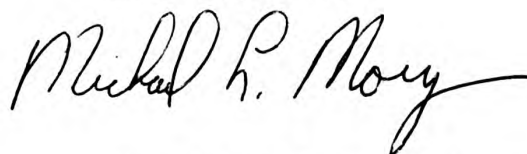
Annual statements of member's contributions, service and estimated benefits were mailed in October 1984, along with a newsletter containing legislative changes and other information of interest to the membership.

The annual audit for the 1984 fiscal year was conducted under the direction of the Auditor General by the firm of Peat, Marwick, Mitchell & Co. Actuarial services for the System were performed by The Wyatt Company.

Acknowledgement

The following sections of this report present detailed financial, actuarial and statistical information pertaining to the operations of the System for the fiscal year. The report has been prepared through the efforts and cooperation of the administrative staff and the System's professional consultants. Their assistance is hereby acknowledged with grateful appreciation.

Respectfully submitted,



Michael L. Mory, Executive Secretary



Peat, Marwick, Mitchell & Co.
Certified Public Accountants
Peat Marwick Plaza
303 East Wacker Drive
Chicago, Illinois 60601
312-938-1000

Honorable Robert G. Cronson
Auditor General
State of Illinois

Board of Trustees
State Employees' Retirement
System of Illinois:

We have examined the balance sheets of the State Employees' Retirement System Trust Fund of Illinois as of June 30, 1984 and 1983 and the related statements of revenue and expenses, changes in reserve balances, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and the standards for financial audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the State Employees' Retirement System Trust Fund of Illinois at June 30, 1984 and 1983 and the results of its operations, changes in its reserve balances, and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peat Marwick Mitchell & Co.

October 26, 1984

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees' Retirement System Trust Fund

Balance Sheets

June 30, 1984 and 1983

Assets	1984	1983
Cash	\$ 9,100,232	7,219,474
Receivables:		
Contributions receivable:		
Participants	3,773,980	2,766,318
Employing State agencies (net of allowance for uncollectible accounts of \$9,798,225 in 1984)	5,708,196	4,779,279
Other accounts receivable	<u>441,324</u>	<u>438,767</u>
	9,923,500	7,984,364
Investments - held in the Illinois State Board of Investment Commingled Fund at cost (Market value: 1984, \$1,399,637,496; 1983, \$1,456,182,526)	<u>1,564,277,185</u>	<u>1,395,936,136</u>
	<u>\$1,583,300,917</u>	<u>1,411,139,974</u>
Liabilities and Reserves		
Benefits payable	1,058,411	1,371,736
Refunds payable	522,695	715,378
Administrative expenses payable	186,295	135,608
Participant's deferred service credit accounts	<u>246,722</u>	<u>137,058</u>
	<u>2,014,123</u>	<u>2,359,780</u>
Reserves:		
Actuarially determined accrued benefit cost (note 3)	3,127,247,588	2,803,699,177
Less unfunded accrued benefit cost representing an obligation of the State of Illinois	<u>1,545,960,794</u>	<u>1,394,918,983</u>
Funded reserves	<u>1,581,286,794</u>	<u>1,408,780,194</u>
	<u>\$1,583,300,917</u>	<u>1,411,139,974</u>

See accompanying notes to financial statements.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees' Retirement System Trust Fund

Statements of Revenue and Expenses

Years ended June 30, 1984 and 1983

	1984	1983
Revenue:		
Contributions:		
Participants	\$ 72,755,819	71,754,999
Employing State agencies	84,086,279	70,008,203
State Pension Fund appropriation	<u>2,378,000</u>	<u>1,838,200</u>
	159,220,098	143,601,402
Net investment income	104,658,329	98,798,290
Repayment of contributions refunded	224,568	215,329
Interest earned on cash balances	729,266	796,354
Interest received from participants	461,809	400,918
Net realized gain on sale of investments	<u>44,782,720</u>	<u>92,978,613</u>
	<u>310,076,790</u>	<u>336,790,906</u>
Expenses:		
Benefits:		
Retirement annuities	86,651,697	77,472,708
Survivors' annuities	16,114,837	15,253,035
Disability benefits	13,985,426	14,101,575
Lump-sum death benefits	<u>4,244,111</u>	<u>5,025,528</u>
	120,996,071	111,852,846
Refunds	14,145,496	13,938,134
Administrative expenses	2,428,623	2,290,492
Transfers to reciprocating retirement systems	<u>—</u>	<u>71,035</u>
	<u>137,570,190</u>	<u>128,152,507</u>
Excess of revenue over expenses	\$ <u><u>172,506,600</u></u>	<u><u>208,638,399</u></u>

See accompanying notes to financial statements.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees' Retirement System Trust Fund

Statements of Changes in Reserve Balances

Years ended June 30, 1984 and 1983

	Reserve for participants' contributions	Reserve for future operations		Total funded reserves
		Interest accumulations	Other future benefits	
Balance at June 30, 1982	\$ 448,908,264	116,228,109	635,005,422	1,200,141,795
Add (deduct):				
Excess of revenue over expenses	55,257,326	—	153,381,073	208,638,399
Reserve transfers:				
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	(21,182,483)	—	21,182,483	—
Interest credited to members' accounts	—	23,994,255	(23,994,255)	—
Balance at June 30, 1983	482,983,107	140,222,364	785,574,723	1,408,780,194
Add (deduct):				
Excess of revenue over expenses	56,630,071	—	115,876,529	172,506,600
Reserve transfers:				
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	(22,604,912)	—	22,604,912	—
Interest credited to members' accounts	—	25,525,757	(25,525,757)	—
Balance at June 30, 1984	<u>\$ 517,008,266</u>	<u>165,748,121</u>	<u>898,530,407</u>	<u>1,581,286,794</u>

See accompanying notes to financial statements.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees' Retirement System Trust Fund

Statements of Changes in Financial Position

Years ended June 30, 1984 and 1983

	1984	1983
Sources of working capital:		
Working capital provided by operations—excess of revenue over expenses	\$ 172,506,600	208,638,399
Deduct item not providing working capital—net realized gain on sale of investments	<u>(44,782,720)</u>	<u>(92,978,613)</u>
Total sources of working capital	<u>127,723,880</u>	<u>115,659,786</u>
Uses of working capital—investment purchases:		
Amounts transmitted by SERS	18,900,000	15,500,000
Reinvested earnings	<u>104,658,329</u>	<u>98,798,290</u>
Total uses of working capital	<u>123,558,329</u>	<u>114,298,290</u>
Net increase in working capital	<u>\$ 4,165,551</u>	<u>1,361,496</u>
Elements of net increase (decrease) in working capital:		
Cash	1,880,758	(274,688)
Receivables	1,939,136	1,593,495
Benefits payable	313,325	(154,122)
Refunds payable	192,683	224,717
Administrative expenses payable	(50,687)	18,939
Participants' deferred service credit accounts	<u>(109,664)</u>	<u>(46,845)</u>
Net increase in working capital	<u>\$ 4,165,551</u>	<u>1,361,496</u>

See accompanying notes to financial statements.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees' Retirement System Trust Fund

Notes to Financial Statements

June 30, 1984 and 1983

(1) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial transactions of the State Employees' Retirement System Trust Fund (System Trust Fund) of Illinois (System) are recorded on the accrual basis.

(b) Investments

Investments of the System Trust Fund are managed by the Illinois State Board of Investment (ISBI) pursuant to Article 22A of the Illinois Pension Code and are held in the ISBI Commingled Fund. Such investments are valued at the cost of the System Trust Fund's units of participation in the ISBI Commingled Fund.

(c) Office Equipment

Expenditures for equipment are charged to administrative expenses. The equipment acquisitions are also recorded in property control records at cost for accountability purposes.

(d) Actuarial Valuation

In accordance with the Illinois Revised Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. The last such experience review was performed on June 30, 1980. An annual actuarial valuation is performed which is used to value the current reserves.

(2) Benefits

The System is governed by Article 14 of the Illinois Pension Code and benefits under the System are defined in the Code. All persons entering State service, except those in positions subject to membership in other State sponsored retirement systems, persons employed after June 30, 1979 as public service employment program participants under the Federal CETA program and enrollees in the Illinois Young Adult Conservation Corps become members of the System upon completion of six months' service. Administrative Code officers appointed by the Governor may elect to become members of the System.

Participating members contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases in retirement annuities. The total contribution rates are 4% if coordinated with Social Security and 8% if not coordinated, except that the rate is 5½% or 9½% for members in certain employment categories who are eligible for benefits under alternative formulas. Participants' contributions are fully refundable, without interest, upon withdrawal from State employment. The State of Illinois is obligated by statute to contribute, through department appropriations, the funds not otherwise provided which are necessary to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial requirements. The employer contribution rate was 6.4% for the current fiscal year. During fiscal year 1983 the contribution rate was 5.55%.

The System billed employing State agencies for the current fiscal year at the 6.4% rate while State appropriations were at 5.4%, resulting in an allowance for uncollectible accounts of \$9,798,225.

(3) **Accrued Benefit Cost**

The calculations of accrued benefit cost (actuarial liability) were made by the consulting actuaries on the basis of the "entry age normal" cost method. The more significant assumptions underlying the actuarial computations are as follows:

Rate of return on investments	7½%
Average age at retirement	65 years, except age 60 was used for those individuals employed in the uniform services
Rate of turnover without vested benefits	A high scale at younger age levels, becoming progressively lower as age advances - consistent with the System's experience
Mortality basis	1971 Group Annuity Mortality Table projected to 1986
Salary increases	7½% annual increase
Performance of duty	
Death	5% of all deaths among active employees duty related
Disability	15% of all disabilities among active employees duty related

Included in the actuarially determined accrued benefit cost of \$3,127,247,588 is the amount of \$1,161,897,600 for retirement and survivor annuities in force.

