University retirement system of Illinois

ANNUAL REPORT : AUGUST 31, 1948

UNIVERSITY RETIREMENT SYSTEM OFFICE
LOCATED AT URBANA, ILLINOIS

Issued by authority of the Board of Trustees
November, 1948

History of the system

THE UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS WAS CREATED BY Act of the 62nd General Assembly of the State of Illinois, in 1941. The governing Act is titled "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," and was approved by Governor Dwight H. Green on July 21, 1941.

The System began operation on September 1, 1941. The original governing Act was amended in 1945 and in 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
- Normal School Board — Springfield
- Northern Illinois State Teachers College — DeKalb
- Southern Illinois University — Carbondale
- State Geological Survey — Urbana
- State Natural History Survey — Urbana
- State Water Survey — Urbana
- University of Illinois — Chicago, Galesburg, Springfield, 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 Normal School Board chosen by that board, and the State Director of Registration and Education ex officio.

Who participates

To be eligible to participate in the University Retirement System of Illinois, a person must be certified by his Employer as being on "permanent and continuous employment." If a 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. If no election is filed, 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, 1948, the number of Participating Employees was 6,462.

Benefits

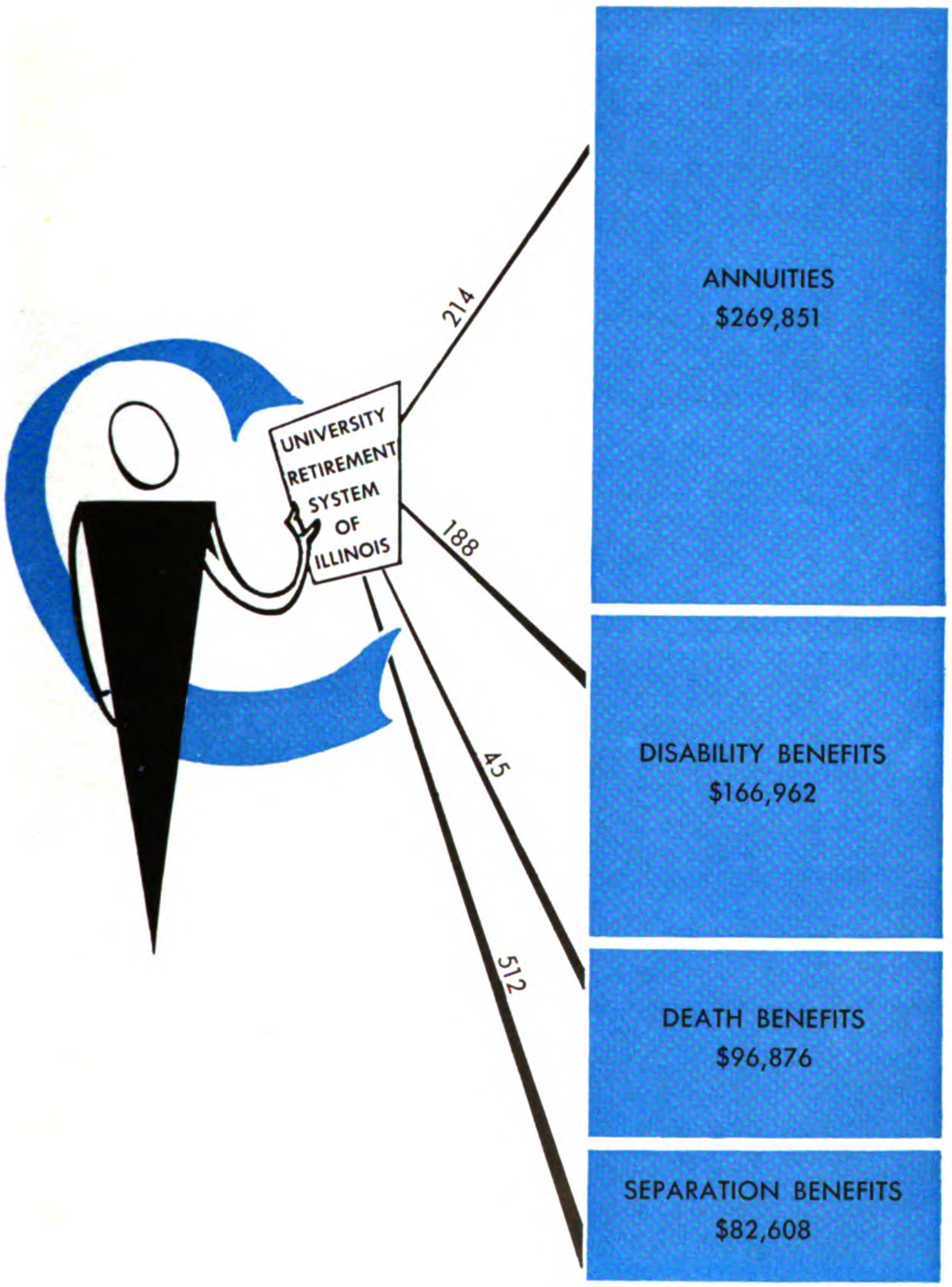
The System provides four types of Benefits:

1. ANNUITY. Payable to a Participant who has reached the retirement age and has applied for a Retirement Annuity, payable to a dependent beneficiary of a retired Participant as a Reversionary Annuity, payable to a beneficiary from proceeds of a Death Benefit as a Beneficiary Annuity.

2. DISABILITY BENEFIT. Payable to a person who becomes disabled while he is a participating Employee and who has not yet reached the retirement age.

3. DEATH BENEFIT. Payable to a Beneficiary of a deceased Participant regardless of whether the death of the Participant occurs before or after retirement. Death Benefit is payable in either of two forms, cash at the time of death or as a Beneficiary Annuity.

4. SEPARATION BENEFIT. Payable to a person who terminates his employment prior to the age at which he is entitled to a Retirement Annuity, consisting of the return of the Employee's Contributions and interest to the date employment is terminated.


UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS
214
188
45
512
ANNUITIES
$269,851
DISABILITY BENEFITS
$166,962
DEATH BENEFITS
$96,876
SEPARATION BENEFITS
$82,608

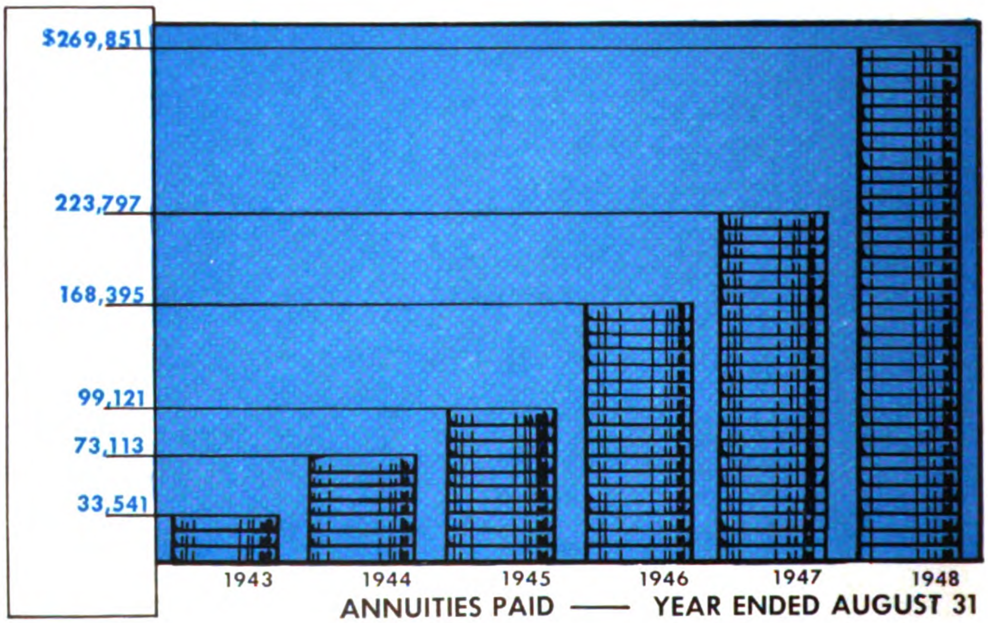
1. Annuities

Annuities payable by the System are of three kinds:

a. Retirement Annuity paid to a retired Participant.

b. Reversionary Annuity paid to a dependent beneficiary of a retired Participant 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.)



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 1st after becoming age 68, the Employee must retire, unless he requests a deferment of his retirement and such deferment is approved by his Employer. Such deferment may not exceed one year at any one time. 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 39 Participants retired, and on August 31, 1948, a total of 184 Annuitants were receiving Retirement Annuities from the System. Retirement Annuities paid during the year totaled $263,736 (Exhibit C). 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 on September 1, 1941. The relative portion of Retirement and Reversionary Annuities provided by the Employee and by the Employer is graphically illustrated on the next page.

