University retirement system of Illinois

ANNUAL REPORT · AUGUST 31, 1947

University Retirement System Office Located at Urbana, Illinois

Issued by authority of the Board of Trustees
December, 1947

History of the system

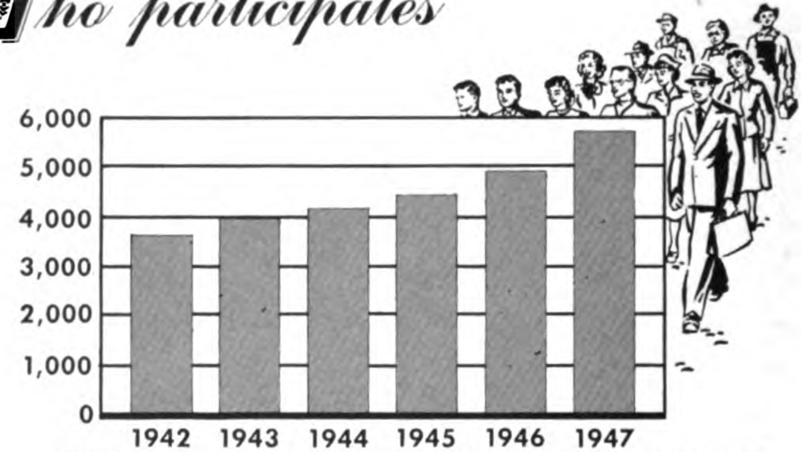
The 62nd General Assembly of the State of Illinois enacted "an Act to Provide for the Creation, Maintenance, and Administration of a Retirement System for the Benefit of the Staff Members and Employees of the University of Illinois and of Certain Other State Educational and Scientific Agencies." The Act was approved by Governor Dwight H. Green on July 21, 1941, and the System began operation on September 1, 1941. The Act was amended in 1945 and 1947.

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 of Illinois:

Eastern Illinois State College — Charleston
Illinois State Normal University — Normal
Northern Illinois State Teachers College — DeKalb
Southern Illinois University — Carbondale
State Geological Survey — Urbana
State Natural History Survey — Urbana
State Water Survey — Urbana
Teachers' College Board — Springfield
University of Illinois — Chicago, Galesburg, Urbana-Champaign
University Retirement System — Urbana
Western Illinois State College — Macomb

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.

Who participates



NUMBER OF PARTICIPANTS—AT AUGUST 31

A person who is certified by his Employer as being on "permanent and continuous employment" is eligible to participate in the system. If a so certified individual has attained age 30, he is required to become a Participant. If he has not attained age 30, he may elect to participate in the System, and he will be required to participate in the System on the first day of September following his 30th birthday.

A participating employee on leave of absence from his duties with 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.

On August 31, 1947, the number of Participating Employees was 5,769.

Benefits

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

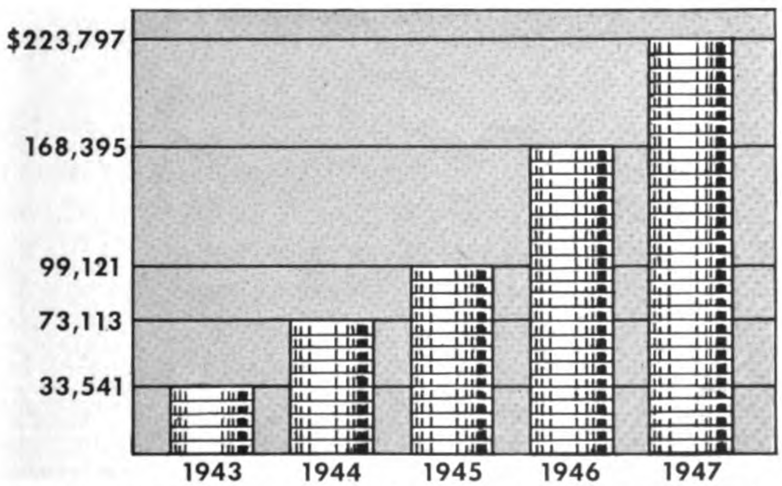
1. Annuities

Annuities payable by the System are of three kinds:

a. Retirement Annuity paid to a retired Employee.

b. Reversionary Annuity paid to a dependent beneficiary of a retired Employee who has elected to receive a reduced Retirement Annuity during his lifetime in order to provide such a Reversionary Annuity.

c. Beneficiary Annuity provided for a Beneficiary by the proceeds of a Death Benefit. (Beneficiary Annuities are described in the Section on Death Benefits.)



