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# **ANNUAL REPORT**

## **UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS**

### **FOR THE YEAR ENDED AUGUST 31, 1945**

**How the State of Illinois Provides Security for the  
Staff Members and Employees of Its Institutions of  
Higher Education and Its Scientific Agencies**

**Issued by Authority of the Board of Trustees  
of the University Retirement System of Illinois  
November, 1945**

# UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

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## FOREWORD

**T**HE University Retirement System of Illinois completed its fourth year on August 31, 1945. This report has been compiled to present a description of its activities and a record of its operations for that year, for the information and reference of the General Assembly, State officials, participants, institutions and agencies covered, and other interested persons.

The report was prepared by Lloyd Morey, Comptroller, and Ruth E. Kunkel, Chief Clerk.

The accounts of the System for the past year have been audited by Arthur Young and Company, certified public accountants, and their report is included herein.

RUSSELL L. GUIN  
*President*  
Board of Trustees

November 1, 1945



## CONDENSED SUMMARY

### HISTORY AND DESCRIPTION OF SYSTEM

The 62nd General Assembly of the State of Illinois enacted "an Act to Provide for the Creation, Maintenance and Administration of a Retirement System for the Benefit of the Staff Members and Employees of the University of Illinois and of Certain Other State Educational and Scientific Agencies." The Act was approved by Governor Dwight H. Green July 21, 1941, and the System began operation on September 1, 1941. The Act was amended in certain respects by the 64th General Assembly, the amendatory Act being approved on July 24, 1945.

The purpose of the law is to establish a sound and efficient means of providing Retirement Annuities and other benefits for the Staff Members and Employees of the following agencies of the State: The University of Illinois, the State Normal Universities and Teachers' Colleges, the State Scientific Surveys (Geological, Natural History and Water), the State Teachers' College Board, and the Board of Trustees of the Retirement System.

The System is administered by a Board of Trustees consisting of three members of the Board of Trustees of the University of Illinois chosen by that Board, one member of the Teachers' College Board chosen by that Board, and the State Director of Registration and Education ex-officio.

### PARTICIPATION

Participation is required of every person certified by any of the above agencies as being a permanent and continuous Employee on its educational, administrative, secretarial, clerical, mechanical, labor or other staff and who is over 30 years of age. Certified Employees under the age of 30 may elect to participate in the System.

A person on leave of absence from his Employer continues to participate fully in the benefits of the System but is not required to make contributions during a period of leave without pay. A period of leave of absence counts as service in the computation of a Retirement Annuity.

One of the amendments enacted by the recent session of the General Assembly provided that a person who was a participant on January 1, 1944, will receive credit toward a Retirement Annuity from this System for all prior service in agencies of the State of

Illinois not included in this System. This affects particularly the Employees of the Research and Educational Hospital and the Illinois Eye and Ear Infirmary, both formerly under the Department of Welfare, and the Farm and Home Advisers who formerly received part of their salary from the State Department of Agriculture, all of whom were transferred to the University of Illinois by legislative action. Individuals who transferred voluntarily prior to January 1, 1944 are also affected.

During the year 1944-45, 4,591 persons participated in the System.

### EMPLOYEE CONTRIBUTIONS

Each Participating Employee makes a Normal Contribution of  $3\frac{1}{2}\%$  of each payment of Earnings applicable to employment on and after September 1, 1941. The Board of Trustees has adopted rules providing that persons on leave of absence or persons whose work is done under the supervision of the University but who receive part of their salary from an outside employer may make Additional Contributions. During the past year, Employee Contributions totaled \$332,562.

### EMPLOYER CONTRIBUTIONS

Under the Act, the State assumes responsibility for all Benefits provided by the System as described in later paragraphs. However, actual contributions from the State are limited to an amount required to pay such benefits and expenses during each fiscal period, and to accumulate a reserve equal to the estimated amount of one year's benefits and expenses. It is not intended or expected that a large reserve be established, but only such amounts as from time to time may be required together with a reasonable sum for contingencies. Since the State is a sovereign government and at all times may make such levies as will raise its required revenue, this principle is entirely appropriate and practicable.