The actuarial valuation for the year ended June 30, 1984 reflects the amendment by the 83rd General Assembly to provide a minimum total survivors' annuity equal to 50% of the member's earned pension at the date of death. This amendment accounted for \$76,518,547 of the increase in the unfunded accrued benefit cost of \$151,041,811.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees' Retirement System Trust Fund

Schedule of Administrative Expenses

Years ended June 30, 1984 and 1983

	1984	1983
Personal services	\$ 1,100,631	1,108,606
Retirement contributions	70,718	61,535
Social Security contributions	64,427	61,206
Group insurance	53,696	50,650
Contractual services	494,191	432,992
Travel	24,024	19,715
Printing	39,765	24,491
Commodities	21,749	14,813
Equipment	15,949	14,480
Telecommunications	23,995	21,177
Electronic Data Processing	513,522	470,954
Automotive	<u>5,956</u>	<u>9,873</u>
Total	<u>\$ 2,428,623</u>	<u>2,290,492</u>

Additional Financial Information

REVENUES:

The System's revenues for FY 1984 were down \$26.7 million from FY 1983 levels. Income from investments was \$42.4 million lower than in FY 1983 due primarily to a reduced level of capital gains on the sale of investments. Employer contributions increased by \$14.7 million. Contributions by members remained relatively unchanged,

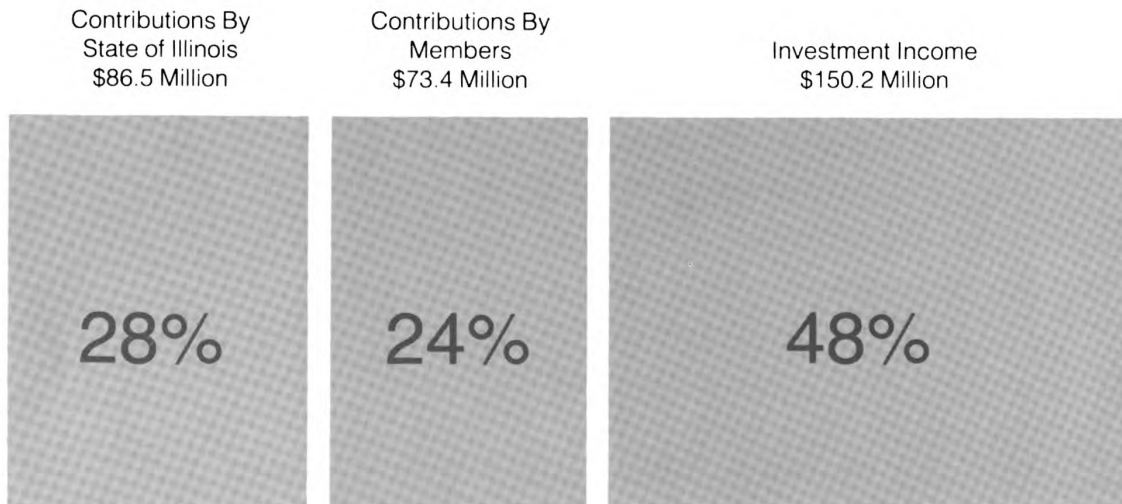
Revenue Source	FY 84 (Millions)	FY 83 (Millions)	Increase/(Decrease)	
			Amount	Percentage
Member Contributions	\$ 73.4	72.4	1.0	1.0%
State Contributions	86.5	71.8	14.7	20.4%
Investment Income	<u>150.2</u>	<u>192.6</u>	<u>(42.4)</u>	(22.0%)
Total	\$310.1	336.8	(26.7)	(7.9%)

Active membership decreased by 4,075 during the fiscal year due primarily to a change in the Retirement Act requiring all new employees to serve a six-month qualifying period before becoming a member of the System. This requirement was effective with employees beginning after December 31, 1983. The table below shows a comparison of active membership on June 30, 1984 to that of June 30, 1983.

Active Membership	FY 84	FY 83	Increase/(Decrease)	
			Number/Amount	Percentage
Coordinated Members	56,945	60,097	(3,152)	(5.2%)
Noncoordinated Members	<u>12,030</u>	<u>12,953</u>	<u>(923)</u>	(7.1%)
Total Active Members	68,975	73,050	(4,075)	(5.6%)
Earnings Reported				
All Members (Millions)	\$1,437.5	1,378.7	58.8	4.3%

REVENUES BY SOURCE 1984

TOTAL REVENUES
\$310.1 MILLION



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The decline in active members was offset by salary increases during the year resulting in a slight increase in member contributions to \$73.4 million. Employer contributions are based on earnings of all employees in positions subject to membership in this System (active members and employees in the qualifying period). Reported earnings for FY 1984 of \$1.4 billion were \$58.8 million above the FY 1983 level. Contributions by the State were \$14.7 million higher than in 1983.

Revenue from investments for FY 1984 amounted to \$149,441,049 consisting of income from investments, \$105,321,675, less expenses of \$663,346, and net realized gain on sale of investments, \$44,782,720. Excess funds not needed for current operating expenses amounting to \$18,900,000 were transferred to the Illinois State Board of Investment during the year. The following table shows a comparison of investment operations for FY 1984 and FY 1983:

	1984	1983	Increase/(Decrease)	
			Amount	Percentage
Balance at beginning of year, at cost	\$ 1,395,936,136	1,188,659,233	207,276,903	17.4%
Cash remitted for investment	18,900,000	15,500,000	3,400,000	21.9%
Investment income:				
Commingled Fund income	105,321,675	99,217,090	6,104,585	6.2%
Less Expenses	(663,346)	(418,800)	244,546	58.4%
Distributed Net Realized Gain on Sale of Investments	<u>44,782,720</u>	<u>92,978,613</u>	<u>(48,195,893)</u>	(51.8%)
Net investment income	<u>149,441,049</u>	<u>191,776,903</u>	<u>(42,335,854)</u>	(22.1%)
Balance at end of year, at cost	\$ <u>1,564,277,185</u>	<u>1,395,936,136</u>	<u>(168,341,049)</u>	12.1%
Market value	\$ <u>1,399,637,496</u>	<u>1,456,182,526</u>	<u>(56,545,030)</u>	(3.9%)

Interest on the average balance in the System's operating fund for FY 1984 was \$729,266, compared to \$796,354 during FY 1983.

REVENUES BY SOURCE 1983

TOTAL REVENUES
\$336.8 MILLION



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A comparative analysis of the investment performance of the Illinois State Board of Investment for the five-year period ending June 30, 1984, is shown below:

	1984	1983	1982	1981	1980
Total Return *	(5.2)%	44.1%	4.8%	(0.1)%	5.0%
Average Net Income Yield *	7.3	7.7	10.5	10.3	9.9

Comparative rates of return on fixed income securities

Total fixed income-ISBI	(0.7)	37.2	11.4	(8.6)	0.3
Comparison indices:					
Lehman Bros. Kuhn Loeb	1.8	29.1	13.3	(4.1)	3.8
Salomon Bros.	(6.2)	42.4	8.7	(12.9)	(2.4)
Merrill Lynch Median Retirement Fund	1.2	28.7	11.9	(5.8)	2.8

Comparative rates of return on equities

Total equities - ISBI	(12.9)	62.0	(8.4)	19.0	17.1
Comparison indices:					
S & P 500	(4.7)	61.6	(11.5)	20.5	17.2
Dow Jones	(3.0)	58.3	(11.3)	17.8	9.8
Merrill Lynch Median Retirement Fund	(8.7)	63.4	(13.3)	23.9	17.9

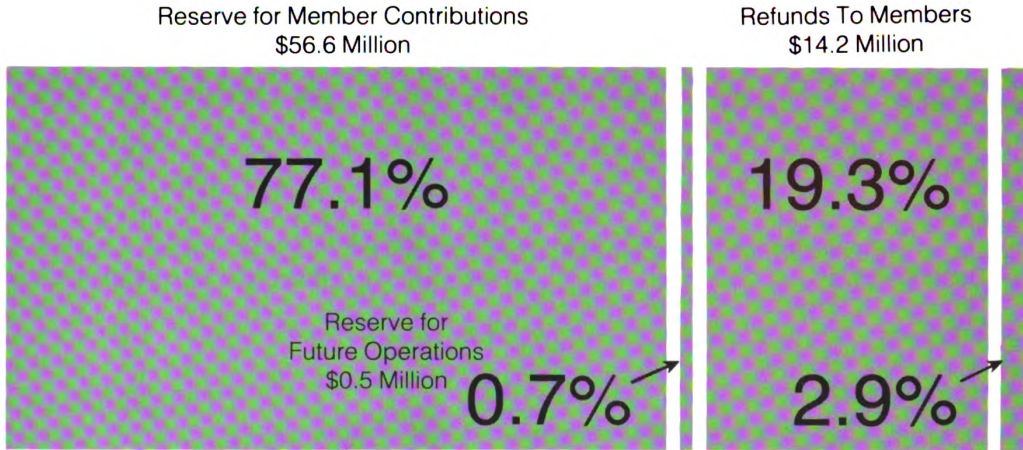
* Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

Revenues were used to pay current expenses or credited to the appropriate reserve accounts as shown below:

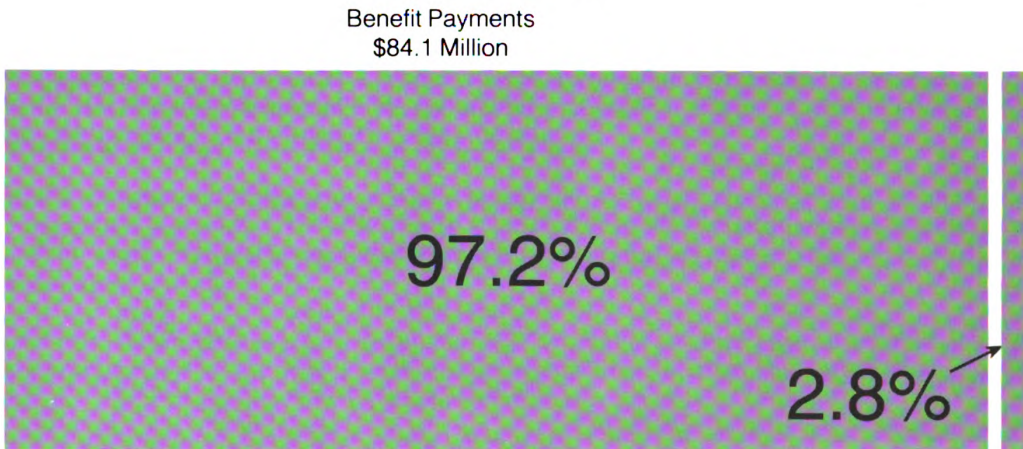
Distribution of Revenues — FY 84	Contributions by Members	Contributions by State	Investments Income	Totals
	Millions			
Reserve — Future Operations	\$ 0.5		115.4	115.9
Reserve — Member Contributions	56.6			56.6
Benefit Payments	2.1	84.1	34.8	121.0
Refunds	14.2			14.2
Administrative Expense	—	2.4	—	2.4
<u>TOTAL</u>	<u>\$ 73.4</u>	<u>86.5</u>	<u>150.2</u>	<u>310.1</u>