ANNUITIES PAID —— YEAR ENDED AUGUST 31

a. 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 on his own request. On September first after becoming age 68, the Employee 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 permanent and continuous employment, date of Participation, length of Service, and age at the time of retirement.

During the past year 40 Participants retired, and on August 31, 1947, a total of 152 Annuitants were receiving Retirement Annuities from the System. Retirement Annuities paid during the year totaled

$219,059 (Exhibit B). Since the System has been in operation only 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 the creation of this System September 1, 1941. The relative portion of Retirement and Reversionary Annuities provided by the Employee and by the Employer is graphically illustrated.

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, or who did not elect to participate in the System prior to September 1, 1942, 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 the Employee's 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 a maximum total Annuity of one-half of the Final Rate of Earnings (as defined in the preceding paragraph), and not more

SOURCE OF RETIREMENT AND REVERSIONARY ANNUITY PAYMENTS FISCAL YEAR ENDED AUGUST 31, 1947

than the maximum amounts established by any Employer prior to the effective date of the Retirement Law.

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.

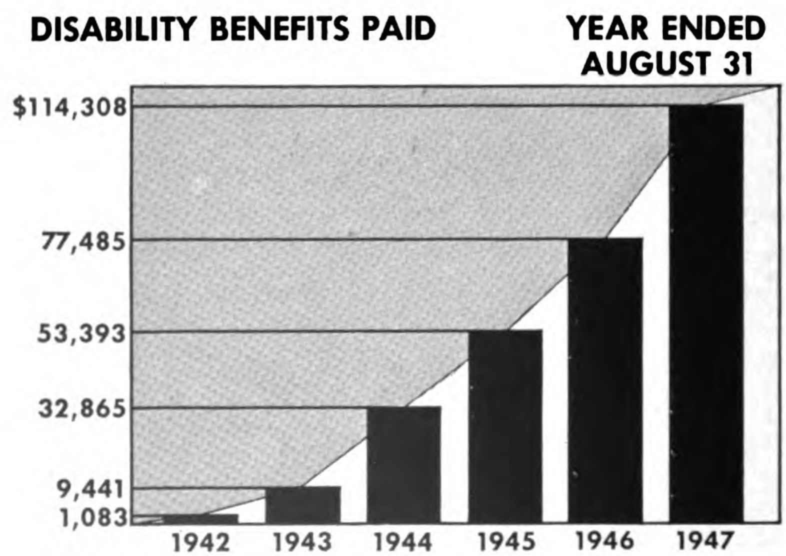
b. Reversionary annuities

A Participating Employee may elect to provide a Reversionary Annuity for a dependent Beneficiary, in the event that his death occurs after 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 the good health of the Participant 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 the Participant's retirement, the election of Reversionary Annuity becomes inoperative automatically.

On August 31, 1947, five Beneficiaries were receiving Reversionary Annuities. Reversionary Annuities paid by the System totaled $2,484 for the 1946-47 fiscal year (Exhibit B).

2. Disability benefits

Disability Benefits are provided for a Participating Employee for mental or physical disability arising from any cause which renders him 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. The physical condition of the Employee is determined by means of a physical examination prescribed by the various Employers at the time of Certification for participation in the System.

The amount of Disability Benefit payable by the Retirement System to a disabled Employee will be reduced by the amount of any Workman's Compensation payments or salary payments to which the Employee may become entitled during his disability.

Disability Benefits from the System may begin to accrue 60 days after the occurrence of the disability, provided the Application for Benefits has been filed at the Retirement Office, and provided 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 following should be observed in filing a claim:

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

c. Any question as to *when* or *how* to file a claim for disability should be taken up with the Employer.

The Disability Benefit amounts to 50 per cent of the rate of Earnings at the time disability occurred and is paid monthly during disability until the total amount paid equals 50 per cent of the total Earnings during the period of Service (whether before or after September 1, 1941) of the individual. During the period of disability, amounts equal to the Employee's Normal Contribution, if the Employee had continued in active Service, are credited to the Employee's Normal Contributions 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 fiscal year, 138 Participants received Disability Benefits from the System, totaling $114,308 (Exhibit B).

3. Death benefits

In the event of the death of a Participant, the total amount of Accumulated Employee Contributions will be paid to the Beneficiary.