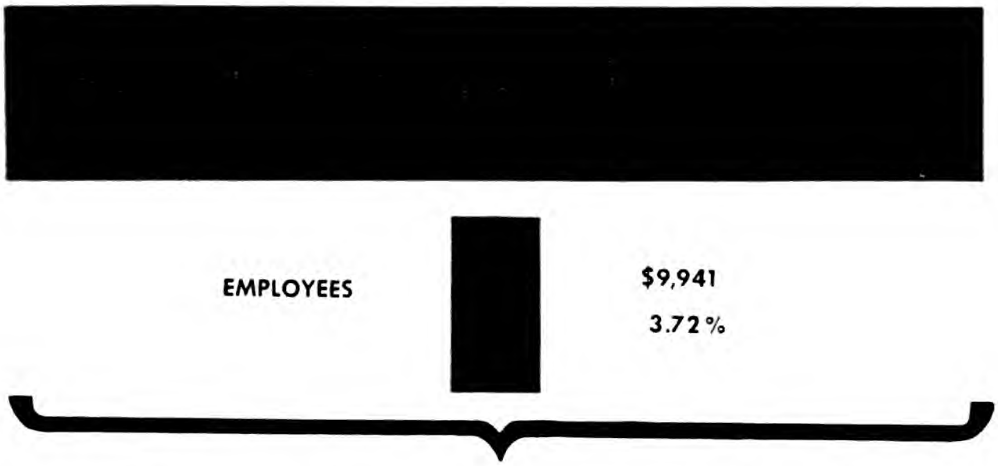
Retirement Annuities are payable for life except during the period that an Annuitant is entitled to Salary from any agency of the State of Illinois in an amount equal to or greater than the Retirement Annuity.

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. (Specific information regarding your case will be furnished on request.)

Retirement Annuities to Participants With Service Prior to 1941

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 Annuity provided by the Accumulated Normal 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 (regardless of the length of Service), or if the total service at retirement is less than 15 years (regardless of the age at retirement),



SOURCE OF RETIREMENT AND REVERSIONARY ANNUITY PAYMENTS FISCAL YEAR ENDED AUGUST 31, 1948

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 at retirement 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 than the maximum amounts established by any Employer prior to the effective date of the Retirement Law. (Specific information regarding your case will be furnished on request.)

With the approval of his Employer, an Employee may be retired between the ages of 65 and 68 and receive a Retirement Annuity on the same basis as though he had already attained age 68.

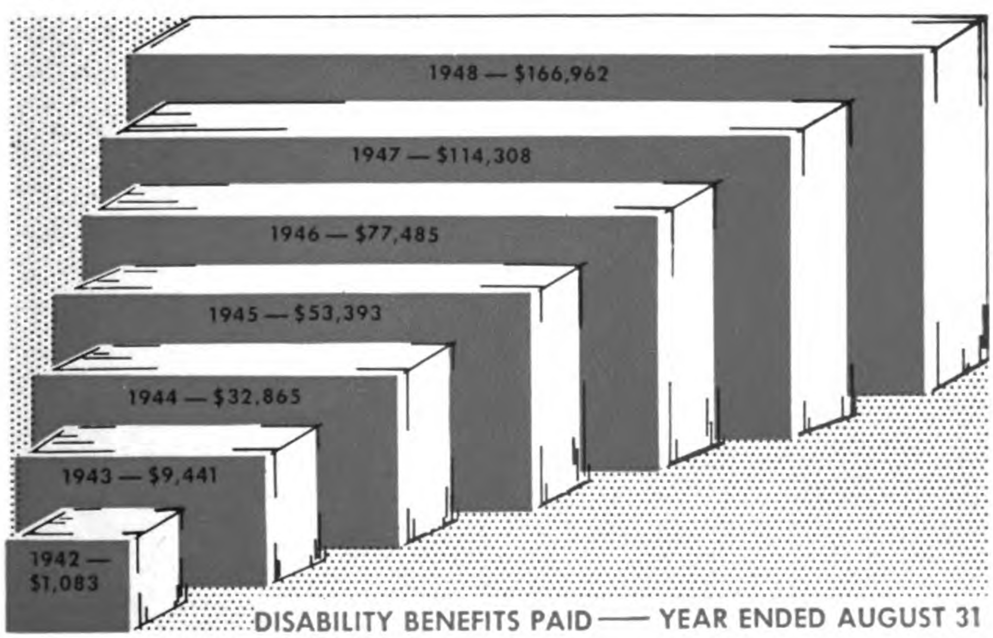
b. Reversionary annuities

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, 1948, five Beneficiaries were receiving Reversionary Annuities. Reversionary Annuities paid by the System totaled $3,211 for the 1947-48 fiscal year (Exhibit C).

