ANNUAL REPORT

UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

FOR THE YEAR ENDED AUGUST 31, 1946

A Review of Security Provisions Made by the State of Illinois 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
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UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

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TABLE OF CONTENTS

FOREWORD

The University Retirement System of Illinois completed its fifth year on August 31, 1946. 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 Ruth E. Kunkel, Executive Secretary, under the direction of Lloyd Morey, Comptroller.

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.

John R. Fornof
President
Board of Trustees

November 1, 1946

CONDENSED SUMMARY

HISTORY AND DESCRIPTION OF SYSTEM

The University Retirement System of Illinois was created by an Act of the 62nd General Assembly of the State of Illinois in 1941, and the law is entitled "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 on July 21, 1941, and the System began operation on September 1, 1941. The Act was amended 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 University 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

In order to participate in the Retirement System, the individual must be certified by his Employer as being on "permanent and continuous employment." Participation is required of each certified Employee who has attained age 30, and a certified Employee under the age of 30 may elect to participate in the System. A certified Employee attaining age 30 is required to begin participation on the September first following his thirtieth birthday.

An Employee 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 an individual 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 Hospitals 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.

On August 31, 1946, the number of Participating Employees was 4,991.

INCOME

The Income of the System is derived from three sources, (1) Employee Contributions, (2) Employer Contributions, and (3) Interest on Investments.

(1) In preparing the payroll, the Employer deducts 3½% from each payment of Earnings to a Participating Employee and remits the sum to the office of the Retirement System, and these Contributions are known as Normal Contributions.

Under the law and rules of the Board, a Participating Employee who is on leave of absence at part pay or no pay, or a Participating

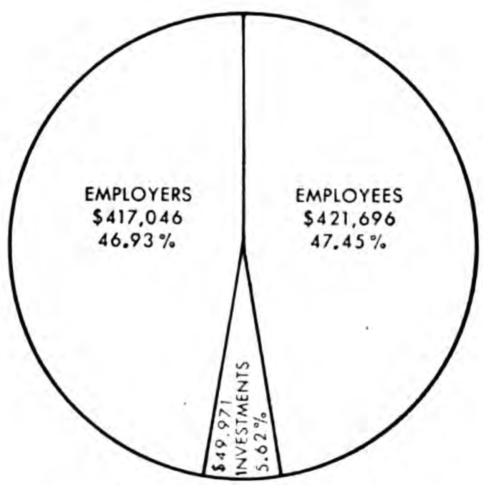

CHART No. 1 — SOURCE OF INCOME

Employee who does all of his work under the supervision of an Employer but receives part of his salary from outside sources, may make Additional Contributions in order to make his credit in this System equal to that of a Participant who is receiving Earnings at his full rate from his Employer. The State does not match any Additional Contributions.

The Act provides that Earnings (on which Contributions, Death and Disability Benefits, and Retirement Annuities are based) consist of salary paid in cash to the Employee plus the value of any maintenance, board, living quarters, or other allowances, before any deductions are made for withholding tax or Retirement Contributions.

The Act further provides that unless the Employer adopts a rule to the contrary, Earnings shall include extra compensation for summer teaching or other extra service, such as overtime. The Teachers' College Board has ruled that all such extra compensation is to be included in Earnings for the Employees of the Teachers' Colleges. The Board of Trustees of the University of Illinois has ruled that such extra compensation shall be included in Earnings after June 1, 1943.

Employee Contributions for 1945-46 totaled $421,696 (Exhibit B).

(2) Employer Contributions are principally from the State of Illinois through appropriations to the various Employers included in the System, but Employers also make Contributions from Trust and Federal funds under their control. Contributions from the State of Illinois are on a pay-as-you-go basis, and the appropriation from the State may not exceed the amount required by the law for certain reserves and the amount necessary to pay obligations which are expected to become due during the coming Biennium. Employer Contributions from Trust and Federal funds are on a full accrual basis subject to limitations of law or contractual agreement.

In accordance with the provisions of the act governing the System, a Valuation Report has been prepared by the Consulting Actuary giving an estimate of Employer liabilities relating to present and prospective Benefits. The Report is on file in the office of the System.

Employer and State Contributions for 1945-46 totaled $417,046 (Exhibit B).