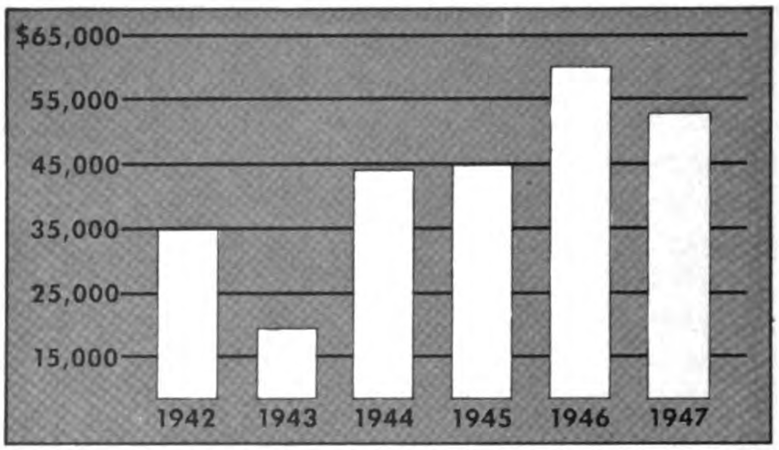
If the Beneficiary is not dependent upon the Employee at the time of death, only the Accumulated Employee Contributions are returned.

If the Beneficiary of the Employee is dependent as determined by 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.



DEATH BENEFITS —— YEAR ENDED AUGUST 31

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 part in cash at the time of death and the balance as a life income.

A Death Benefit payable as a life income to a Beneficiary is known as a Beneficiary Annuity. The Benefit will be paid as a Beneficiary Annuity only if the life income to the Beneficiary amounts to at least $10.00 per month. If the Participant has designated that the Death Benefit shall be paid as a life income to the Beneficiary, and if the Beneficiary Annuity would be at least $10.00 per month, the Beneficiary has no power to change the mode of payment.

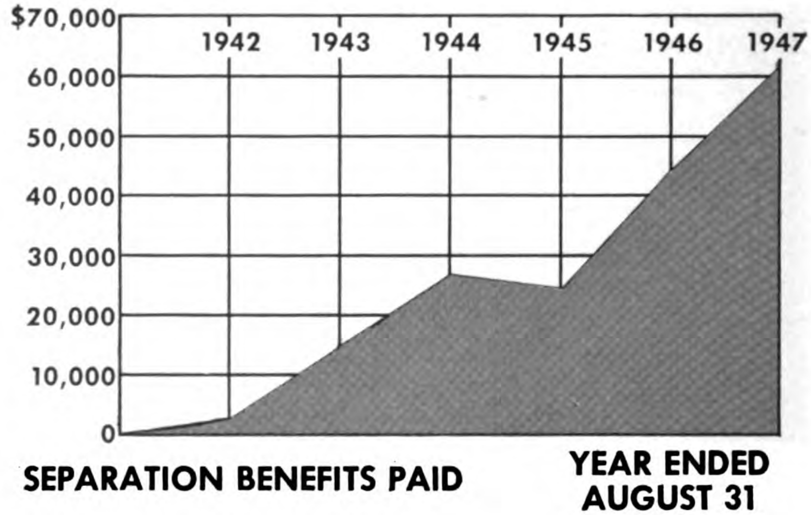
If the Participant makes no designation, or designates that the Death Benefit shall be paid in one sum, the Beneficiary may elect to receive part or all of the proceeds as a Beneficiary Annuity.

During the past year, 29 Participants died. The total amount of claims for Death Benefits was $53,135. Of this amount $8,992 was from Accumulated Employee Contributions, and the balance of $44,143 represented Additional Death Benefits from the System. Benefits paid in cash to Beneficiaries amounted to $39,169. In addition, the sum of $13,966 was transferred to the Reserve for Beneficiary Annuities to provide life income to Beneficiaries. Fourteen Beneficiaries were receiving Beneficiary Annuities from the System on August 31, 1947, and the total amount paid to Beneficiaries during the year in the form of annuities amounted to $2,255 (Exhibit B).

4. 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 to the date of termination of employment) in the form of a Separation Benefit. Upon 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 continue in force, including credit for past service. If employment is terminated after the attainment of age 55, the employee may at some later date make application for, and receive, a Re-



tirement Annuity provided his total credits in the system at the time of Application for the Annuity are sufficient to provide for him a Retirement Annuity of at least $10.00 per month. 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.

Acceptance of a Separation Benefit affects only the individual's relationship with the University Retirement System. Upon acceptance of a Separation Benefit, the individual forever forfeits all prior service creditable in this System.