2. Disability benefits

Disability Benefits are provided for a Participating Employee for mental or physical disability arising from any cause which renders him unable, based on medical examination and certification of his Employer, 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 Workmen'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. So that the date upon which Disability Benefits may begin to accrue may not be delayed, it is important that the claim be filed within 60 days of the date on which disability was incurred.

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 Contributions, if the Employee had continued in active Service, are credited to the Employee's Normal Contributions account. When a disabled 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, 188 Participants received Disability Benefits from the System, totaling $166,962 (Exhibit C).

3. Death benefits

In the event of the death of any Participant, the total amount of Accumulated Employee Contributions (as defined on Page 13) on deposit to the account of the Employee 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.

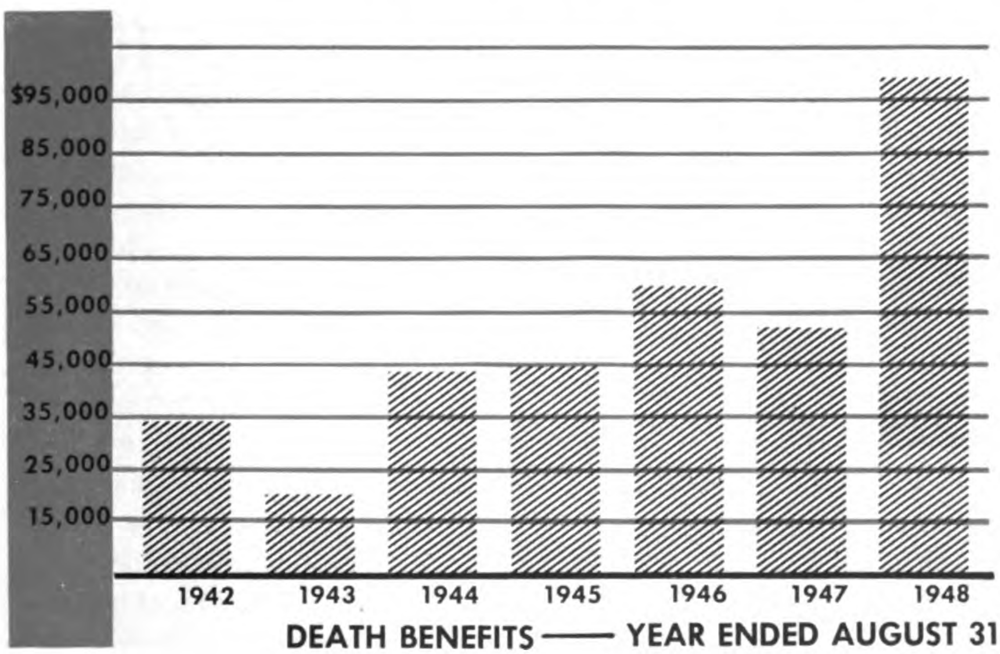
2. In all other cases the Board will determine dependence on the circumstances of the case.

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



DEATH BENEFITS —— YEAR ENDED AUGUST 31

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 ($500.00).

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.