(3) Income of the System, over and above the amount necessary to meet current obligations, is promptly invested in interest-bearing securities. Interest is credited to Employees' Contribution accounts and to certain reserves, at the rate of 3% per annum, and the balance of the interest earned is carried forward as a reserve.

Interest earned for 1945-46 totaled $49,971 (Exhibit B).

BENEFITS

Four types of Benefits are payable by the System, (1) Disability Benefits, (2) Death Benefits, (3) Separation Benefits, and (4) Annuities.

(1) DISABILITY BENEFITS

Disability Benefits are payable to a Participating Employee for mental or physical disability arising from any cause which renders the

Employee unable to perform the duties of any assigned position, the Earnings of which would be at least equal to the Disability Benefits. Under the law, the System is not permitted to pay Benefits if the disability is a result of a mental or physical condition of the Employee existing at the date of first participation of such Employee in the System.

Disability Benefits from the System may begin to accrue 60 days after the beginning of the disability, providing the Application for Benefits has been filed at the Retirement Office, and providing the Employee is not then receiving any Earnings from his Employer. In order that the date upon which Disability Benefits may begin to accrue may not be delayed, it is important that the claim be filed at the proper time:

a. 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.

b. 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 the Employee's 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, 116 Participants received Disability Benefits from the System, the total amount being $77,485 (Exhibit B).

(2) DEATH BENEFITS

In the event of the death of a Participant, 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.

If the Beneficiary of the Employee is dependent under the rules of the Board, the System will pay an Additional Death Benefit in an amount sufficient to bring the Total Death Benefit to approximately one year's Earnings (the average of the five consecutive years in which Earnings were highest). 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.

Following are the rules of the Board defining a dependent Beneficiary:

1. Section 5.4 of the Retirement Act grants an Additional Death Benefit to a Beneficiary who "is in the opinion of the Board dependent on the Employee at the time of death." For the purpose of this section, a dependent is defined as one who bears toward the Participant any one of the following relationships: wife; husband; son, daughter, or any child toward whom the Participant stands in loco parentis and who is under twenty-one years of age or who is devoting substantially his full time to school work; or any parent, brother, sister, or other relative toward whose support the Participant contributes. As to such persons, no further evidence of dependency than one of the above relationships need be furnished.

2. In all other cases the Board will determine dependence on the circumstances of the case.

3. When a Participant has designated two or more Beneficiaries, if at the time of death any of them are dependents, as defined above, the Additional Death Benefit is payable, but to only the dependent Beneficiaries.

4. When a Death Benefit is payable to the estate of a Participant, if one or more of the persons sharing in the estate of the Participant are dependents, as defined above, it will be assumed that the estate is a dependent for the purpose of determining the amount of the benefit payable.

The Death Benefit payable in the case of the death of a retired Participant 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 Annuities).

3. Five hundred dollars.

The Participant may designate that the Death Benefit shall be paid to the Beneficiary as one cash sum at the time of death, a life income, or a part in cash at the time of death and the balance as a life income. The Benefit will be paid as an annuity if the life income to the Beneficiary 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 an 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 an annuity.

During the past year, 33 Participants died and the total amount of the Death Benefits was $60,000. Of this amount, $9,616 was from Accumulated Employee Contributions, and the balance of $50,384 represented Additional Death Benefits paid by the System. Death Benefits paid in cash to Beneficiaries amounted to $49,603, and premiums on insurance on Participating Employees on military leave reinsured with the Veterans' Administration were $77. In addition, the sum of $10,397 due Beneficiaries as Death Benefits was transferred to the Reserve for Beneficiary Annuities. Ten Beneficiaries were receiving Annuities from the System on August 31, 1946 (Exhibit B).

(3) 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. If Contributions are left on deposit and withdrawn at some later date, the Participant will receive interest only to the date of termination of employment.

During the past year, 314 Separation Benefits were paid ranging from $1.12 to $2,441.23 and totaling $44,486 (Exhibit B).

(4) 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 on his own request. On September first after becoming 68 he must 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.

During the past year, 50 Participants retired, and on August 31, 1946, a total of 118 Annuitants were receiving Retirement Annuities from the System. Retirement Annuities paid during the year totaled $165,119 (Exhibit B).