REVENUES FY 1984 — HOW THEY WERE USED

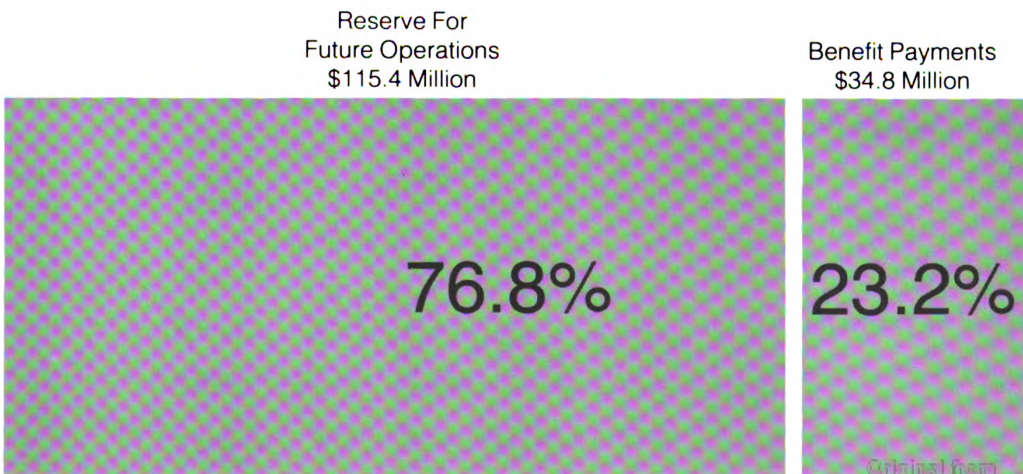
MEMBER CONTRIBUTIONS \$73.4 MILLION



CONTRIBUTIONS BY STATE OF ILLINOIS \$86.5 MILLION



INVESTMENT INCOME \$150.2 MILLION



EXPENSES:

Retirement and Survivor Benefits showed near normal increases for FY 1984, while Disability Benefits and Administrative Expenses remained nominally unchanged. Contribution refunds, although fewer in number, were near the same dollar level as for the previous year.

	FY 84 (Millions)	FY 83 (Millions)	Increase/ Amount	(Decrease) Percentage
Retirement Benefits	\$ 86.7	77.5	9.2	11.9%
Survivors Benefits	16.1	15.3	0.8	5.2%
Disability Benefits	14.0	14.1	(0.1)	(0.7%)
Lump Sum Death Benefits	4.2	5.0	(0.8)	(16.0%)
Contribution Refunds	14.2	14.0	0.2	1.4%
Administrative Expenses	<u>2.4</u>	<u>2.3</u>	<u>0.1</u>	4.0%
TOTAL EXPENSES	<u>\$137.6</u>	<u>128.2</u>	<u>9.4</u>	7.3%

NUMBER OF RECURRING BENEFIT PAYMENTS

	FY Ended June 30, 1983	New Claims Processed During FY 84	Benefits Ceased During FY 84	FY Ended June 30, 1984
Retirement	19,306	1,648	797	20,157
Survivors	7,139	535	303	7,371
Disability	<u>1,851</u>	<u>2,323</u>	<u>2,375</u>	<u>1,799</u>
TOTALS	<u>28,296</u>	<u>4,506</u>	<u>3,475</u>	<u>29,327</u>

Retirement and survivor annuities increased at about the same rate as in prior years. The number of members on the disability rolls decreased slightly as the total number of members on current payrolls declined.

RESERVES:

As of June 30, 1984, the funds available for payment of current and future benefits were \$1,581.3 million as shown in the following schedule:

Assets	FY-84 (Millions)	FY-83 (Millions)	Increase (Decrease)
Cash	\$ 9.1	7.2	1.9
Receivables (less payables)	7.9	5.6	2.3
Investments	<u>1,564.2</u>	<u>1,395.9</u>	<u>168.3</u>
NET ASSETS	<u>\$ 1,581.2</u>	<u>1,408.7</u>	<u>172.5</u>

RESERVES (continued):

Total revenues for FY 1984 of \$310.1 million less expenditures of \$137.6 million resulted in a net increase to reserves of \$172.5 million.

Reserves	FY-84 (Millions)	FY-83 (Millions)	Net Increase
Member Contributions	\$ 517.0	483.0	34.0
Future Operations	<u>1,064.2</u>	<u>925.7</u>	<u>138.5</u>
TOTAL RESERVES	<u>\$1,581.2</u>	<u>1,408.7</u>	<u>172.5</u>

Member contributions transferred to the Reserve for Future Operations due to retirement or death of active members during the year amounted to \$22.6 million.

SOCIAL SECURITY:

On September 15, 1953, the State of Illinois and the Federal Government signed an agreement making Social Security coverage available to public employees in Illinois. The System, as State Administrator, collects and transmits Social Security contributions to the U.S. Department of Health and Human Services for approximately 1,500 towns, villages and other political entities. Members of two retirement systems in the State, the Illinois Municipal Retirement Fund (IMRF) and the State Employees' Retirement System (SERS), are also covered by Social Security. During fiscal year 1984 contributions collected and transmitted for the political entities amounted to \$37.6 million for approximately 25,000 employees, and for the SERS, \$159.0 million for 71,035 members. Since monthly deposits of FICA contributions are now required, the IMRF is transmitting directly to the Federal Government. Auditing of FICA contributions of political entities reporting through IMRF is performed by this office.

The Social Security Division has a staff of five full-time employees. Data processing and accounting services are performed by other divisions of the System on a contractual basis. Expenses are appropriated by the General Assembly and subsequently recovered from the reporting entities on a pro-rata basis for deposit in the General Revenue Fund.

The contribution rate in 1984 was 6.7% for employee (7.0% for the employer) on maximum wages of \$37,800. Collections and transmittals are administered through a State Trust Fund in custody of the Treasurer of the State of Illinois.

THE *Wyatt* COMPANY

ACTUARIES AND CONSULTANTS

EMPLOYEE BENEFITS
COMPENSATION PROGRAMS
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OFFICES IN PRINCIPAL CITIES
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ACTUARIAL CERTIFICATION

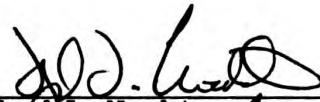
We have completed an actuarial valuation of the assets and liabilities of the State Employees' Retirement System of Illinois as of June 30, 1984.

For purposes of determining contribution rates, assets have been valued at Cost as reported by the Illinois State Board of Investment. The liabilities have been valued based on employee data supplied by the staff of the System and based on actuarial assumptions. A summary of the major actuarial assumptions follows.

In our opinion, the following schedule of valuation results fairly presents the financial condition of the State Employees' Retirement System of Illinois as of June 30, 1984 and the contribution rate complies with the applicable law in force as of the valuation date.

THE WYATT COMPANY

By 
S. Lynn Hill
Actuarial Assistant

By 
Lloyd L. Nordstrom
Fellow of the Society of Actuaries

By 
Robert L. Barnes
Fellow of the Society of Actuaries

Chicago, Illinois

VALUATION RESULTS

Actuarial Liability (Reserves)

1.	For Annuitants:	
	(a) For Benefit Recipients:	
	(i) Retirement Annuities	\$ 939,228,187
	(ii) Survivor Annuities	137,894,263
	(iii) Disability Annuities	78,584,198
	(b) Deferred:	
	(i) Retirement Annuities	1,241,794
	(ii) Survivor Annuities	4,949,158
	(c) Total (a) and (b)	\$1,161,897,600
2.	For Inactive Members	
	(a) Eligible for deferred vested pension benefits	53,941,666
	(b) Eligible for return of contributions only	7,114,083
	(c) Total (a) and (b)	\$ 61,055,749
3.	For Active Members	\$1,904,294,239
4.	Total	\$3,127,247,588
	Assets (Cost Value)	\$1,581,286,794
	Unfunded Actuarial Liability	\$1,545,960,794

CONTRIBUTION RATE

	% of Payroll ¹	Annual Contributions ¹
1. Normal Cost	6.221%	\$99,545,070
2. Amortization of the Unfunded Actuarial Liability Over a 40-year Period from July 1, 1980	7.826%	\$125,214,272
3. Total Contribution	14.047%	\$224,759,342

¹ Based on assumed payroll of \$1,600,000,000 for Fiscal Year July 1, 1985—June 30, 1986.

SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

- Mortality:** 1986 Projected Experience Table: a table based on experience under-lying the 1971 Group Annuity Mortality Table, without margins, with a projection for mortality improvements to 1986. Five percent of deaths amongst active employees are assumed to be in the performance of their duty.
- Interest:** 7½% per annum, compounded annually.
- Termination:** Illustrative rates follow. It is assumed that terminated employees will not be rehired.

Age	Rate	Age	Rate
20	.374	40	.073
25	.249	45	.047
30	.174	50	.020
35	.124	55	—

- Salary Increases:** 7½% per annum, compounded annually
- Retirement Rates:** Retirement was assumed to occur at age 65 except for "uniform services", which were assumed to retire at age 60.
- Assets:** Assets available for benefits are valued at cost.
- Expenses:** As estimated and advised by SERS staff, based on current expenses with an allowance for expected increases.
- Marital Status:** 85% of employees are assumed to be married.
- Spouse's Age:** The spouses of eligible employees were assumed to be 3 years younger than the employees.