During the past year, 472 Separation Benefits were paid totaling $62,658 (Exhibit B).

Where the money comes from

The income of the System is derived from three sources: (1) Employee Contributions, (2) Employer Contributions from the State of Illinois and from Trust and Federal funds, and (3) Interest on Investments.

(1) On each payroll, the Employer deducts 3½% from each payment of Earnings to a Participating Employee and remits the sum to the Retirement System. 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 Employee who does all of his work under the supervision of an Employer but receives part of his salary from an outside source, may make Additional Contributions in order to make his credit in the System what it would be if he were receiving compensation at his full rate from his Employer. The Employer 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, in lieu of salary, before any deductions are made for withholding tax or Normal 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.

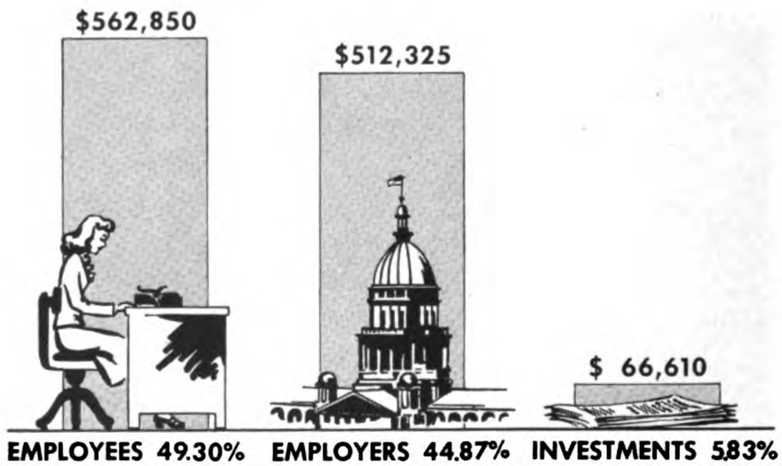
Employee Contributions for the fiscal year 1946-47 totaled $562,850 (Exhibit B).

(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 is the amount required by the law to maintain 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.

Employer Contributions (made by the State of Illinois on behalf of its agencies and institutions and by Employers from Federal and Trust funds) for the fiscal year ended August 31, 1947, totaled $512,325 (Exhibit B).

(3) Income of the System, over and above the amount necessary to meet obligations, is promptly invested in interest-bearing se-



SOURCE OF INCOME
FISCAL YEAR ENDED AUGUST 31, 1947

curities. All securities for investment of Retirement System funds are recommended by the Investment Counsel of the System, Harris Trust and Savings Bank, and are approved by the Board of Trustees.

Interest is credited to Employees' Contributions accounts and to annuity reserves, at the rate of 3% per annum. The balance of interest earned over interest credited to these accounts is held as a special reserve.

Interest earned for 1946-47 totaled $66,611 (Exhibit B). Of this amount, $52,452 was credited to Employees' accounts, $9,273 to annuity reserves, and $4,886 was added to the interest reserve.

Assets

At August 31, 1947, total assets were **$2,962,143**, an increase of **$669,381** over **1946**. The assets may be allocated by source and purpose as follows:

	Amount	*Percentage*
Employees' Contributions, held in trust solely for the benefit of each individual Employee...........	$2 089 340	70 53
Reserve for Funded Annuities in Force.............	97 451	3 29
Funded Reserve from Employer Contributions from Trust and Federal Funds.....................	272 100	9 19
General Reserve................................	503 252	16 99
Total....................................	$2 962 143	100 00

Investments

Investments owned by the System as of August 31, 1947, were as follows (Detail of Investments in Schedule A-1):

	Par Value	*Quoted Market Value*	*Amortized Cost*	*Average Rate of Interest Earned*
Industrial...........	$ 407 000 00	$ 416 645 00	$ 414 505 47	2.56%
Public Utility........	1 207 000 00	1 264 078 75	1 261 544 13	2.68%
Railroad............	20 000 00	20 450 00	20 279 20	2.54%
Total, Non-Public...	1 634 000 00	1 701 173 75	1 696 328 80	2.65%
Public..............	1 130 000 00	1 147 187 50	1 135 098 99	2.38%
Total, All Bonds....	$2 764 000 00	$2 848 361 25	$2 831 427 79	2.54%

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 59.91% of the total book value of all Investments.