Trust and federal funds are required to contribute currently in full to cover their obligations on an accrued basis, subject to the limitations of law or contractual agreement. Charges against them, as well as charges against institutions and agencies for current obligations, are billed on the basis of premium costs.

Employer Contributions during the year 1944-45 totaled \$325,812 of which \$96,175 was the amount of Employer Contributions required to pay Current and Supplemental Annuities (Exhibit B).

In accordance with the provisions of the act governing the System, a Valuation Report has been prepared by the Consulting Actu-



ary giving an estimate of Employer liabilities relating to present and prospective benefits. The Report is on file in the office of the System.

### DISABILITY BENEFITS

Disability Benefits are payable to any Participating Employee for mental or physical disability arising from any cause as a result of which the individual is unable to perform the duties of his position. Benefits begin sixty days after the beginning of the disability providing an application for Benefits has been filed and provided the Employee is not then receiving any salary from his Employer.

In order that the date on which Disability Benefits begin to accrue may not be delayed, it is important that the claim be filed at the proper time:

1. If the Participating Employee receives any Salary from his Employer after he becomes disabled, the claim should be filed before payments of such salary cease.

2. If the Employee receives no Salary from his Employer after becoming disabled, the claim should be filed within 60 days after disability occurs.

The benefit amounts to 50 per cent of Earnings at the time disability occurred and continues during disability until the total amount paid equals 50 per cent of the total Earnings during the period of Service of the individual. During the period of disability, amounts equal to Employee Normal Contribution if the Employee had continued in service are credited to the Employee's account. When the Employee becomes entitled to a Retirement Annuity equal to the Disability Benefit, such a Retirement Annuity is provided in place of the Disability Benefit.

During the past year, 88 persons received Disability Benefits from the System and Benefits paid them during the year amount to \$53,393. (Exhibit B).

### DEATH BENEFITS

In the event of the death of a Participating Employee while in service, the total amount of Accumulated Employee Contributions will be paid to the Beneficiary.

If the beneficiary is not dependent upon the Employee at the time of death, only the Accumulated Employee Contributions are returned. (The Board asked the 64th General Assembly to establish a minimum of \$500 in such instances but the request was not approved).

If the Beneficiary is dependent upon the Employee at the time of death, an Additional Death Benefit will be paid in an amount

sufficient to bring the total Death Benefit to approximately one year's salary. When an Additional Death Benefit is payable, the total amount of the Death Benefit will be not less than \$2,000 nor more than \$5,000.

The Participant may designate that the Death Benefit shall be paid as either a single cash sum, a life annuity, or a part in cash at the time of death and the balance as a life annuity, and the Benefit will be so paid if the life annuity amounts to at least \$10.00 per month. The Beneficiary has no power to change the mode of payment if the Benefit is payable as a life annuity. If the Participant makes no designation, or designates that the Benefit shall be paid in one sum, the Beneficiary may elect to receive part or all of the proceeds as a life annuity.

The Death Benefit payable in the case of the death of a retired person is an amount equal to whichever of the following is greater:

1. The excess, if any, of the sum of the individual's Accumulated Contributions (upon the date of retirement) over the sum of Annuity payments made prior to the date of death.

2. An amount equal to six times the monthly Supplemental Annuity which was being paid prior to death (see Retirement Benefits).

3. Five hundred dollars.

During the year covered by this report, 21 Participants died and the total amount of the Death Benefit was \$44,937. Of this amount, \$5,976 was from Accumulated Employee Contributions and the balance of \$38,961 represented Additional Death Benefits payable out of State and other Employer contributions. Death Benefits paid in cash to beneficiaries amounted to \$36,079 and premiums on Death Benefits on persons on military leave insured in the Veteran's Administration amounted to \$264 (Exhibit B). In addition, the sum of \$3,310 due Beneficiaries as Death Benefits was transferred to the Reserve for Beneficiary Annuities, one Participant having designated that the Death Benefit be paid to the Beneficiary as a Life Annuity.