In addition to the above, other assumptions used include disability incidence, recovery from disability, mortality of disabled lives, remarriage rates, ages and numbers of children and Social Security benefit levels.

COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGE COVERED BY NET ASSETS AVAILABLE FOR BENEFITS

(in thousands of dollars)

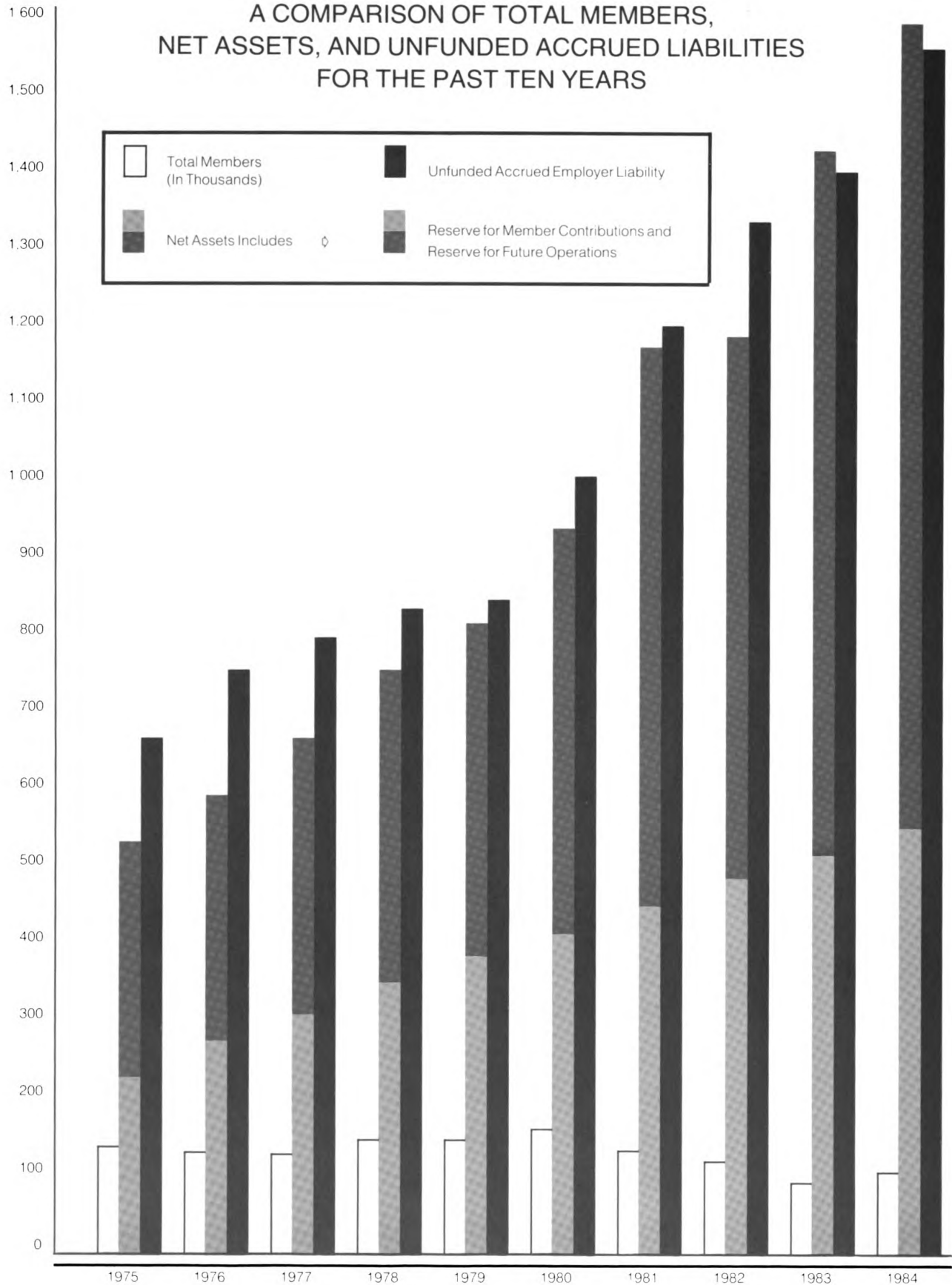
Fiscal Year	Member Contributions (1)	Current Retirants and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Net Assets Available For Benefits	Percentage of Actuarial Values Covered by Net Assets Available		
					(1)	(2)	(3)
1975	\$ 229,512	378,987	565,278	511,864	100	74.5	0
1976	251,773	400,427	652,255	581,531	100	82.4	0
1977	272,658	511,579	645,130	650,282	100	73.8	0
1978	316,877	552,317	672,962	730,016	100	74.8	0
1979	347,173	598,170	684,422	799,803	100	75.7	0
1980	378,468	791,289	764,297	934,864	100	70.3	0
1981	413,773	819,272	960,085	1,081,805	100	81.5	0
1982	448,908	914,281	1,144,618	1,200,142	100	82.2	0
1983	482,983	1,049,972	1,270,744	1,408,780	100	88.2	0
1984	517,008	1,161,897	1,448,342	1,581,287	100	91.6	0

Note: A test of financial soundness is the Retirement System's ability to pay all promised benefits when due. Progress in accumulating assets to pay benefits can be measured by comparing the present assets with (1) member contributions, (2) the actuarial present value of the projected benefits payable to current retirants and beneficiaries, and (3) the actuarial value of benefits payable to terminated and active members.

ANALYSIS OF FUNDING

FY Ended June 30	Funded Reserves	Unfunded Accrued Liability	Reserve Requirement	Rate of Funding
1975	\$ 511,864,249	661,912,869	1,173,777,118	43.6%
1976	581,531,279	722,923,983	1,304,455,262	44.6%
1977	650,282,223	779,084,482	1,429,366,705	45.5%
1978	730,016,212	812,139,837	1,542,156,049	47.3%
1979	799,803,281	829,962,465	1,629,765,746	49.1%
1980	934,863,660	999,190,028	1,934,053,688	48.3%
1981	1,081,805,052	1,111,325,317	2,193,130,369	49.3%
1982	1,200,141,795	1,307,664,784	2,507,806,579	47.9%
1983	1,408,780,194	1,394,918,983	2,803,699,177	50.2%
1984	1,581,286,794	1,545,960,794	3,127,247,588	50.6%

A COMPARISON OF TOTAL MEMBERS, NET ASSETS, AND UNFUNDED ACCRUED LIABILITIES FOR THE PAST TEN YEARS



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UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

BALANCE SHEET ASSETS

FY Ended June 30	Cash	Receivables	Investments At Cost	Investment Adjustment*	Total
1975	\$ 39,974	7,856,200	505,050,292		512,946,466
1976	3,764,437	5,510,363	573,602,103		582,876,903
1977	3,415,765	6,935,185	641,637,642		651,988,592
1978	3,050,460	7,881,156	721,232,408		732,164,024
1979	2,344,567	10,233,683	832,097,108	*(42,998,251)	801,677,107
1980	2,902,092	12,467,758	966,813,414	*(45,458,776)	936,724,488
1981	6,201,164	8,310,125	1,119,702,537	*(50,493,338)	1,083,720,488
1982	7,494,162	6,390,869	1,236,672,447	*(48,013,214)	1,202,544,264
1983	7,219,474	7,984,364	1,395,936,136	—0—	1,411,139,974
1984	9,100,232	9,923,500	1,564,277,185		1,583,300,917

* Allowance for accumulated net realized loss distributed by the Illinois State Board of Investment. Since 1982 net realized gains and losses have been distributed annually.