Reciprocal Act

In 1947, the 65th General Assembly of the State of Illinois enacted the State Retirement Systems Reciprocal Act. Briefly, this Act provides that a person having creditable service in one or more of the State Retirement Systems of Illinois: Teachers' Retirement System of the State of Illinois, University Retirement System of Illinois, or State Employees' Retirement System of Illinois, may become entitled to benefits based on his credit for his entire period of service to the State of Illinois.

A Participant having creditable service in any of the State Systems may obtain specific information applicable to his case from the University Retirement System Office, at Urbana.

YOUR ANSWERS TO THESE QUESTIONS ARE IMPORTANT

Whom have you named as your Beneficiary?

Have you named a Contingent Beneficiary?

Does your Beneficiary know how you have designated that the Death Benefit will be paid?

In fact, do you know how the Death Benefits can be paid and which one you have chosen?

Have you kept the Retirement Office informed of each change in your family status? (Any change should affect your desire as to Beneficiary designation.)

Is the present address of your Beneficiary on file in the Retirement Office?

In conclusion, if you suddenly die, will your Death Benefit and Beneficiary payments be made just as you wish?

* * *

For information about the importance of each of the above questions and other of your relations with the Retirement System, phone or write

UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS
305 ADMINISTRATION BUILDING
URBANA, ILLINOIS
Phone: Champaign-Urbana 7-6611, Extension 541

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, 1947 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, 1947 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
November 3, 1947

Exhibit A

BALANCE SHEET

August 31, 1947

ASSETS

Cash in Bank		$ 82 094 05
Accounts Receivable:		
Employers	$ 11 481 37	
Employees (Note 1)	14 917 71	26 399 08
Investments in Bonds, at Amortized Cost (Quoted Market Value $2,848,361.25):		
United States Government	$1 135 098 99	
Public Utility Corporation	1 261 544 13	
Railroad	20 279 20	
Industrial Corporation	414 505 47	2 831 427 79
Accrued Interest Receivable		22 221 90
Furniture and Fixtures (Cost $6,181.88, Carried at No Value)		....
		$2 962 142 82

LIABILITIES

Benefits Payable:			
Death		$ 8 240 00	
Disability		80 59	
Annuities:			
Beneficiary	$30 08		
Reversionary	50 00	80 08	
Separation		5 335 81	$ 13 736 48
Accounts Payable:			
Employers		$ 645 67	
Employees		21 87	
Administrative Expense		56 44	
Taxes Withheld Due Internal Revenue Department		238 00	961 98
Employees' Accumulated Contributions, with Interest, Applicable upon Retirement to Payment of Annuities (Refundable upon Death or Withdrawal):			
Normal		$2 085 608 60	
Additional		3 731 05	2 089 339 65
Contributions Advanced by Employers			76 630 41
Reserves for:			
Additional Death Benefits (Note 2)		$ 265 638 13	
Disability Benefits (Note 2)		....	
Funded Retirement and Reversionary Annuities in Force		59 662 97	
Beneficiary Annuities in Force		37 788 62	
Employers' Portion of Retirement Annuities Accruing with Interest (on earnings paid from Federal and Trust funds only) (Note 2)		272 099 96	
Interest Earned in Excess of Interest Distributed (after allowing $1,206.49 for net loss on investments)(Note 3)		15 626 03	
Administrative Expense (Note 2)		....	
Contingencies		130 658 59	781 474 30
			$2 962 142 82

NOTES TO BALANCE SHEET

1. Normal contributions applicable to August, 1947, earnings received in September, 1947.

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, 1947, 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 July 30, 1946, 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, 1947. 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, 1947