## RETIREMENT ANNUITIES

With the approval of the Employer and the Retirement Board, an Employee may retire at any time between the ages of 55 and 60. Between the ages of 60 and 68, an Employee may retire as a matter of right. On September first after becoming 68 he is required to retire, unless he requests a deferment of his retirement, and such deferment is approved by his Employer.

The amount of Retirement Annuity depends upon Earnings, date of Employment, date of Participation, length of service, and age at the time of retirement.

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The amount of the Retirement Annuity in the case of an individual not employed prior to September 1, 1941, is three times the amount which can be provided by his Accumulated Normal Contributions (i.e. the Employee contributes one-third and the Employer two-thirds of the amount necessary to provide the Retirement Annuity) but not in excess of 60 per cent of his Final Rate of Earnings (defined as the average for the five consecutive years in which Earnings were the highest, counting only those years since September 1, 1938), and not more than the maximum amounts established by any Employer prior to the effective date of the Retirement Law.

Participants who were employed prior to September 1, 1941 (or prior to January 1, 1944 in the case of persons transferred from other state departments by legislative action) receive credit for prior service in the form of a Supplemental Annuity added to the Annuities provided by the Normal and Additional Contributions and the Contributions by the Employer for service after September 1, 1941. If the retirement is at any age prior to the sixty-eighth birthday, or if the total service at retirement is less than 15 years, the Supplemental Annuity is the Annuity that would have been provided from Accumulated Employer Contributions had the System been in effect during the entire period of service prior to September 1, 1941. If the retirement is at age 68, and if the total service is 15 or more years, the Supplemental Annuity will be an amount needed to provide a total annuity of 25 per cent plus 1 per cent for each year of service of the Final Rate of Earnings, with the maximum total Annuity one-half of the Final Rate of Earnings, and not more than the maximum amounts established by any Employer prior to the effective date of the Retirement Law.

Under certain circumstances, with the approval of his Employer, an Employee may be retired between the ages of 65 and 68 and receive the same Retirement Annuity he would have received if he had postponed his retirement until age 68.

Retirement Annuities are payable for life except during the period that a retired person is entitled to Salary from any agency of the State of Illinois in an amount equal to or greater than the Retirement Annuity.

During the year just closed, 20 Participants retired. Several Annuitants have been re-employed by their Employer for varying periods of service and have received no Retirement Annuity from the System during their employment. No Annuitants died during the year. Retirement Annuities paid during the year totaled \$97,599. On August 31, 1945, a total of 74 persons were receiving Retirement Annuities from the System.

## REVERSIONARY ANNUITIES

A participant may elect to provide a Reversionary Annuity for a Beneficiary who is a dependent. In such instance, a reduced Annuity is paid to the Participant during his life-time, and the Reversionary Annuity is payable during the life-time of the Beneficiary following the Participant's death. Unless election is filed five years prior to retirement, evidence of good health must be submitted. The election of a Reversionary Annuity cannot be changed or revoked within the five years immediately preceding the date on which the Retirement Annuity begins. If the Beneficiary should die prior to the date on which the Retirement Annuity begins, the election of Reversionary Annuity becomes inoperative automatically.

## SEPARATION BENEFITS

Any Participant whose employment is terminated other than by death, by retirement, or by transfer to some other agency of the State of Illinois, may withdraw his Accumulated Contributions (including interest) in the form of a Separation Benefit. Upon the acceptance of a Separation Benefit, the Participant forever forfeits credit for all prior service. A Participant, if he wishes, may leave his Contributions with the System and if he returns to the service of any Employer of the System at a later time, the benefits as of the time of his resignation will be reinstated, including credit for past service.

During the past year, 190 Separation Benefits were paid ranging from \$6.44 to \$594.03 and totaling \$24,838 (Exhibit B).