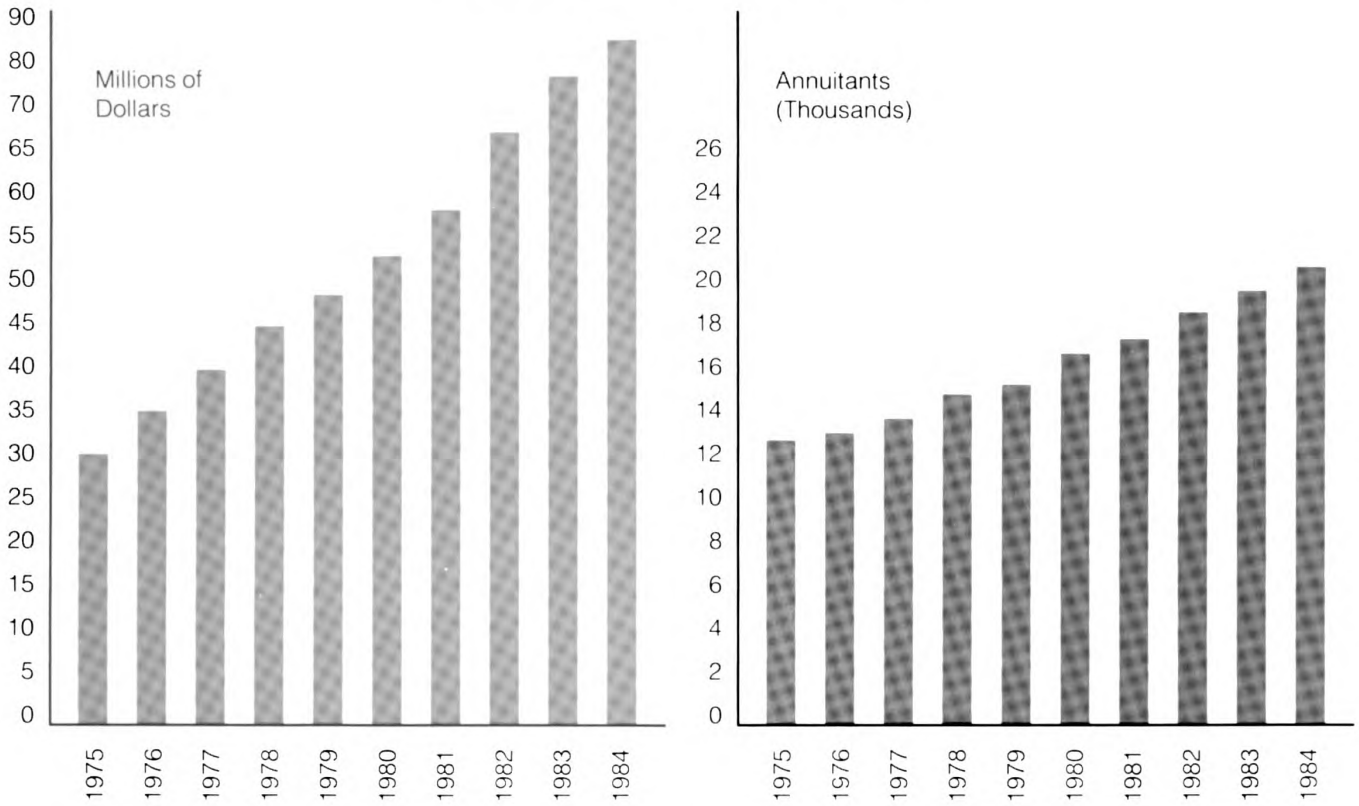
BALANCE SHEET LIABILITIES

FY Ended June 30	Accounts Payable	Reserve For Member Contributions	Reserve For Future Operations	Total
1975	\$ 1,082,217	229,511,987	282,352,262	512,946,466
1976	1,345,624	251,772,923	329,758,356	582,876,903
1977	1,706,369	272,657,843	377,624,380	651,988,592
1978	2,147,812	316,877,147	413,139,065	732,164,024
1979	1,873,826	347,173,321	452,629,960	801,677,107
1980	1,860,828	378,467,810	556,395,850	936,724,488
1981	1,915,436	413,772,565	668,032,487	1,083,720,488
1982	2,402,469	448,908,264	751,233,531	1,202,544,264
1983	2,359,780	482,983,107	925,797,087	1,411,139,974
1984	2,014,123	517,008,266	1,064,278,528	1,583,300,917

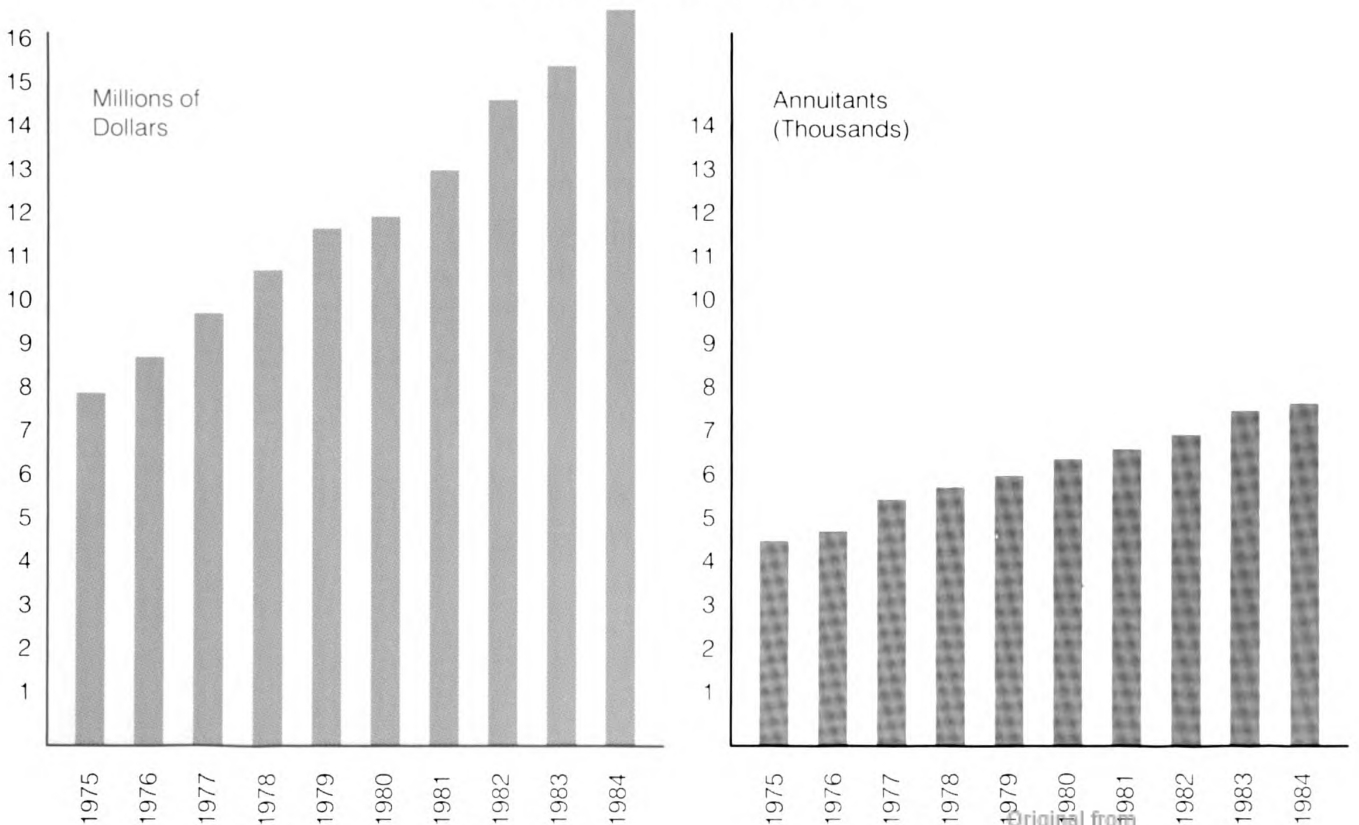
REVENUES BY SOURCE

FY Ended June 30	Member Contributions	State Contributions	Investment Income	Total
1975	\$ 45,277,307	51,926,434	28,346,030	125,549,771
1976	47,533,641	58,071,332	32,051,811	137,656,784
1977	48,223,281	59,797,781	38,073,046	146,094,108
1978	51,025,294	69,384,874	44,025,044	164,435,212
1979	56,328,543	84,762,923	61,496,348	202,587,814
1980	59,448,493	94,056,122	79,438,744	232,943,359
1981	64,573,084	96,918,451	93,957,329	255,448,864
1982	69,300,949	61,500,375	101,697,502	232,498,826
1983	72,371,246	71,846,403	192,573,257	336,790,906
1984	73,442,196	86,464,279	150,170,315	310,076,790

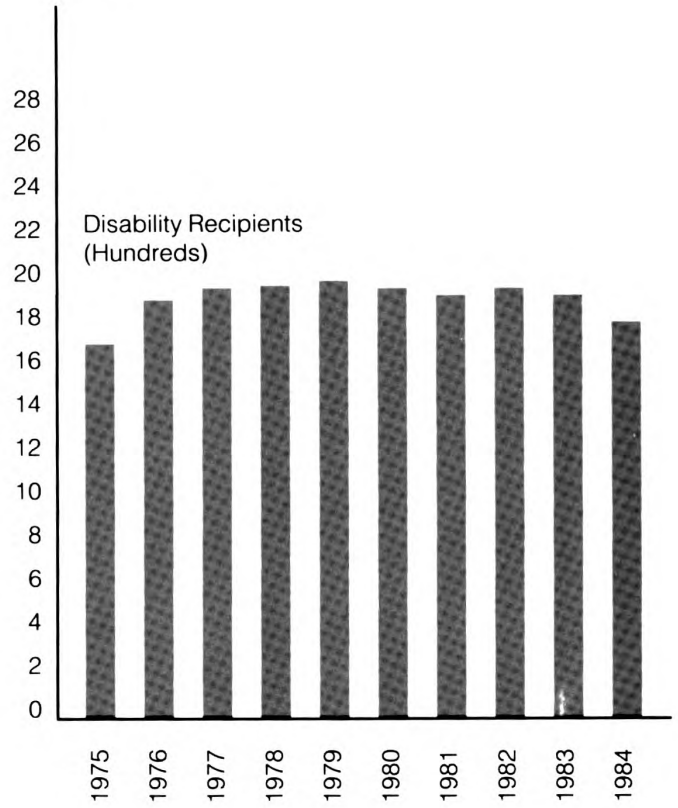
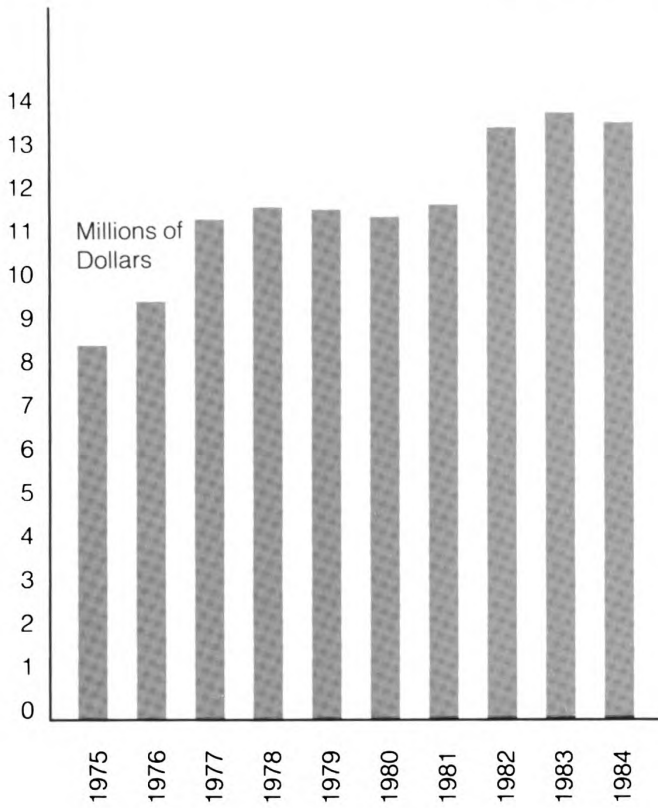
AGE RETIREMENT ANNUITIES