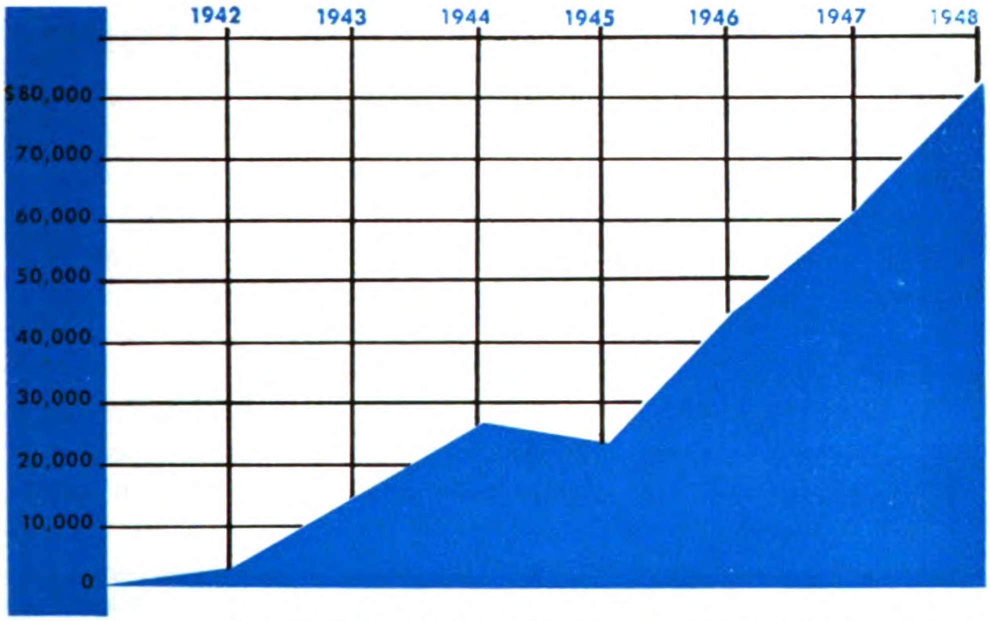
A Death Benefit payable as a life income to a Beneficiary is known as a Beneficiary Annuity. The Benefit will be paid as a Beneficiary Annuity only if the amount is sufficient to provide the Beneficiary a life income of at least $10.00 per month. If the Participant has designated that the Death Benefit 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, 45 Participants died. The total amount of claims for Death Benefits was $96,876. Of this amount $22,588 was from Accumulated Employee Contributions, and the balance of $74,288 represented Additional Death Benefits from the System. Benefits paid in cash to Beneficiaries amounted to $87,006. In addition, the sum of $9,870 was transferred to the Reserve for Beneficiary Annuities to provide life income to Beneficiaries. Seventeen Beneficiaries were receiving Beneficiary Annuities from the System on August 31, 1948, and the total amount paid to Beneficiaries during the year in the form of annuities amounted to $2,904 (Exhibit C).

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, subject to certain limitations set forth in the next paragraph. Upon acceptance of a Separation Benefit,



SEPARATION BENEFITS PAID — YEAR ENDED AUGUST 31

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 Retirement 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 at the time of terminating his employment an Employee would then be entitled to a Retirement Annuity of as much as $10.00 per month, upon his application therefor, he is not entitled to a Separation Benefit.

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.

Upon acceptance of a Separation Benefit, the individual forever forfeits all his prior service credited in this System.

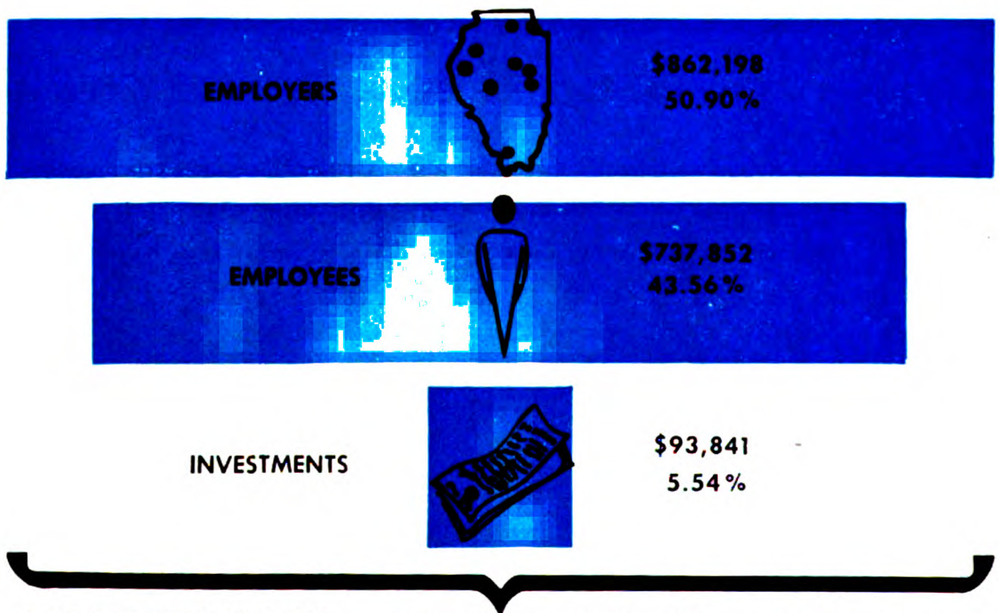
During the past year, 512 Separation Benefits were paid totaling $82,608 (Exhibit C).

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 per cent 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



SOURCE OF INCOME — FISCAL YEAR ENDED AUGUST 31, 1948

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 Normal School Board has ruled that all such extra compensation is to be included in Earnings for its Employees. The Board of Trustees of the University of Illinois has ruled that such extra compensation shall be included in Earnings of Employees of the University after June 1, 1943.

Employee Contributions for the fiscal year 1947-48 totaled $737,597 (Exhibit C).