## INCOME FOR 1944-45

The total Income of the System for the past year was \$696,335 as follows (Exhibit B):

1. Employees' Contributions.....	\$332,562
2. Employers' Contributions.....	275,812
3. Interest Earned.....	37,961
4. From the State of Illinois for Contingent Reserve.....	50,000
<b>Total.....</b>	<b>\$696,335</b>

## EXPENDITURES FOR 1944-45

Expenditures of the System for the past year totaled \$236,595 as follows (Exhibit B):

1. Death Benefits.....	\$ 41,891
2. Separation Benefits.....	24,839
3. Disability Benefits.....	53,393
4. Retirement Annuities.....	97,599
5. Beneficiary Annuities.....	1,147
6. Reversionary Annuities.....	375
7. Administrative Expense.....	17,210
8. Loss on Bonds Called.....	141
<b>Total.....</b>	<b>\$236,595</b>



## EXCESS OF INCOME OVER EXPENDITURES, AND RESERVES

The excess of income over expenditures for the year amounted to \$459,740 and is represented by the following (Exhibit B):

Additions to—	
Employees' Accumulated Contributions	
Normal (including \$29,615 interest)....	\$330,538
Additional (including \$118 interest)....	1,371
	\$331,909
Reserves for:	
Additional Death Benefits.....	41,770
Employers' portion of Retirement Annuities:	
Federal and Trust funds only (including \$3,088 interest) .....	49,688
Interest earned in excess of interest distributed.....	4,294
Contingencies.....	50,000
	\$145,752
Deductions from Reserves:	
Disability Benefits.....	14,184
Funded Retirement and Reversionary Annuities in force (including \$421 interest).....	1,378
Beneficiary Annuities in force (including \$425 interest).....	722
Administrative expense.....	1,496
Gains and losses on investments.....	141
	\$ 17,921
Total as above.....	127,831 \$459,740

### INTEREST EARNED AND INTEREST DISTRIBUTED

Interest earned during the year amounted to \$37,961 (Exhibit B), including accrued interest at August 31, 1945. In accordance with the Retirement Act, interest was credited to Employees' contributions at the rate of 3 per cent, the amount of interest credited being \$29,733. In addition, interest in the amount of \$3,934 was credited to certain contributions from special funds (Exhibit B). Interest earned in excess of the amounts credited to the various accounts was added to the reserve for interest earned in excess of interest distributed, and that reserve now totals \$7,260.

### NET ACCUMULATIONS

Total Balance Sheet Reserves at August 31, 1945, were \$483,631, an increase of \$144,838 for the year (Schedule A-2). They include the following:

Reserves for:	
Additional Death Benefits.....	\$171,374
Disability Benefits.....	35,563
Funded Retirement and Reversionary Annuities in Force.....	16,015
Beneficiary Annuities in Force.....	15,876
Employers' portion of Retirement Annuities with interest (on Earnings paid from Federal and Trust Funds only).....	136,291
Interest earned in excess of interest distributed	7,260
Administrative expense.....	1,252
Contingencies.....	100,000
Total.....	\$483,631



## ASSETS

At August 31, 1945, total assets were \$1,715,490, an increase of \$457,535 over 1944.

Of these assets the sum of \$1,189,304 or 69.3% represented contributions of individual employees held in trust for the account of each individual to apply on benefits payable to him or to his beneficiaries in future years, or available for withdrawal by him in case of separation from employment.

The additional sum of \$31,891 represented reserves to cover funded annuities in force. An additional sum of \$136,291 represented funded reserves relating to employees paid from federal and trust funds. The remainder of \$358,004 or 20.9% represented balances of contributions by the state for contingency reserves carried forward to apply toward payment of future benefits and expenses. This latter item represents the only general reserve of the System. (See previous discussion of Employer Liabilities.)

## INVESTMENTS

Investments owned by the System as of August 31, 1945, were as follows (Detail of investments is shown in Schedule A-1):

	Par Value	Quoted Market Value	Amortized Cost
U. S. Government.....	\$ 680,000.00	\$ 688,512.50	\$ 682,973.45
Corporation			
Industrial.....	380,000.00	393,097.50	390,275.33
Public Utility.....	530,000.00	565,700.00	566,056.86
Railroad.....	20,000.00	20,325.00	20,297.07
Total.....	\$1,610,000.00	\$1,667,635.00	\$1,659,602.71

According to the Act creating the University Retirement System, the investments in non-public obligations cannot exceed sixty per cent (60%) of the total book value of all assets of the System at any time. At the end of the year the investment in bonds of corporations was 58.8% of the total book value of investments at that date. The average rate of return on the funds invested by the System during the third year of operation was 2.56% as compared with 2.53% for the previous year.