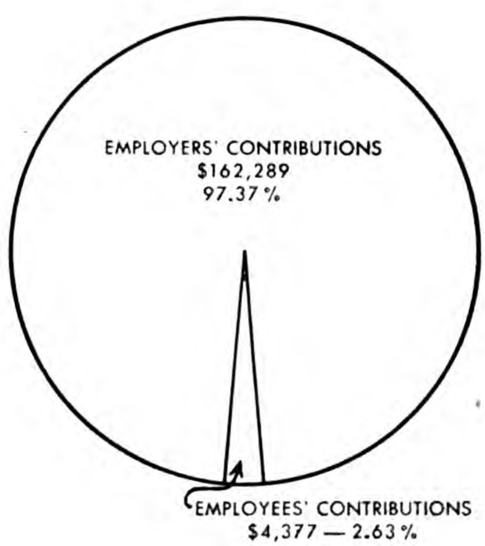

CHART No. 2 —
SOURCE OF ANNUITY PAYMENTS

Since the System has been in operation a short time, the Employee Contributions provide a relatively small portion of the Retirement

Annuity. A large proportion of the Retirement Annuity in every case is provided by the System in the form of credits for service prior to September 1, 1941. The relative portion of Retirement and Reversionary Annuities provided by the Employee and by the Employer is graphically illustrated in Chart No. 2.

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

Retirement Annuities to Participants Employed After September 1, 1941

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.

Retirement Annuities to Participants With Service Prior to 1941 (or 1944)

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 age of 65 and 68 and receive a

Retirement Annuity on the same basis as though he had postponed his retirement until age 68.

Reversionary Annuities

In addition to the Beneficiary Annuities referred to above, the Participating Employee may elect to provide a Reversionary Annuity for a dependent Beneficiary, in the event that his death occurs after