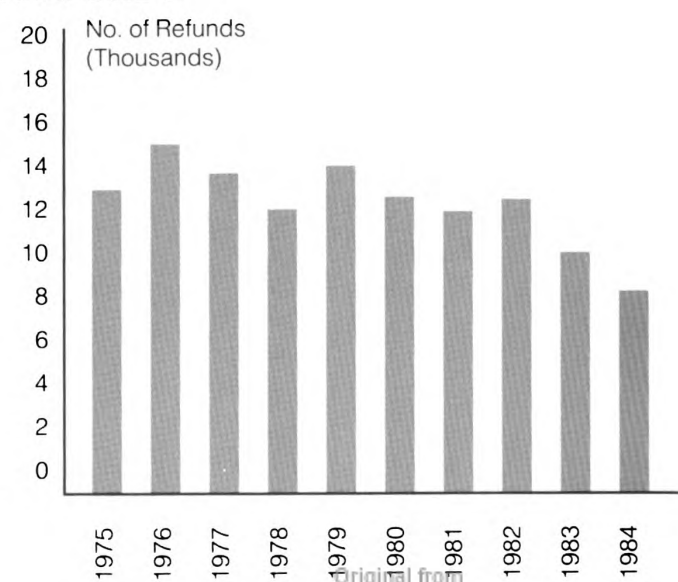
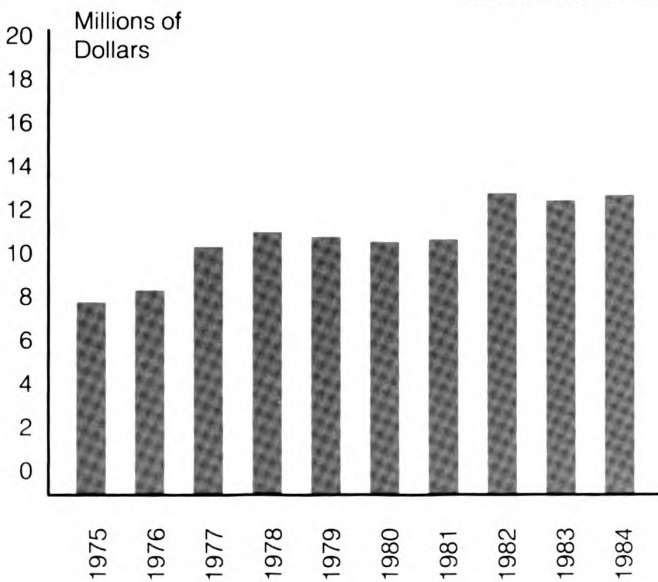
SURVIVOR ANNUITIES



DISABILITY BENEFITS



TERMINATION REFUNDS



EXPENSES BY TYPE

FY Ended June 30	Benefits	Contribution Refunds	Administrative Expenses	Other Expenses*	Total
1975	\$ 50,970,827	8,605,238	1,025,554		60,601,619
1976	57,441,849	9,297,688	1,250,217		67,989,754
1977	64,795,216	11,416,369	1,131,579		77,343,164
1978	70,985,910	12,438,437	1,276,876		84,701,223
1979	76,000,765	12,344,851	1,456,878		89,802,494
1980	81,342,048	12,328,329	1,752,078	2,460,525	97,882,980
1981	89,147,299	12,352,136	1,973,475	5,034,562	108,507,472
1982	100,453,675	13,942,805	2,245,727	(2,480,124)	114,162,083
1983	111,852,846	14,009,169	2,290,492	—0—	128,152,507
1984	120,996,071	14,145,496	2,428,623	—0—	137,570,190

*Net realized loss or (gain) on investments undistributed by the Illinois State Board of Investment. Accumulated net losses from 1970 through 1979 amounted to \$42,998,251. Since 1982 realized losses or gains have been distributed annually.

BENEFIT EXPENSES BY TYPE

FY Ended June 30	Retirement Annuities	Survivors Annuities	Disability Benefits	Lump Sum Death Benefits	Total
1975	\$ 32,650,218	7,784,809	8,124,471	2,411,329	50,970,827
1976	37,171,787	8,600,668	9,384,124	2,285,270	57,441,849
1977	41,548,561	9,512,724	11,026,764	2,707,167	64,795,216
1978	46,017,123	10,428,913	11,558,867	2,981,007	70,985,910
1979	50,360,362	11,249,401	11,481,378	2,909,624	76,000,765
1980	55,063,529	11,902,744	11,327,382	3,048,393	81,342,048
1981	60,675,795	12,939,271	11,598,809	3,933,424	89,147,299
1982	68,602,104	14,236,031	13,163,602	4,451,938	100,453,675
1983	77,472,708	15,253,035	14,101,575	5,025,528	111,852,846
1984	86,651,697	16,114,837	13,985,426	4,244,111	120,996,071

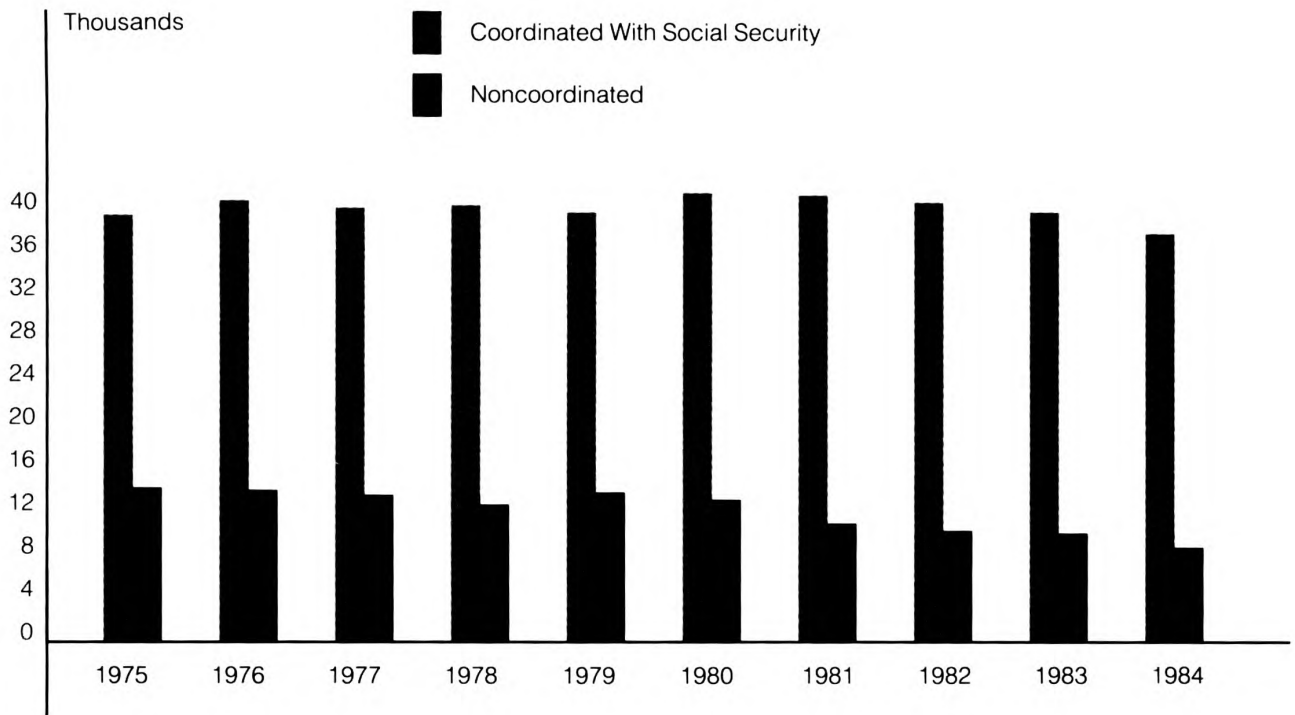
TOTAL MEMBERSHIP — COORDINATED/NONCOORDINATED

FY Ended June 30	COORDINATED MEMBERS			NON COORDINATED MEMBERS			Total Male Members	Total Female Members	Total Members
	Male	Female	Total	Male	Female	Total			
1975	43,101	37,906	80,916	11,556	12,358	23,914	54,566	50,264	104,830
1976	42,925	39,047	81,972	11,260	11,439	22,699	54,185	50,486	104,671
1977	43,032	40,158	83,190	10,829	10,675	21,504	53,861	50,833	104,694
1978	44,516	42,297	86,813	10,342	9,863	20,205	54,858	52,160	107,018
1979	45,310	43,705	89,015	9,824	9,109	18,933	55,134	52,814	107,948
1980	46,029	46,626	92,655	9,339	8,446	17,785	55,368	55,072	110,440
1981	45,713	46,153	91,866	8,876	7,775	16,651	54,589	53,928	108,517
1982	43,764	44,376	88,140	8,315	7,096	15,411	52,079	51,472	103,551
1983	42,009	42,122	84,131	8,024	6,585	14,609	50,033	48,707	98,740
1984	40,547	40,136	80,683	7,338	5,915	13,253	47,885	46,051	93,936