ARTHUR YOUNG & COMPANY  
1 North LaSalle Street  
Chicago 2

To the Board of Trustees,  
University Retirement System of Illinois,  
Urbana, Illinois.

We have examined the balance sheet of the University Retirement System of Illinois as of August 31, 1945 and the statement of income and expenditures for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the System and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and statement of income and expenditures, Exhibits A and B, present fairly the position of the University Retirement System of Illinois at August 31, 1945 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

Chicago, Illinois,  
October 22, 1945.

**BALANCE SHEET**  
August 31, 1945

**EXHIBIT A**

ASSETS		
Cash in bank.....		\$ 31,957.78
Accounts receivable:		
Employers.....	\$ 4,701.82	
Employees (Note 1).....	6,488.48	
		11,190.30
Investments in bonds, at amortized cost (quoted market value, \$1,667,635):		
United States government bonds.....	682,973.45	
Public Utility corporation bonds.....	566,056.86	
Railroad bonds.....	20,297.07	
Industrial corporation bonds.....	390,275.33	
		1,659,602.71
Accrued interest receivable.....		12,739.09
Furniture and Fixtures (cost \$3,572.32; carried at no value) .....		
		\$1,715,489.88
LIABILITIES		
Benefits payable:		
Death.....	\$ 457.82	
Disability.....	677.45	
Separation.....	917.72	
		\$ 2,052.99
Accounts payable:		
Employees.....	32.25	
Administrative expense.....	2,634.38	
Taxes withheld due Internal Rev. Department	113.50	
		2,780.13
Employees' accumulated contributions, with interest, applicable upon retirement to payment of annuities (refundable upon death or withdrawal):		
Normal contributions.....	\$1,184,751.11	
Additional contributions.....	4,552.67	
		1,189,303.78
Contributions advanced by employers.....		37,722.04
Reserves for:		
Additional death benefits (Note 2).....	\$ 171,374.20	
Disability benefits (Note 2).....	35,562.82	
Funded retirement and reversionary annuities in force.....	16,014.90	
Beneficiary annuities in force.....	15,876.15	
Employers' portion of retirement annuities with interest (On earnings paid from Federal and Trust funds only) (Note 2).....	136,290.79	
Interest earned in excess of interest distributed (after allowing \$49.98 for net loss on investments) (Note 3).....	7,260.35	
Administrative expense.....	1,251.73	
Contingencies.....	100,000.00	
		483,630.94
		\$1,715,489.88

**NOTES TO BALANCE SHEET**

1. Normal contributions applicable to August 1945 earnings received in September 1945.
2. The State and other employers are obligated under the Act creating the University Retirement System of Illinois to contribute to employees' retirement annuities, disability benefits, additional death benefits and administrative expenses. Such contributions are payable as the benefits are payable with the exception that contributions for current annuities relative to earnings from Federal and Trust funds are collected currently. Contributions for additional death benefits for the year ended August 31, 1945 were greater than benefits paid during the year, and the excess of contributions is being carried forward as reserve toward payment of future benefits. Disability benefits and administrative expense paid during the year exceeded employer contributions received in respect thereof and the excesses have been charged to the related reserves.
3. In accordance with the Act creating the University Retirement System of Illinois, the Board of Trustees at its meeting on January 20, 1945, determined that the rate of interest to be distributed to employees' accounts and various reserves should remain, as in the preceding years, at 3% for the year ended August 31, 1945. This balance represents the excess of interest earned over interest distributed, and is being carried forward as a reserve to be disposed of as deemed advisable by the Board of Trustees.