Income:		
Employees' Contributions		
Normal	$562 433 87	
Additional	415 85	$ 562 849 72
Employers' Contributions for		
Additional Death Benefits	$ 94 375 25	
Disability Benefits	83 800 74	
Unfunded Current Annuities	10 055 88	
Supplemental Annuities	204 354 71	
Current Retirement Annuities Accruing (on earnings from Federal and Trust funds only)	66 309 03	
Administrative Expense	27 204 53	
Reserve for Contingencies	26 225 00	512 325 14
		$1 075 174 86
Interest Earned		66 610 58
Total Income		$1 141 785 44
Expenditures:		
Death Benefits (Note 1)		
From Employees' Accumulated Normal Contributions	$ 7 058 28	
Additional Death Benefits	32 110 79	$ 39 169 07
Separation Benefits from Employees' Accumulated Contributions		
Normal	$ 62 328 68	
Additional	329 68	62 658 36
Disability Benefits		114 307 73
Retirement Annuities		
Funded	$ 7 086 80	
Unfunded	10 029 03	
Supplemental	201 942 74	219 058 57
Beneficiary Annuities		2 254 59
Reversionary Annuities		
Funded	$ 44 82	
Unfunded	26 85	
Supplemental	2 411 97	2 483 64
Administrative Expense		
Auditing	$ 500 00	
Furniture and Fixtures	2 512 67	
Office Supplies and Expense	1 508 42	
Printing	1 143 77	
Salaries and Wages	18 059 40	
Tabulating Service	86 53	
Travel	177 66	
Trustee and Investment Expense	5 906 70	
Other Expenses	27 56	29 922 71
Loss on Investments		392 76
Total Expenditures		$ 470 247 43
Excess of Income Over Expenditures		$ 671 538 01
Represented by:		
Additions to or (Deductions) from		
Employees' Accumulated Contributions		
Normal (including $52,349.84 interest)	$545 396 75	
Additional (including $101.48 interest)	187 65	$ 545 584 40
Reserves		
Additional Death Benefits	$ 62 264 46	
Disability Benefits	(30 506 99)	
Funded Retirement and Reversionary Annuities in Force (including $1,753.42 interest)	(5 378 20)	
Beneficiary Annuities in Force (including $896.10 interest)	(1 358 49)	
Employers' Portion of Retirement Annuities—Federal and Trust Funds Only (including $6,623.58 interest)	72 932 61	
Interest Earned in Excess of Interest Distributed (including $392.76 net loss on investments)	4 493 40	
Administrative Expense	(2 718 18)	
Contingencies	26 225 00	125 953 61
		$ 671 538 01

STATEMENT OF INCOME AND EXPENDITURES (Continued)

The following transfers between reserves were made during the year:

From	
Employees' Accumulated Normal Contributions	$ 28 450 61
Employees' Accumulated Additional Contributions	3 38
Additional Death Benefits	12 032 50
Employers' Portion of Retirement Annuities—Trust Funds	2 001 11
Contingencies (Note 4)	21 791 41
	$ 64 279 01
To	
Funded Retirement Annuities in Force	$28 052 94
Beneficiary Annuities in Force (Note 2)	13 965 64
Disability Benefits (Note 4)	19 810 40
Administrative Expense (Note 4)	1 981 01
Interest Earned in Excess of Interest Distributed (Note 3)	469 02
	$ 64 279 01

NOTES ON STATEMENT OF INCOME AND EXPENDITURES

1. In addition to this amount, which represents Death Claims paid in cash to Beneficiaries, Death Claims in the amount of $13,965.64 are being paid to the Beneficiaries in the form of a Life Annuity, making the total Death Claims settled by the System during the year $53,134.71.

2. This amount represents Death Benefits settled in the form of Annuities.

3. This represents principally interest forfeited on Separation Benefits pertaining to prior years' interest distributions.

4. This represents transfers to the Reserve for Disability Benefits and to the Reserve for Administrative Expense in the amounts of $19,810.40 and $1,981.01, respectively.