(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 are on substantially 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, 1948, totaled $862,198 (Exhibit C).

(3) Income of the System, over and above the amount necessary to meet obligations, is promptly invested in interest-bearing securities. All securities for investment of 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 cent per annum. The aggregate of an Employee's Contributions and interest is known as Accumulated Employee Contributions. The balance of interest earned over interest credited to these accounts is a special reserve.

Interest earned for 1947-48 totaled $90,594 (Exhibit C). Of this amount, $69,159 was credited to Employees' accounts, $13,194 to annuity reserves, and $8,241 was added to the interest reserve.

Assets

At August 31, 1948, total assets were $4,184,220, an increase of $1,222,077 over 1947. 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	$2 758 728	65 93
Reserves for Funded Annuities in Force	554 394	13 25
Reserves for Employers' Contributions	394 978	9 44
Deferred Income—Employer Contributions Advanced	170 486	4 07
General Reserves	305 634	7 31
Total	$4 184 220	100 00

An actuarial evaluation of the System's reserve requirements as of August 31, 1948, is in process and will be on file in the System's Office.

Investments

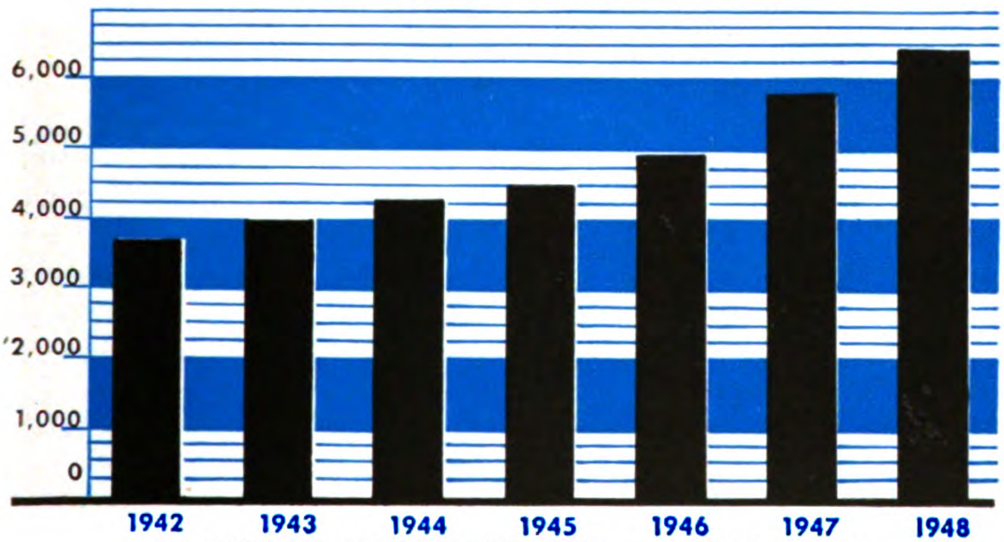
Investments owned by the System as of August 31, 1948, were as follows (Detail of Investments in Exhibit D):

	Par Value	*Quoted Market Value*	*Amortized Cost*	*Average Rate of Interest Earned*
Industrial	$ 480 000	$ 473 800	$ 486 289	2.58%
Public Utility	1 696 000	1 676 675	1 756 844	2.69%
Railroad	20 000	19 950	20 270	2.54%
Total, Non-Public	2 196 000	2 170 425	2 263 403	2.66%
Public	1 790 000	1 790 925	1 793 471	2.40%
Total, All Bonds	$3 986 000	$3 961 350	$4 056 874	2.55%

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 54.09% of the total book value of all assets of the System.

Growth of the System

Since the beginning of the University Retirement System on September 1, 1941, a rapid growth has been experienced, due partly to the recent expansion of the various State agencies which it serves and partly to the natural progress of operation.



NUMBER OF PARTICIPANTS — AT AUGUST 31

This growth has been manifested by a continuous increase in number of Participants as illustrated, reflecting increased services to citizens of the State of Illinois rendered by its institutions of higher education and agencies for research and scientific progress.

The increase in the amount of investments reflects directly the increase in the number of Participants in the System. Since each Participant's Contributions are held in trust to provide benefits solely for the person making that Contribution, these funds are invested in interest-bearing securities.

It is to be expected that the amount of benefits paid, as well as the amount of assets, show a fairly rapid increase during the early years of operation of the System.

For additional information about the System, phone or write

UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS
305 Administration Building, Urbana, Illinois
Phone: Champaign-Urbana 7-6611, Extension 541

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, not waived or forfeited, to the State of Illinois.