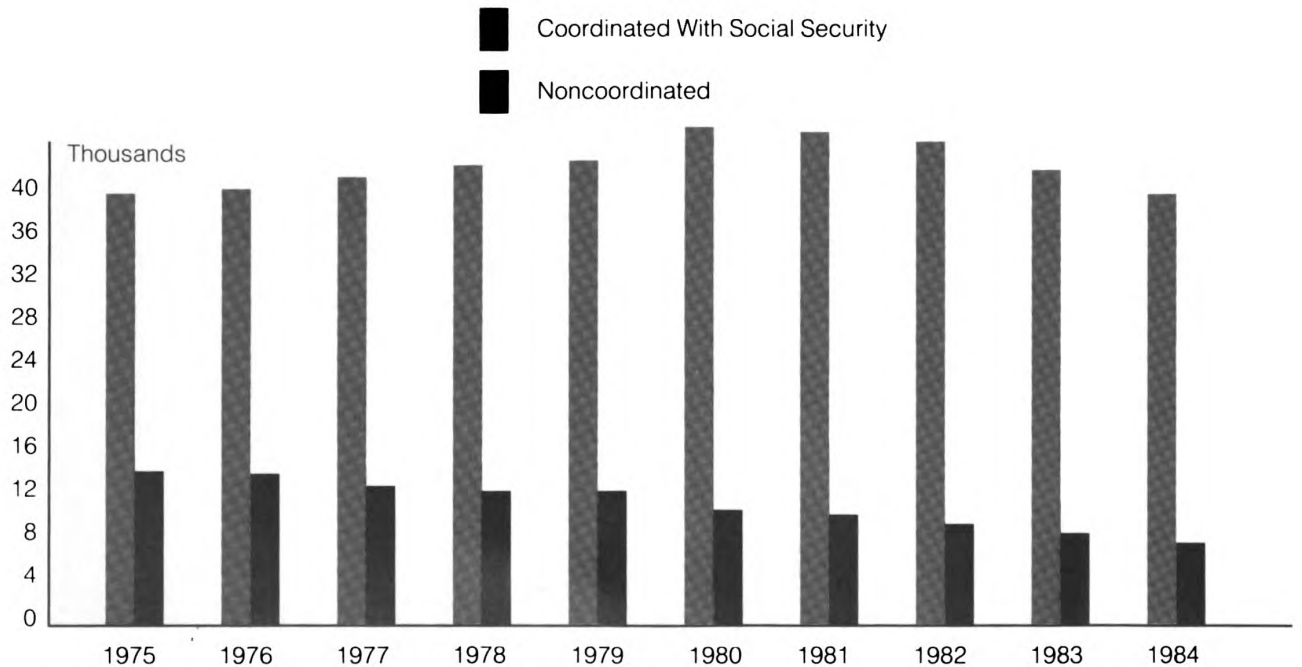
ACTIVE MEMBERSHIP — COORDINATED/NONCOORDINATED

FY Ended June 30	COORDINATED MEMBERS			NONCOORDINATED MEMBERS			Total Active Members	Annual Earnings Reported
	Male	Female	Total	Male	Female	Total		
1975	29,563	29,117	58,680	10,231	10,026	20,257	78,937	808,560,000
1976	29,975	29,718	59,693	9,293	9,007	18,300	77,993	864,154,000
1977	29,617	30,755	60,372	8,717	8,695	17,412	77,784	884,493,000
1978	29,667	31,264	60,931	8,265	8,245	16,510	77,441	925,094,200
1979	29,144	31,695	60,839	8,763	8,259	17,022	77,861	1,069,885,900
1980	30,482	34,095	64,577	8,392	7,605	15,997	80,574	1,137,667,500
1981	30,462	33,642	64,104	7,991	7,035	15,026	79,130	1,253,016,000
1982	29,801	33,100	62,901	7,517	6,486	14,003	76,904	1,334,262,000
1983	28,868	31,229	60,097	7,037	5,916	12,953	73,050	1,378,735,000
1984	27,457	29,488	56,945	6,636	5,394	12,030	68,975	1,437,546,000

ACTIVE MEMBERS — MALE



ACTIVE MEMBERS — FEMALE



NUMBER OF RECURRING BENEFIT PAYMENTS

FY Ended June 30	Retirement Annuities	Survivors Annuities	Disability* Benefits	Total
1975	12,063	4,351	1,610	18,024
1976	12,969	4,699	1,848	19,516
1977	13,885	5,228	1,920	21,033
1978	14,689	5,534	1,943	22,166
1979	15,560	5,894	1,976	23,430
1980	16,445	6,187	1,927	24,559
1981	17,307	6,485	1,871	25,663
1982	18,247	6,863	1,888	26,998
1983	19,306	7,139	1,851	28,296
1984	20,157	7,371	1,799	29,327

* Includes individuals receiving total temporary disability payments under the Workers' Compensation Act.

TERMINATION REFUNDS — NUMBER/AMOUNT

1975	13,777	\$ 8,180,657
1976	15,820	8,840,660
1977	14,055	10,988,479
1978	12,491	11,984,738
1979	14,354	11,900,531
1980	13,449	11,799,600
1981	12,171	11,810,898
1982	12,893	13,212,484
1983	10,252	13,149,550
1984	7,664	13,349,332

SCHEDULE OF INSURANCE IN FORCE

June 30, 1984

Name of Company Reliance Insurance Company	Type of Coverage Employee Dishonesty Bond	
	Policy Number B 404965	Policy Period From To 7-13-83/7-13-84
	Detail of Coverage Faithful Performance Blanket Bond	Liability Limits \$10,000,000 (\$100,000 Deductible)

Name of Company Home Insurance Company	Type of Coverage E.D.P. Equipment	
	Policy Number DP-312309	Policy Period From To 7-1-83/7-1-84
	Detail of Coverage Data processing systems inc. equipment and component parts.	Liability Limits Replacement Cost (\$10,000 Deductible)

Name of Company Illinois National Insurance Company	Type of Coverage Office Contents	
	Policy Number POP 198495	Policy Period From To 12-1-83/6-30-84
	Detail of Coverage Mercantile, robbery	Liability Limits \$275,000 (\$1,000 Deductible)

SUMMARY OF RETIREMENT SYSTEM PLAN (As of June 30, 1984)

1. PURPOSE

The State Employees' Retirement System of Illinois, a State Agency, provides an orderly means whereby aged or disabled employees may be retired from active service without prejudice or hardship and enables the employees to accumulate reserves for old age, disability, death and termination of employment.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees of five members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to insure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

All persons entering State service become members of the System after serving a six-month qualifying period unless their position is subject to membership in another State supported system. Any enrollee of the Young Adult Conservation Corps is excluded from membership. Administrative Code officers appointed by the Governor may elect to become members of the System.

4. MEMBER CONTRIBUTIONS

Members are required to contribute a percentage of salary as their share of meeting the cost of the various benefits. Contribution rates are as shown below:

- A. Members Coordinated With Social Security - 4% of Salary
- B. Members Without Social Security - 8% of Salary
- C. State Police, Special Agents, Firefighters, Secretary of State Investigators, Conservation Police Officers, Department of Revenue Investigators and Police Officer Positions (primarily Central Management Services) - 9½% of Salary
- D. Full Time Security Employees of the Department of Corrections; Air Pilots -
 - (1) Coordinated with Social Security - 5½% of Salary
 - (2) Without Social Security - 9½% of Salary

Members coordinated with Social Security also pay the current Social Security tax rate.

5. RETIREMENT PENSION

A. Qualification of Member

Upon termination of State service, a member is eligible for a pension at age 60 with at least eight years of pension credit; at any age with 35 or more years of credit; between ages 55 and 60 with 30 to 35 years of credit with the pension reduced by one-half of 1% for each month the member is under age 60. Department of Corrections security employees must have at least 20 years of membership service to qualify for the special pension formulas which will apply only to the service earned while in a security position.

Members in Police, Firefighter and Air Pilot positions contributing 9½% of salary are eligible at age 50 with at least 25 years of pension credit or at age 55 with at least 20 years of pension credit in such a position.

B. Amount of pension

The pension is based on the member's final average compensation and the number of years of pension credit that has been established.

The pension formula reflects a graded or progressive method according to length of service as follows:

Years of Credit	Employees Under Social Security	Employees Not Under Social Security	Full Time Security Employees— Dept. of Corrections Under S.S./Not Under S.S.		Special Formula, i.e., Police and other positions Under S.S./Not Under S.S.	
Each of the first 10 years of credit	1.0%	1.67%	1.67%	1.9%	1.67%	2.25%
Each of the next 10 years of credit	1.1%	1.9%	1.9%	2.1%	1.9%	2.5%
Each of the third 10 years of credit	1.3%	2.1%	2.1%	2.25%	2.1%	2.75%
Each year above 30	1.5%	2.3%	2.3%	2.5%	2.3%	2.75%

The maximum pension payable is 75% of final average compensation.

C. Optional Forms of Payment

Reversionary Annuity — a member may elect to receive a smaller pension during his lifetime in order to provide a spouse or a designated dependent with a lifetime income. That payment would be in addition to any other benefit payable by the System. Level Income — A member who contributes to Social Security as a State employee may elect to have his pension payments increased before age 62/65 and reduced after that age to provide a uniform pension income throughout his retired life. To be eligible for this election the member must have established eligibility for a Social Security pension.

D. Annual Increases in Pension

Post retirement increases of 3% of the original pension are granted to members effective each January 1.

6. SURVIVORS ANNUITY

A. Qualification of Survivor

If death occurs while in State employment the member must have established at least 18 months of pension credit. If death occurs after termination of State service and the member was not receiving a retirement pension, the member must have established at least eight years of pension credit.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse any unmarried children of the member under age 18 or over age 18 if mentally or physically disabled; unmarried children under age 18 if no spouse survives; dependent parents at age 50 if neither an eligible spouse nor children survive the member.

A spouse that is the sole nominated beneficiary and sole survivor may elect other death benefits in number 9 below.

B. Amount of Payment

If the member's death occurs before retirement, the named beneficiary receives a lump sum refund of all of the member's pension contributions plus interest credited to the members account, excluding contributions for widows and survivors benefits. A single lump sum payment of \$1,000 is also made immediately to the survivor beneficiary of the member.

An eligible spouse receives monthly annuity equal to 30% of the member's final average compensation subject to a maximum of \$400. If children of the member are under the care of the spouse, the annuity is increased for each child, subject to a maximum of \$600. If only eligible children survive, the monthly annuity may not exceed the lesser of \$600 or 80% of final average compensation. The maximum combined monthly payment to parents may not exceed \$400. If the member's death occurs after retirement or after termination of State employment but before the member receives a pension, the monthly benefit is further limited to 80% of the pension received or earned by the member. Monthly benefits payable to survivors of a member who was covered by Social Security as a State employee are reduced by one-half of the amount of benefits they are entitled to from Social Security as a widow(er). The minimum total survivor benefit payable to the survivors annuity beneficiaries of a deceased member or annuitant shall be 50% of the amount of retirement annuity that was or would have been payable to the deceased member on the date of death. If the minimum total benefit exceeds the maximum described above, the minimum shall be payable.