STATEMENT OF INVESTMENTS OWNED

August 31, 1947

Description	Interest Rate	Maturity	Balance at August 31, 1947 Par Value	Quoted Market Price	Amortized Cost
U. S. GOVERNMENT BONDS					
U.S.A. Treas. Taxable Opt. 52	2¼%	6-15-55	$ 140 000 00	$ 145 687 50	$ 141 863 63
U.S.A. Treas. Taxable Opt. 59	2¼	12-15-62	100 000 00	102 562 50	102 122 33
U.S.A. Treas. Taxable Opt. 63	2½	12-15-68	120 000 00	125 212 50	120 339 70
U.S.A. Treas. Taxable Opt. 64	2½	6-15-69	20 000 00	20 787 50	20 773 33
U.S.A. Treas. Taxable Opt. 67	2½	12-15-72	100 000 00	102 937 50	100 000 00
U.S.A. Savings Series G	2½	1953	50 000 00	50 000 00	50 000 00
U.S.A. Savings Series G	2½	1954	100 000 00	100 000 00	100 000 00
U.S.A. Savings Series G	2½	1955	100 000 00	100 000 00	100 000 00
U.S.A. Savings Series G	2½	1956	100 000 00	100 000 00	100 000 00
U.S.A. Savings Series G	2½	1957	100 000 00	100 000 00	100 000 00
U.S.A. Savings Series G	2½	1958	100 000 00	100 000 00	100 000 00
U.S.A. Savings Series G	2½	1959	100 000 00	100 000 00	100 000 00
Total U. S. Government Bonds			$1 130 000 00	$1 147 187 50	$1 135 098 99
CORPORATION BONDS					
INDUSTRIAL BONDS					
American Tobacco Co. Deb.	3	4-15-62	28 000 00	29 155 00	28 359 17
Celanese Corporation of America	3	10- 1-65	30 000 00	31 350 00	31 327 75
Deere & Company Deb.	2¾	4- 1-65	30 000 00	31 125 00	30 896 15
Firestone Tire & Rubber Co. Deb.	3	5- 1-61	20 000 00	20 700 00	20 583 27
B. F. Goodrich Co. 1st Mtg.	2¾	5- 1-65	40 000 00	40 800 00	40 458 13
John Morrell & Co. Deb.	3	5- 1-58	30 000 00	30 787 50	30 363 00
Phillips Petroleum Co.	2¾	2- 1-64	29 000 00	30 015 00	30 500 27
Quaker Oats Co.	2⅝	7- 1-64	30 000 00	30 750 00	30 344 30
Shell Union Oil Corp. Deb.	2½	4- 1-71	40 000 00	39 600 00	39 817 53
Skelly Oil Co. Deb.	2¾	7- 1-65	40 000 00	40 800 00	41 135 20
Socony Vacuum Oil Co. Inc. Deb.	2½	6- 1-76	10 000 00	9 987 50	9 865 30
Swift & Co. Deb.	2⅝	1- 1-72	40 000 00	40 700 00	40 380 53
Westinghouse Electric Corp. Deb.	2⅝	9- 1-71	20 000 00	20 525 00	20 341 60
Westinghouse Electric Mfg. Co. Deb.	2⅛	11- 1-51	20 000 00	20 350 00	20 133 27
Total Industrial Bonds			$ 407 000 00	$ 416 645 00	$ 414 505 47
RAILROAD BONDS					
Washington Terminal Co. 1st	2⅝	2- 1-70	$ 20 000 00	$ 20 450 00	$ 20 279 20
Total Railroad Bonds			$ 20 000 00	$ 20 450 00	$ 20 279 20

STATEMENT OF INVESTMENTS OWNED (Continued)