A Participant of this System 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.

The following general interpretations of the Reciprocal Act have been agreed to by representatives of the State Employees' Retirement System of Illinois, Springfield; the University Retirement System of Illinois, Urbana; and the Teachers' Retirement System of the State of Illinois, Springfield:

1. The Act is a plan for the *continuity* or *preservation* of credits accrued under the different systems, and not a plan for the transfer of credits.

2. The Act does not deprive any employee of accrued credits or vested interests in any system.

3. The Act does not reinstate credits that have been forfeited under any system. The Act preserves only those credits which are effective under the respective systems.

4. A person who has been granted a retirement benefit by any one of the three systems, and later becomes a member of another one of the systems, shall not come under the Reciprocal Act for any purpose. His rights shall be determined exclusively by the respective systems of which he has been a member.

GEORGE ROSSETTER & CO.
Certified Public Accountants
First National Bank Building : Chicago : 3

Board of Trustees,
University Retirement System of Illinois:

We have examined the balance sheet of the University Retirement System of Illinois as of August 31, 1948, and the related statements of reserves and income and expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of reserves and income and expenditures on the basis set forth in the footnote thereto present fairly the financial position of the University Retirement System of Illinois at August 31, 1948, 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.

George Rossetter & Co.

Chicago,
November 19, 1948.

EXHIBIT A

Balance Sheet

August 31, 1948

ASSETS

CASH IN BANK			$ 79 284 24
ACCOUNTS RECEIVABLE			16 198 60
ACCRUED INTEREST RECEIVABLE			31 862 95
INVESTMENTS IN BONDS—at amortized cost (market value, $3,961,350.00), per Exhibit D			4 056 874 25
FURNITURE AND FIXTURES (cost, $7,798.68, carried at no value)			Nil
TOTAL			$4 184 220 04

LIABILITIES

ACCOUNTS PAYABLE			$ 881 44
BENEFITS PAYABLE			21 273 06
DEFERRED INCOME—employer contributions advanced			170 485 50
RESERVES, per Exhibit B:			
Reserve for employee contributions		$2 758 728 29	
Other reserves:			
Reserve for additional death benefits	$216 369 51		
Reserve for funded retirement and reversionary annuities in force	84 384 71		
Reserve for beneficiary annuities in force	45 913 48		
Reserve for reciprocal benefits	39 86		
Reserve for employer contributions for funded current annuities accruing	424 056 03		
Reserve for employer contributions for unfunded current annuities (see note)	16 282 04		
Reserve for employer contributions for supplemental annuities (see note)	162 326 68		
Reserve for investments and interest	27 113 67		
Reserve for contingencies	256 365 77	1 232 851 75	3 991 580 04
TOTAL			$4 184 220 04

NOTE

At August 31, 1948, no determination had been made of the reserve requirements on an actuarial basis for the stated benefits. Under the Act creating the system, the employers are obligated to contribute to employee retirement annuities, disability benefits, additional death benefits, and administrative expense. Employer contributions are limited under the Act establishing the system to amounts approximately corresponding to the amounts currently needed for the payment of benefits without regard for reserve requirements accruing or having accrued on an actuarial basis except for contributions relative to current annuities on earnings paid from federal and trust funds (which constitute a comparatively minor portion of total earnings of participants). This limitation has resulted in a substantial deficiency in the accumulation of reserves and resources on an actuarial basis. The difference between reserve requirements on an actuarial basis and the reserves shown herein constitutes a deferred obligation of employers.

An actuarial determination of the System's reserve requirements as of August 31, 1943, indicated that, as of that date, there were unfunded service requirements of approximately $9,000,000.00. A study of the actuarial requirements of the System as of August 31, 1947, is in process.