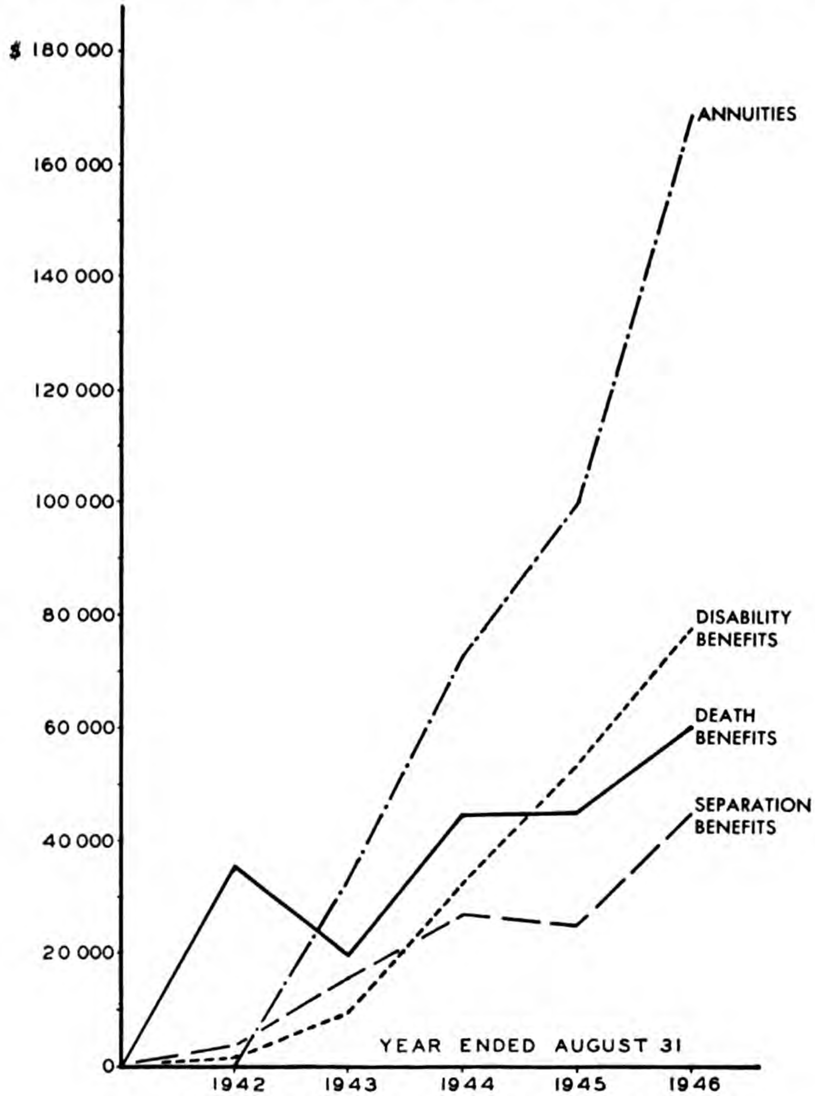

CHART No. 3 — BENEFITS PAID BY SYSTEM

retirement. Under such an arrangement, the Participating Employee elects to receive a reduced Retirement Annuity during his lifetime, and the Reversionary Annuity is payable during the lifetime of the Beneficiary after the Annuitant's death. Unless such an 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 of retirement, the election of Reversionary Annuity becomes inoperative automatically.

On August 31, 1946, three Beneficiaries were receiving Reversionary Annuities.

Chart No. 3 indicates the amount of Benefits paid to Participants and their Beneficiaries since the System began operation in 1941.

ASSETS

At August 31, 1946, total assets were $2,292,762, an increase of $577,-272 over 1945.

Of these assets the sum of $1,573,536, or 68.6%, represented Contributions of 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 termination of employment.

The sum of $62,170 represented reserves for Funded Annuities in Force, and $201,168 represented funded reserves relating to Employees whose Earnings were paid from Federal and Trust funds. The remainder of $455,888, or 19.9% of the total assets, represented balances of contributions by the State for contingent reserves carried forward to apply toward payment of future Benefits and expenses. This latter item represented the general reserve of the System (Exhibit A).

INVESTMENTS

Investments owned by the System as of August 31, 1946, were as follows (Detail of Investments in Schedule A-1):

	Par Value	*Quoted Market Value*	*Amortized Cost*	*Average Rate of Interest Earned During Year*
U. S. Government..	$ 900 000 00	$ 913 818 75	$ 902 809 11	2.36%
Corporation				
Industrial.......	328 000 00	336 460 00	335 435 24	2.40%
Public Utility....	920 000 00	974 550 00	967 986 92	2.68%
Railroad........	20 000 00	20 800 00	20 288 13	2.54%
	$2 168 000 00	$2 245 628 75	$2 226 519 40	2.50%

The Act creating the System provides that 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 59.45% of the total book value of all Investments.

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, 1946 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, 1946 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 30, 1946

BALANCE SHEET

EXHIBIT A

August 31, 1946

ASSETS

CASH IN BANK		$ 40 815 72
ACCOUNTS RECEIVABLE:		
Employers	$ 1 807 32	
Employees (Note 1)	6 836 69	8 644 01
INVESTMENTS IN BONDS, AT AMORTIZED COST (QUOTED MARKET VALUE $2,245,628.75):		
United States Government	$902 809 11	
Industrial Corporation	335 435 24	
Public Utility Corporation	967 986 92	
Railroad	20 288 13	2 226 519 40
ACCRUED INTEREST RECEIVABLE		16 782 42
FURNITURE AND FIXTURES (COST $3,669.21, CARRIED AT NO VALUE)		....
		$2 292 761 55

LIABILITIES

BENEFITS PAYABLE:		
Death	$ 3 921 20	
Disability	392 18	
Separation	3 608 31	$ 7 921 69
ACCOUNTS PAYABLE:		
Employers	$ 155 29	
Employees	38 95	
Administrative Expense	680 20	
Taxes Withheld Due Internal Revenue Department	125 30	999 74
EMPLOYEES' ACCUMULATED CONTRIBUTIONS, WITH INTEREST, APPLICABLE UPON RETIREMENT TO PAYMENT OF ANNUITIES (REFUNDABLE UPON DEATH OR WITHDRAWAL):		
Normal	$1 569 989 64	
Additional	3 546 78	1 573 536 42
CONTRIBUTIONS ADVANCED BY EMPLOYERS		83 237 00
RESERVES FOR:		
Additional Death Benefits (Note 2)	$215 406 17	
Disability Benefits (Note 2)	10 696 59	
Funded Retirement and Reversionary Annuities in Force	36 988 23	
Beneficiary Annuities in Force	25 181 47	
Employers' Portion of Retirement Annuities Accruing with Interest (on earnings paid from Federal and Trust funds only) (Note 2)	201 168 46	
Interest Earned in Excess of Interest Distributed (after allowing $813.73 for net loss on investments) (Note 3)	10 663 61	
Administrative Expense	737 17	
Contingencies	126 225 00	627 066 70
		$2 292 761 55