EXHIBIT B

STATEMENT OF INCOME AND EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 1945

INCOME:

Employees' contributions—		
Normal contributions.....	\$331,309.12	
Additional contributions.....	1,253.01	
	<hr/>	\$332,562.13
Employers' contributions for—		
Additional death benefits.....	\$ 78,112.92	
Disability benefits.....	39,209.73	
Unfunded current annuities.....	2,031.18	
Supplemental annuities.....	94,143.35	
Current retirement annuities accruing (on earnings from federal and trust funds only)	46,600.04	
Administrative expenses.....	15,714.51	
Contribution from the State of Illinois for reserve for contingencies.....	50,000.00	
	<hr/>	325,811.73
		<hr/>
Interest earned.....		\$ 658,373.86
		37,961.11
		<hr/>
Total income.....		\$ 696,334.97

EXPENDITURES:

Death Benefits—		
From employees' accumulated contributions—		
Normal contributions.....	\$ 5,547.99	
Additional death benefits (including \$263.58 premiums on benefits reinsured).....	36,343.00	
	<hr/>	\$ 41,890.99
Separation benefits from employees' accumulated contributions—Normal contributions.....		24,838.49
Disability benefits.....		53,393.48
Retirement annuities—		
Funded retirement annuities.....	\$ 1,796.77	
Unfunded current annuities.....	2,031.18	
Supplemental annuities.....	93,770.99	
	<hr/>	97,598.94
Beneficiary annuities.....		1,147.40
Reversionary annuities—		
Funded.....	\$ 2.64	
Supplemental.....	372.36	
	<hr/>	375.00
Administrative expense—		
Actuarial services.....	\$ 1,546.50	
Auditing.....	500.00	
Furniture and fixtures.....	678.13	
Office supplies and expense.....	1,019.13	
Other expense.....	129.68	
Printing.....	544.17	
Salaries and wages.....	8,888.47	
Tabulating service.....	110.93	
Travel.....	274.50	
Trustee and investment expense.....	3,518.94	
	<hr/>	17,210.45
Loss on bonds called.....		140.71
		<hr/>
Total expenditures.....		\$ 236,595.46
		<hr/>
Excess of income over expenditures.....		\$ 459,739.51

EXHIBIT B (Cont'd)

STATEMENT OF INCOME AND EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 1945

Represented by:

Additions to or (deductions) from—	
Employees' accumulated contributions:	
Normal (including \$29,614.91 interest) .....	\$ 330,537.55
Additional (including \$118.27 interest) .....	1,371.28
	\$ 331,908.83
Reserves—	
Additional death benefits.....	\$ 41,769.92
Disability benefits.....	(14,183.75)
Funded retirement and reversionary annuities in force (including \$421.49 interest) ..	(1,377.92)
Beneficiary annuities in force (including \$425.09 interest).....	(722.31)
Employers' portion of retirement annuities: Federal and trust funds only (including \$3,087.84 interest).....	49,687.88
Interest earned in excess of interest distributed.....	4,293.51
Administrative expense.....	(1,495.94)
Gains and losses on investments.....	(140.71)
Contingencies.....	50,000.00
	\$ 127,830.68
	\$ 459,739.51

The following transfers between reserves were made during the year:

From—	
Employees' accumulated contributions—	
normal.....	\$ 8,647.20
Contributions advanced by employers.....	8,275.71
Additional death benefits.....	2,882.07
Employers' portion of retirement annuities—	
Federal funds.....	86.32
Trust Funds.....	124.92
Gains and losses on investments.....	(49.98)
	\$ 19,966.24
To—	
Additional death benefits.....	\$ 5,269.45
Disability benefits.....	2,515.69
Administrative expense.....	490.57
Funded retirement annuities in force.....	8,344.40
Beneficiary annuities in force.....	3,309.79
Employers' portion of retirement annuities—	
Trust funds.....	86.32
Interest earned in excess of interest distributed	(49.98)
	\$ 19,966.24
	\$ 19,966.24