Description	Interest Rate	Maturity	Par Value	Quoted Market Price	Amortized Cost
			Balance at August 31, 1947		
PUBLIC UTILITY BONDS					
Alabama Power Co. 1st	3½	1- 1-72	$ 20 000 00	$ 21 450 00	$ 21 270 80
Appalachian Elec. Power Co. 1st	3¼	12- 1-70	30 000 00	32 925 00	32 382 30
Bell Telephone Co. of Pa. 1st Ref. C	5	10- 1-60	30 000 00	37 987 50	37 277 30
Boston Edison Co. 1st	2¾	12- 1-70	30 000 00	31 575 00	30 876 60
Central Ill. Pub. Ser. Co. 1st A	3⅜	10- 1-71	30 000 00	32 700 00	31 927 75
Columbia Gas & Electric Corp. Deb.	3⅛	9- 1-71	40 000 00	42 000 00	41 270 00
Commonwealth Edison Co. 1st L	3	2- 1-77	40 000 00	43 200 00	42 722 87
Consumers Power Co. 1st Mtg.	2⅞	9- 1-75	40 000 00	41 900 00	42 926 00
Dallas Power & Light Co. 1st	3½	2- 1-67	20 000 00	21 400 00	21 841 27
Dayton Power & Light 1st Mtg.	2¾	10- 1-75	30 000 00	30 900 00	30 540 80
Detroit Edison Co. Gen. & Ref. H	3	12- 1-70	30 000 00	32 250 00	31 678 35
Florida Power & Light 1st Mtg.	3½	1- 1-74	30 000 00	32 775 00	32 224 00
Gulf States Utilities 1st Mtg.	2⅝	5- 1-76	40 000 00	40 600 00	40 329 20
Illinois Power Co. 1st Mtg.	2⅞	3- 1-76	40 000 00	41 400 00	41 263 20
Kansas City Power & Light Co. 1st	2¾	12- 1-76	40 000 00	41 800 00	41 970 20
Louisiana Power & Light Co. 1st Mtg.	3	4- 1-74	30 000 00	31 500 00	30 919 25
Minnesota Power & Light Co. 1st Mtg.	3⅛	9- 1-75	10 000 00	10 600 00	10 744 90
Mountain States Tel. & Tel. Co. Deb.	2⅝	5-15-86	40 000 00	39 800 00	40 578 47
Narragansett Electric Co.	3	9- 1-74	30 000 00	32 325 00	31 584 00
New Jersey Power & Light Co. 1st	3	3- 1-74	30 000 00	32 100 00	31 948 50
New York Power & Light	2¾	3- 1-75	40 000 00	41 200 00	40 705 20
Northern States Pwr. Co. of Wis. 1st	2⅝	4- 1-77	40 000 00	40 100 00	40 277 67
Ohio Public Service Co. 1st Mtg.	2¾	6- 1-76	40 000 00	40 600 00	40 491 20
Oklahoma Gas & Electric Co. 1st	2¾	2- 1-75	40 000 00	40 200 00	40 463 87
Pacific Telephone & Telegraph Deb.	2¾	12- 1-85	30 000 00	30 300 00	32 232 75
Penn. Power & Light 1st Mtg.	3	10- 1-75	30 000 00	31 500 00	31 226 40
Portland General Elec. 1st Mtg.	3⅛	7- 1-75	30 000 00	30 075 00	32 205 10
Public Service Co. of Colo. 1st Mtg.	2⅞	6- 1-77	20 000 00	20 725 00	20 647 20
Public Service Co. of Oklahoma	2¾	7- 1-75	30 000 00	30 712 50	29 857 20
Southern Bell Tel. & Tel. Co. Deb.	3	7- 1-79	30 000 00	31 987 50	32 057 10
Southern Calif. Edison Ltd. 1st Ref.	3	9- 1-65	30 000 00	31 800 00	31 601 40
Southwestern Bell Telephone Co. Deb.	2¾	10- 1-85	30 000 00	30 412 50	30 646 40
Southwestern Gas & Elec. Co. 1st A	3¼	2- 1-70	29 000 00	31 138 75	30 893 96
Tennessee Gas Transmission Co. 1st Mtg. Pipe Line	2¾	4- 1-66	38 000 00	38 665 00	38 810 73
Texas Electric Service Co. 1st	2¾	3- 1-75	30 000 00	30 600 00	30 273 60
Toledo Edison Co. 1st Mtg.	2⅞	4- 1-77	30 000 00	30 975 00	30 992 99
West Texas Utilities 1st Mtg.	3⅛	8- 1-73	20 000 00	21 500 00	21 092 00
Wisconsin Electric Power Co.	2⅝	6- 1-76	40 000 00	40 400 00	40 793 60
Total Public Utility Bonds			$1 207 000 00	$1 264 078 75	$1 261 544 13
Total Corporation Bonds			$1 634 000 00	$1 701 173 75	$1 696 328 80
GRAND TOTAL			$2 764 000 00	$2 848 361 25	$2 831 427 79

SCHEDULE A-2

SUMMARY OF TRANSACTIONS INVOLVING RESERVES

Reserve for	*Balance Aug. 31, 1946*	*Additions*			*Deductions*			*Balance Aug. 31, 1947*
		Revenues	*Transfers*	*Interest Dis-tributed*	*Expendi-tures*	*Transfers*	*Net Loss on In-vestments*	
Additional Death Benefits..	$215 406 17	$ 94 375 25			$ 32 110 79	$12 032 50		$265 638 13
Disability Benefits........	10 696 59	83 800 74	$19 810 40		114 307 73			
Funded Retirement An-nuities..............	36 988 23		28 052 94	$1 753 42	7 131 62			59 662 97
Beneficiary Annuities.....	25 181 47		13 965 64	896 10	2 254 59			37 788 62
Retirement Annuities:								
Federal Funds.........	100 694 71	31 108 89		3 427 86				135 231 46
Trust Funds...........	94 512 97	29 408 73		2 938 17	2 001 11			124 858 76
State Funds...........	5 960 78	5 791 41		257 55				12 009 74
Interest Earned in Excess of Interest Distributed..	10 663 61	4 886 16	469 02				$392 76	15 626 03
Administrative Expense...	737 17	27 204 53	1 981 01		29 922 71			
Contingencies...........	126 225 00	26 225 00				21 791 41		130 658 59
	$627 066 70	$302 800 71	$64 279 01	$9 273 10	$187 728 55	$33 823 91	$392 76	$781 474 30