NOTES TO BALANCE SHEET

1. Normal contributions applicable to August 1946 earnings received in September 1946.

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, 1946, 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 August 3, 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, 1946. This balance represents the excess of interest earned over interest distributed, including net loss on investments to date, 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, 1946

Income:		
Employees' Contributions		
Normal	$421 396 52	
Additional	299 75	$421 696 27
Employers' Contributions for		
Additional Death Benefits	$ 94 493 33	
Disability Benefits	52 618 55	
Unfunded Current Annuities	5 766 31	
Supplemental Annuities	156 522 73	
Current Retirement Annuities Accruing (on earnings from Federal and Trust funds only)	61 699 58	
Administrative Expense	19 720 90	
Reserve for Contingencies	26 225 00	417 046 40
		$838 742 67
Interest Earned		49 971 21
Total Income		$888 713 88
Expenditures:		
Death Benefits		
From Employees' Accumulated Normal Contributions	$ 8 399 08	
Additional Death Benefits (including $77.48 premium on benefits reinsured)	41 281 44	$ 49 680 52
Separation Benefits from Employees' Accumulated Contributions		
Normal	$ 43 071 22	
Additional	1 414 66	44 485 88
Disability Benefits		77 484 78
Retirement Annuities		
Funded	$ 4 345 06	
Unfunded	5 743 38	
Supplemental	155 030 73	165 119 17
Beneficiary Annuities		1 728 65
Reversionary Annuities		
Funded	$ 32 34	
Unfunded	22 93	
Supplemental	1 492 00	1 547 27
Administrative Expense		
Actuarial Services	$ 460 00	
Auditing	500 00	
Furniture and Fixtures	96 89	
Office Supplies and Expense	922 08	
Printing	852 26	
Salaries and Wages	12 282 12	
Tabulating Service	72 63	
Travel	297 19	
Trustee and Investment Expense	4 692 48	
Other Expense	59 81	20 235 46
Loss on Investments		763 75
Total Expenditures		$361 045 48
Excess of Income Over Expenditures		$527 668 40

STATEMENT OF INCOME AND EXPENDITURES
For the Year Ended August 31, 1946

Represented by:		
Additions to or (Deductions) from		
Employees' Accumulated Contributions		
Normal (including $39,382.92 interest)	$409 309 14	
Additional (including $109.02 interest)	(1 005 89)	$408 303 25
Reserves		
Additional Death Benefits	$ 53 211 89	
Disability Benefits	(24 866 23)	
Funded Retirement and Reversionary Annuities in Force (including $1,054.31 interest)	(3 323 09)	
Beneficiary Annuities in Force (including $636.53 interest)	(1 092 12)	
Employers' Portion of Retirement Annuities—Federal and Trust Funds Only (including $4,621.42 interest)	66 321 00	
Interest Earned in Excess of Interest Distributed (including $763.75 net loss on investments)	3 403 26	
Administrative Expense	(514 56)	
Contingencies	26 225 00	119 365 15
		$527 668 40

The Following Transfers Between Reserves Were Made During the Year:

From	
Employees' Accumulated Normal Contributions	$ 24 070 61
Additional Death Benefits	9 179 92
Employers' Portion of Retirement Annuities	
Federal Funds	1 385 72
Trust Funds	57 61
	$ 34 693 86
To	
Funded Retirement Annuities in Force	$ 24 296 42
Beneficiary Annuities in Force	10 397 44
	$ 34 693 86