SCHEDULE A-1

STATEMENT OF INVESTMENTS OWNED

August 31, 1945

Balance at August 31, 1945

Description	Interest Rate	Maturity	Balance at August 31, 1945		
			Par Value	Quoted Market Value	Amortized Cost
<b>U. S. GOVERNMENT BONDS</b>					
U.S.A. Treas. Taxable Opt. 52...	2 1/4 %	1955	\$ 140,000.00	\$ 146,037.50	\$142,600.15
U.S.A. Treas. Taxable Opt. 63...	2 1/2 %	1968	120,000.00	122,475.00	120,373.30
U.S.A. Savings G Taxable Reg...	2 1/2 %	1953	50,000.00	50,000.00	50,000.00
U.S.A. Savings G Taxable Reg...	2 1/2 %	1954	100,000.00	100,000.00	100,000.00
U.S.A. Savings G Taxable Reg...	2 1/2 %	1955	100,000.00	100,000.00	100,000.00
U.S.A. Savings G Taxable Reg...	2 1/2 %	1956	100,000.00	100,000.00	100,000.00
U.S.A. Savings G Taxable Reg...	2 1/2 %	1957	70,000.00	70,000.00	70,000.00
<b>Total United States Gov. Bonds</b>			<b>\$ 680,000.00</b>	<b>\$ 688,512.50</b>	<b>\$ 682,973.45</b>
<b>CORPORATION BONDS</b>					
<b>INDUSTRIAL BONDS</b>					
American Tobacco Co. Deb.....	3 %	4-15-62	\$ 29,000.00	\$ 29,942.50	\$ 29,411.87
Atlantic Refining Co. Deb.....	3 %	9- 1-53	20,000.00	20,450.00	20,756.60
Celanese Corp. of Amer. Deb.....	3 1/2 %	7- 1-62	20,000.00	20,800.00	20,817.47
Deere and Co. Deb.....	2 3/4 %	4- 1-65	30,000.00	30,787.50	30,975.00
Dow Chemical Co. Deb.....	2 1/4 %	9- 1-50	20,000.00	20,250.00	20,401.20
Electric Auto Lite Co. Deb.....	2 1/4 %	12-15-50	13,000.00	13,292.50	13,164.90
Firestone Tire & Rubber Deb. . .	3 %	5- 1-61	18,000.00	18,900.00	18,420.60
General Shoe Corp. S/F Deb.....	3 %	12- 1-59	20,000.00	20,900.00	20,822.90
Goodrich B. F. Co. 1st.....	2 3/4 %	5- 1-65	20,000.00	20,175.00	20,161.77
Inland Steel Co. 1st F.....	3 %	4- 1-61	30,000.00	32,175.00	31,333.85
Morrell John & Co. Deb.....	3 %	5- 1-58	30,000.00	30,600.00	30,419.50
Quaker Oats Co. Deb.....	2 5/8 %	7- 1-64	30,000.00	30,525.00	30,376.60
Socony Vacuum Oil Co. Deb.....	3 %	7- 1-64	20,000.00	21,100.00	21,206.27
Standard Oil Co. Calif. Deb.....	2 3/4 %	8- 1-66	20,000.00	20,800.00	20,430.90
Swift & Co. Deb.....	2 3/4 %	5- 1-61	20,000.00	20,900.00	20,497.53
Texas Corp. Deb.....	3 %	4- 1-59	20,000.00	21,050.00	20,884.90
Westinghouse Elect. Mfg. Deb. . .	2 1/4 %	11- 1-51	20,000.00	20,450.00	20,193.47
<b>Total Industrial Bonds.....</b>			<b>\$ 380,000.00</b>	<b>\$ 393,097.50</b>	<b>\$ 390,275.33</b>
<b>PUBLIC UTILITY BONDS</b>					
Alabama Power Co. 1st.....	3 1/2 %	1- 1-72	\$ 20,000.00	\$ 20,000.00	\$ 21,338.33
Appalachian El. Power Co. 1st.....	3 1/4 %	12- 1-70	30,000.00	32,662.50	32,524.05
Bell Tel. Co. Penn. 1st & Ref C. .	5 %	10- 1-60	30,000.00	38,962.50	38,175.85
Boston Edison Co. 1st A.....	2 3/4 %	12- 1-70	15,000.00	15,337.50	15,441.97
Central Ill. Pub. Service 1st A.....	3 3/8 %	10- 1-71	30,000.00	32,625.00	32,033.50
Commonwealth Edison Co. 1st L .	3 %	2- 1-77	30,000.00	31,950.00	31,927.25
Dallas Power & Light Co. 1st.....	3 1/2 %	2- 1-67	20,000.00	21,500.00	21,979.20
Detroit Edison Co. Gen. Ref. H .	3 %	12- 1-70	30,000.00	31,950.00	31,780.20
Florida Pr. and Lt. Co. 1st.....	3 1/2 %	1- 1-74	30,000.00	32,700.00	32,330.50
Gulf States Utils. 1st Ref. D . . .	3 1/2 %	5- 1-69	20,000.00	21,500.00	22,021.67
Illinois Bell Telephone 1st A.....	2 3/4 %	1-15-81	30,000.00	30,675.00	30,654.67
Louisiana Power and Light 1st.....	3 %	4- 1-74	20,000.00	20,750.00	20,563.47
Narragansett Electric 1st A.....	3 %	9- 1-74	30,000.00	31,950.00	31,661.40
New Jersey Pr. and Lt. Co. 1st . .	3 %	3- 1-74	15,000.00	15,937.50	15,960.00
New York Pr. and Lt. Corp. 1st . .	2 3/4 %	3- 1-75	30,000.00	30,300.00	30,350.00
Northn States Pr. of Wisc. 1st.....	3 1/2 %	3- 1-64	10,000.00	10,750.00	10,949.10
Oklahoma Gas and Electric 1st . .	2 3/4 %	2- 1-75	30,000.00	29,850.00	30,186.25
South'n Bell Tel. & Tel. Co. Deb. .	3 %	7- 1-79	30,000.00	32,100.00	32,137.30
Southern Calif. Edison 1st Ref. . .	3 %	9- 1-65	30,000.00	31,800.00	31,737.00
Southwest'n Gas & El. Co. 1st A .	3 1/4 %	2- 1-70	30,000.00	32,250.00	32,080.95
Texas Electric Service Co. 1st.....	2 3/4 %	3- 1-75	20,000.00	20,150.00	20,224.20
<b>Total Public Utility Bonds</b>			<b>\$ 530,000.00</b>	<b>\$ 565,700.00</b>	<b>\$ 566,056.86</b>
<b>RAILROAD</b>					
Washington Terminal Co. 1st A.....	2 5/8 %	2- 1-70	\$ 20,000.00	\$ 20,325.00	\$ 20,297.07
<b>Total Corporation Bonds.....</b>			<b>\$ 930,000.00</b>	<b>\$ 979,122.50</b>	<b>\$ 976,629.26</b>
<b>GRAND TOTAL.....</b>			<b>\$1,610,000.00</b>	<b>\$1,667,635.00</b>	<b>\$1,659,602.71</b>