C. Duration of Payment

The monthly annuity payable to a spouse terminates upon death, or remarriage prior to attainment of age 55; to children upon death, marriage or attainment of age 18, except for a child who at age 18 is physically or mentally disabled and unable to accept gainful employment.

7. **WIDOW'S ANNUITY OPTION**

The widow of a male member who was a participant in the System prior to July 19, 1961, may have the option of taking a Widow's Annuity rather than the Survivors' Annuity.

A. Qualification of Widow

An eligible widow receives a Widow's Annuity if she is age 50 or over or has in her care any of the member's unmarried children under age 18. If she is not age 50 and has no such children in her care, she becomes eligible at age 50.

B. Amount of Payment

The Widow's Annuity consists of a lump sum payment of \$500, plus a monthly annuity equal to 50% of the pension earned or received by the member at the date of death. If the widow has in her care eligible children of the member, the monthly annuity is increased because of each child, subject to a maximum payment equal to 66 $\frac{2}{3}$ % of the earned pension. Monthly benefits payable to a widow of a member who was covered by Social Security as a State employee are reduced by one-half of the amount of benefits she is entitled to from Social Security as a widow.

C. Duration of Payment

The monthly payment to the widow continues for her lifetime whether or not she remarries. If the amount of benefit was increased because of eligible children it is adjusted downward as these children's benefits are terminated (death, marriage or attainment of age 18).

8. **OCCUPATIONAL DEATH BENEFIT**

A. Qualification of Survivors

If a member's death results from an injury on the job or a job related cause, the spouse may be eligible for an Occupational Death benefit. If only unmarried children under age 18 survive, they may be eligible for the benefit. If neither spouse nor eligible children survive, a dependent father or mother may be eligible.

B. Amount and Duration of Payment

The nominated beneficiary receives a lump sum payment consisting of all contributions made by the member plus interest credited to his account.

A surviving spouse is entitled to a monthly benefit equal to 50% of the member's final average compensation. The benefit is payable until remarriage of the spouse unless the remarriage occurs after attainment of age 55. If children under age 18 also survive, the annuity is increased by 15% of such average because of each child subject to a maximum of 75%. If there is no spouse, or if the spouse remarries prior to attainment of age 55 or dies before all children have attained age 18, each child receives a monthly allowance of 15% of final average compensation.

The combined payment to children may not exceed 50% of the member's final average compensation. Payments to or on account of the children terminate upon their death, marriage or attainment of age 18.

If there is no spouse or eligible children a benefit of 25% of final average compensation is payable to each surviving dependent parent for life.

The monthly benefit is reduced by any payments awarded under the Workers' Compensation or Occupational Diseases Acts.

9. OTHER DEATH BENEFITS

If the beneficiaries of the member do not qualify for any of the previously described death benefits, one of the following benefits is payable.

A. Before Retirement

If the member's death occurred while in State service the benefit consists of: (1) a refund of all contributions plus interest credited to the member's account; (2) a payment equal to one months salary for each full year of pension credit not to exceed six months' salary. The minimum payment is equal to one months salary.

If the member had terminated State service but not yet qualified for a pension the benefit consists of a refund of all of the member's contributions to the System plus the interest credited to the member's account.

B. After Retirement

The benefit consists of a lump sum payment equal to the excess of contributions plus interest credited to the member's account over the total amount of pension payments made to the member. The minimum payment is \$500.

10. NONOCCUPATIONAL DISABILITY BENEFITS

A. Qualification and Amount of Payment

Available to any member under age 70 who has established at least one and one-half years of creditable service and who has been granted a disability leave of absence by his employing agency. The benefit is 50% of final average compensation plus a credit to the member's account of service and contributions. It begins on the 31st day of absence from service on account of disability.

If the member has Social Security coverage as a State employee, the benefit payable by the System is reduced by the amount of any disability or retirement payment to which he is entitled under Social Security.

B. Duration of Payment

The member is eligible for the monthly benefit until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; (3) payments are made for a period of time equal to one-half of the pension credit established as of the date disability began; or (4) attainment of age 65, if benefit commenced prior to the attainment of age 60; or (5) the fifth anniversary of the effective date of the benefit if the benefit commenced on or after the attainment of age 60, but not beyond age 70.

11. OCCUPATIONAL DISABILITY BENEFIT

A. Qualification and Amount of Payment

Provided for any member under age 70 who becomes disabled as the direct result of injury or diseases arising out of and in the course of State employment.

The benefit is 75% of final average compensation plus a credit to the member's account of service and contributions. The cash benefit is reduced by any payments received under the Workers' Compensation or Occupational Diseases Acts.

B. Duration of Payment

Monthly benefits are payable until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; or (3) attainment of age 65, if benefit commenced prior to the attainment of age 60, or (4) the fifth anniversary of the effective date of the benefit if the benefit commenced on or after the attainment of age 60, but not beyond age 70.

12. SEPARATION BENEFITS

Upon termination of State employment a member may obtain a refund of the contributions made to the System. By accepting a refund, a member forfeits all accrued rights and benefits in the System for himself and his beneficiaries.

LEGISLATIVE AMENDMENTS:

Amendments with an effective date during fiscal year 1984 having an impact on the System were:

HOUSE BILL 775—Amends the Finance Act and the Retirement System Act to provide for the payment for accrued sick leave earned after January 1, 1984. Payment will be at the full salary rate for one-half of the sick days. This bill allows members of the Retirement System who received payment in a lump sum for either sick leave or vacation leave to establish pension credit by making the required contribution within 90 days of retirement. This bill does not affect the present provision of the Retirement Act granting pension credit for unused sick leave. Effective December 6, 1983.

HOUSE BILL 798—Affects certain Secretary of State Investigators who were employed between January 1, 1967 and December 31, 1975 and who will attain age 60 before accumulating 20 years of credit as investigators. This bill allows those individuals to receive the alternative retirement formula at the time of their retirement based on the number of years earned as an investigator prior to attainment of age 60. Effective January 1, 1984.

HOUSE BILL 1048—Changes the method of calculation for a Survivors Annuity Benefit. Presently, survivor benefits are based upon a calculation of the final average salary or pension, but are limited to a maximum of \$400 for an individual and \$600 for a family benefit. This bill will provide a minimum survivors annuity of 50% of the members earned pension at the time of death. Effective for all deaths occurring on or after January 1, 1984.

HOUSE BILL 1414—Allows Secretary of State investigators to utilize prior periods of service as Conservation Police Officers to meet the 20 year requirement for the alternative retirement formula. Senate Bill 768 (mentioned below) further expands this philosophy to combine all alternative retirement formula service. Effective September 24, 1983.

HOUSE BILL 2290—Creates the Industrial Development Finance Authority. This agency will make funds available for industrial, commercial or manufacturing development in the State. Partial funding for this project will be provided by a special appropriation to be made in the name of the six state financed retirement systems, including the State Employees' Retirement System. The bill provides for the Retirement System to be repaid at the rate of 10% interest over 20 years. Effective September 23, 1983.

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SENATE BILL 240—Provides that the Retirement System can recover Social Security taxes paid in the years 1979 through 1981 on behalf of employees receiving sick pay during that time. This is in accordance with Social Security regulations and allows the recovery of Social Security taxes, for both the employer and the employee. Also, this bill corrects the contribution rate for certain investigators for the Department of Revenue who contribute to the alternative retirement formula. Effective July 27, 1983.

SENATE BILL 288—Authorizes the Illinois State Board of Investment to indemnify its directors, officers, advisors and employees as provided for other bodies under the Pension Code. Effective December 6, 1983.

SENATE BILL 706—Allows individuals who took voluntary furlough days or were subject to a shorter work week during fiscal years 1983 and 1984 to establish pension credit for the time lost by making contributions to the Retirement System. Effective August 22, 1983.

SENATE BILL 768—Allows for police officers of the Department of Mental Health and Developmental Disabilities to be included in the same alternative retirement formula as other state police officer groups. This bill also provides for an alternative formula for coordinated air pilots and incorporates all the special formula categories into one section of the Retirement Act. Effective January 1, 1984.

SENATE BILL 808—Provides that persons entering State service after January 1, 1984 will not become members of the Retirement System until they have completed 6 months of State service. Once this 6 month period has been served, they will become members of the System and can make contributions for their first 6 months if they desire. This bill allows temporary employees who were previously ineligible for membership prior to January 1, 1984, to make contributions to establish credit for that period if they desire. This bill also allows the Retirement System Board to determine the rate of interest charged to establish various periods of past service credit. Effective January 1, 1984.

SENATE BILL 850—Expands the definition of employees of the Department of Corrections who contribute to the special Corrections formula. Employees who have direct contact with committed persons in the performance of their job duties will be eligible for the alternative Corrections retirement formula. Effective September 17, 1983.

SENATE BILL 1147—Affects all public retirement systems in the State by defining actuarial reporting standards and requiring the filing of expanded annual reports with the State Department of Insurance. These reports must also be furnished to the Pension Laws Commission of the State of Illinois. Effective January 1, 1984.

NEW LEGISLATION with effective dates subsequent to June 30, 1984, affecting the operation of the System is summarized below:

HOUSE BILL 2509—This bill changes many boards and commissions by requiring that a senior citizen age 60 or over be included on the boards. The Board of Trustees of the State Employees' Retirement System makeup would be changed so that the next employee member vacancy would be filled by an annuitant age 60 or over. The size of the board would remain the same. This bill was effective December 11, 1984.

HOUSE BILL 3093—This bill changes the State Employees' Group Insurance Act to provide that individuals who have begun receiving retirement benefits within one year of receipt of their final compensation will be eligible to participate in the Group Life Insurance Program. This bill was effective September 11, 1984.

SENATE BILL 1876—This bill changes the alternative retirement formula section of the Retirement Act to provide for the inclusion of Central Management Services security police officer positions. This Act defines those positions and provides that they will be included in the special retirement formula. This bill was effective July 17, 1984.



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