STATEMENT OF INVESTMENTS OWNED
August 31, 1946

Description	Interest Rate	Maturity	Balance at August 31, 1946: Par Value	Quoted Market Value	Amortized Cost
UNITED STATES GOVERNMENT BONDS					
U.S.A. Treasury Taxable Optional 52	2¼%	1955	$140 000 00	$146 212 50	$142 235 80
U.S.A. Treasury Taxable Optional 59	2¼%	1962	10 000 00	10 200 00	10 216 81
U.S.A. Treasury Taxable Optional 63	2½%	1968	120 000 00	124 875 00	120 356 50
U.S.A. Treasury Taxable Optional 67	2½%	1972	100 000 00	102 531 25	100 000 00
U.S.A. Savings G Taxable Registered	2½%	1953	50 000 00	50 000 00	50 000 00
U.S.A. Savings G Taxable Registered	2½%	1954	100 000 00	100 000 00	100 000 00
U.S.A. Savings G Taxable Registered	2½%	1955	100 000 00	100 000 00	100 000 00
U.S.A. Savings G Taxable Registered	2½%	1956	100 000 00	100 000 00	100 000 00
U.S.A. Savings G Taxable Registered	2½%	1957	100 000 00	100 000 00	100 000 00
U.S.A. Savings G Taxable Registered	2½%	1958	80 000 00	80 000 00	80 000 00
Total United States Government Bonds			$900 000 00	$913 818 75	$902 809 11
CORPORATION BONDS					
INDUSTRIAL					
American Tobacco Co. Deb.	3 %	4–15–62	$ 28 000 00	$ 28 980 00	$ 28 378 70
Celanese Corp. of Amer. Deb.	3 %	10– 1–65	30 000 00	31 275 00	31 402 70
Deere and Co. Deb.	2¾%	4– 1–65	30 000 00	31 275 00	30 949 20
Electric Auto Lite Co. Deb.	2¼%	12–15–50	10 000 00	10 200 00	10 103 87
Firestone Tire & Rubber Co. Deb.	3 %	5– 1–61	21 000 00	21 735 00	21 649 04
Goodrich, B. F. Co. 1st	2¾%	5– 1–65	30 000 00	30 600 00	30 276 70
Morrell, John & Co. Deb.	3 %	5– 1–58	30 000 00	30 750 00	30 391 70
Phillips Petroleum Co. SF Deb.	2¾%	2– 1–64	29 000 00	29 870 00	30 574 36
Quaker Oats Co. Deb.	2⅝%	7– 1–64	30 000 00	30 825 00	30 360 70
Shell Union Oil Corp. Deb.	2½%	4– 1–71	30 000 00	29 550 00	30 000 00
Skelly Oil Co. Deb.	2¾%	7– 1–65	40 000 00	41 000 00	41 184 67
Westinghouse Elec. Mfg. Deb.	2⅛%	11– 1–51	20 000 00	20 400 00	20 163 60
Total Industrial			$328 000 00	$336 460 00	$335 435 24
PUBLIC UTILITY					
Alabama Power Co. 1st	3½%	1– 1–72	$ 20 000 00	$ 21 800 00	$ 21 305 13
Appalachian Elec. Power Co. 1st	3¼%	12– 1–70	30 000 00	33 000 00	32 454 00
Bell Telephone Co. of Pa. 1st & Ref. C.	5 %	10– 1–60	30 000 00	39 000 00	37 732 85
Boston Edison Co. 1st A	2¾%	12– 1–70	30 000 00	31 425 00	30 903 75
Central Illinois Pub. Ser. Co. 1st A	3⅜%	10– 1–71	30 000 00	33 000 00	31 981 15
Commonwealth Edison Co. 1st L.	3 %	2– 1–77	30 000 00	32 400 00	31 887 85
Consumers Power Co. 1st	2⅞%	9– 1–75	30 000 00	31 200 00	32 441 70
Dallas Power & Light Co. 1st	3½%	2– 1–67	20 000 00	21 400 00	21 911 23
Dayton Power & Light Co. 1st	2¾%	10– 1–75	30 000 00	30 975 00	30 553 65
Detroit Edison Co. Gen. & Ref. H	3 %	12– 1–70	30 000 00	32 400 00	31 729 95
Florida Power & Light Co. 1st	3½%	1– 1–74	30 000 00	32 850 00	32 278 00
Gulf States Utilities Co. 1st	2⅝%	5– 1–76	40 000 00	40 100 00	40 334 83
Illinois Power Co. 1st Mtg.	2⅞%	3– 1–76	30 000 00	31 050 00	30 758 70
Louisiana Power & Light Co. 1st Mtg.	3 %	4– 1–74	30 000 00	31 800 00	30 941 75
Minnesota Power & Light Co. 1st	3⅛%	9– 1–75	10 000 00	10 650 00	10 762 30
Mountain States Tel. & Tel. Co. Deb.	2⅝%	5–15–86	40 000 00	40 100 00	40 587 50
Narragansett Electric Co. 1st A	3 %	9– 1–74	30 000 00	32 400 00	31 623 30
New Jersey Power & Light Co. 1st	3 %	3– 1–74	30 000 00	32 700 00	31 998 60
New York Power & Light Co. 1st	2¾%	3– 1–75	30 000 00	30 675 00	30 342 30
Northern States Power Co. of Wis. 1st	3½%	3– 1–64	10 000 00	10 750 00	10 909 40
Oklahoma Gas & Electric Co. 1st	2¾%	2– 1–75	30 000 00	30 300 00	30 182 05
Pacific Tel. & Tel. Co. Deb.	2¾%	12– 1–85	30 000 00	31 050 00	32 267 55
Pennsylvania Power & Light Co. 1st	3 %	10– 1–75	30 000 00	31 425 00	31 254 85
Portland General Electric Co. 1st	3⅛%	7– 1–75	30 000 00	31 200 00	32 257 50
Public Service Co. of Oklahoma 1st A	2¾%	7– 1–75	30 000 00	30 300 00	29 853 60
Southern Bell Tel. & Tel. Co. Deb.	3 %	7– 1–79	30 000 00	32 700 00	32 097 80
Southern Calif. Edison Co. Ltd. 1st Ref.	3 %	9– 1–65	30 000 00	32 100 00	31 670 10
Southwestern Bell Tel. Co. Deb.	2¾%	10– 1–85	30 000 00	31 050 00	30 656 00
Southwestern Gas & Elec. Co. 1st A	3¼%	2– 1–70	30 000 00	32 550 00	32 021 10
Tennessee Gas & Transmission Co. 1st	2¾%	4– 1–66	40 000 00	40 700 00	40 888 16
Texas Electric Service Co. 1st	2¾%	3– 1–75	30 000 00	30 300 00	30 280 20
West Texas Utilities Co. 1st A	3⅛%	8– 1–73	20 000 00	21 200 00	21 120 07
Total Public Utility			$ 920 000 00	$ 974 550 00	$ 967 986 92
RAILROAD					
Washington Terminal Co. 1st A	2⅝%	2– 1–70	$ 20 000 00	$ 20 800 00	$ 20 288 13
Total Railroad			$ 20 000 00	$ 20 800 00	$ 20 288 13
Total Corporation Bonds			$1 268 000 00	$1 331 810 00	$1 323 710 29
GRAND TOTAL			$2 168 000 00	$2 245 628 75	$2 226 519 40