SCHEDULE A-2

SUMMARY OF TRANSACTIONS INVOLVING RESERVES

	Additions			Deductions			Balance Aug. 31, 1945	
	Balance Aug. 31, 1944	Revenues	Transfers	Interest distributed	Gain on call of bonds	Expendi- tures		Transfers
Reserve for								
Additional death benefits.....	\$127,216.90	\$ 78,112.92	\$ 5,269.45				\$2,882.07	\$171,374.20
Disability benefits.....	47,230.88	39,209.73	2,515.69					35,562.82
Funded retirement annuities.....	9,048.42		8,344.40	\$ 421.49		1,799.41		16,014.90
Beneficiary annuities.....	13,288.67		3,309.79	425.09		1,147.40		15,876.15
Retirement annuities—								
Federal funds.....	52,586.71	18,383.80		1,814.00			86.32	72,698.19
Trust funds.....	34,141.12	27,493.32	86.32	1,273.84			124.92	62,869.68
State funds.....		722.92						722.92
Interest earned in excess of interest distributed.....								
Gains or losses on investments.....	2,932.85	83.97	(49.98)	4,293.51				7,260.35
Administrative expense..	90.73				\$667.69		(49.98)	\$808.40
Contingencies.....	2,257.10	15,714.51	490.57			17,210.45		1,251.73
	50,000.00	50,000.00						100,000.00
	\$338,793.38	\$229,721.17	\$19,966.24	\$8,227.93	\$667.69	\$109,893.74	\$3,043.33	\$483,630.94