SUMMARY OF TRANSACTIONS INVOLVING RESERVES

Reserve for	Balance Aug. 31, 1945	Additions			Deductions			Balance Aug. 31, 1946
		Revenues	Transfers	Interest Distributed	Expenditures	Transfers	Net Loss on Investments	
Additional Death Benefits	$171 374 20	$94 493 33			$41 281 44	$9 179 92		$215 406 17
Disability Benefits	35 562 82	52 618 55			77 484 78			10 696 59
Funded Retirement Annuities	16 014 90		$24 296 42	$1 054 31	4 377 40			36 988 23
Beneficiary Annuities	15 876 15		10 397 44	636 53	1 728 65			25 181 47
Retirement Annuities:								
Federal Funds	72 698 19	26 910 24		2 472 00		1 385 72		100 694 71
Trust Funds	62 869 68	29 625 92		2 074 98		57 61		94 512 97
State Funds	722 92	5 163 42		74 44				5 960 78
Interest Earned in Excess of Interest Distributed	7 260 35			4 167 01			$763 75	10 663 61
Administrative Expense	1 251 73	19 720 90			20 235 46			737 17
Contingencies	100 000 00	26 225 00						126 225 00
	$483 630 94	$254 757 36	$34 693 86	$10 479 27	$145 107 73	$10 623 25	$763 75	$627 066 70