Exhibit B

SUMMARY OF CHANGES IN RESERVES

For the Year Ended August 31, 1948

Reserve	Balance, August 31, 1947	Additions: Income, per Exhibit C	Additions: Interest Distribution	Additions: Transfers	Deductions: Expenditures, per Exhibit C	Deductions: Interest Distribution	Deductions: Transfers	Balance, August 31, 1948
Reserve for employee contributions	$2 089 339 65	$ 737 596 68	$69 158 92		$104 790 45		$32 576 51	$2 758 728 29
Reserve for additional death benefits	265 638 13	25 019 40			66 552 11		7 735 91	216 369 51
Reserve for disability benefits		161 626 56		$ 5 335 65	166 962 21			
Reserve for funded retirement and reversionary annuities in force	59 662 97		2 441 28	32 723 76	10 443 30			84 384 71
Reserve for beneficiary annuities in force	37 788 62		1 159 05	9 869 96	2 904 15			45 913 48
Reserve for reciprocal benefits		255 50			215 64			39 86
Reserve for employer contributions for funded current annuities accruing	272 099 96	144 642 99	9 594 38				2 281 30	424 056 03
Reserve for employer contributions for unfunded current annuities	5 244 46	25 988 00			14 950 42			16 282 04
Reserve for employer contributions for supplemental annuities	69 231 18	334 433 00			241 337 50			162 326 68
Reserve for investments and interest	15 626 03	93 841 27				$82 353 63		27 113 67
Reserve for administrative expenses	2 154 77	39 417 55		27 17	41 599 49			
Reserve for contingencies	130 658 59	131 070 00					5 362 82	256 365 77
Total	$2 947 444 36	$1 693 890 95	$82 353 63	$47 956 54	$649 755 27	$82 353 63	$47 956 54	$3 991 580 04

Exhibit C

STATEMENT OF INCOME AND EXPENDITURES

For the Year Ended August 31, 1948

INCOME:		
Employee contributions		$ 737 596 68
Employer contributions:		
Additional death benefits	$ 25 019 40	
Disability benefits	161 626 56	
Funded current annuities accruing	144 642 99	
Unfunded current annuities	25 988 00	
Supplemental annuities	334 433 00	
Administrative expenses	39 417 55	
Contingencies	131 070 00	862 197 50
Employee contributions transferred from other retirement systems under the provision of the State Retirement Systems Reciprocal Act		255 50
Interest on bonds plus accumulated discount, less amortized premium		90 594 19
Profit on sales and redemptions of bonds—net		3 247 08
Total Income		$1 693 890 95
EXPENDITURES:		
Administrative expenses		$ 41 599 49
Annuity payments:		
Retirement	$263 736 02	
Reversionary	3 210 84	
Beneficiary	2 904 15	269 851 01
Benefit payments:		
Death	$ 87 006 25	
Disability	166 962 21	
Separation	82 608 48	336 576 94
Refunds		1 727 83
Total Expenditures		$ 649 755 27
EXCESS OF INCOME OVER EXPENDITURES		$1 044 135 68

INVESTMENTS IN BONDS, AUGUST 31, 1948

Description	*Interest Rate*	*Maturities*	*Par Value*	*Book Value*	*Market Value*
UNITED STATES GOVERNMENT					
United States Treasury bonds	2¼%	1962/59	$ 100 000 00	$ 101 968 50	$ 100 000 00
United States Treasury bonds	2½	1969/64	90 000 00	91 502 70	90 675 00
United States Treasury bonds	2½	1972/67	100 000 00	100 000 00	100 250 00
United States Treasury bonds, Series A	2½	1965	250 000 00	250 000 00	250 000 00
United States Savings bonds, Series G	2½	1953	50 000 00	50 000 00	50 000 00
United States Savings bonds, Series G	2½	1954	100 000 00	100 000 00	100 000 00
United States Savings bonds, Series G	2½	1955	100 000 00	100 000 00	100 000 00
United States Savings bonds, Series G	2½	1956	100 000 00	100 000 00	100 000 00
United States Savings bonds, Series G	2½	1957	100 000 00	100 000 00	100 000 00
United States Savings bonds, Series G	2½	1958	100 000 00	100 000 00	100 000 00
United States Savings bonds, Series G	2½	1959	100 000 00	100 000 00	100 000 00
United States Savings bonds, Series G	2½	1960	600 000 00	600 000 00	600 000 00
Total United States Government			$1 790 000 00	$1 793 471 20	$1 790 925 00
PUBLIC UTILITY					
Alabama Power Co. 1st Mtg.	3½	1972	$ 20 000 00	$ 21 235 40	$ 21 100 00
Appalachian Elec. Power Co. 1st Mtg.	3¼	1970	30 000 00	32 308 05	31 125 00
Bell Telephone Co. of Penn. 1st & Refunding Gold C	5	1960/57	30 000 00	36 808 90	36 000 00
Boston Edison Co. 1st Mtg. A	2¾	1970	30 000 00	30 848 85	29 775 00
Central Ill. Pub. Ser. Co. 1st Mtg. A	3⅜	1971	30 000 00	31 871 55	31 575 00
Central Ill. Pub. Ser. Co. 1st Mtg. B	3⅜	1977	10 000 00	10 345 80	10 525 00
Central Maine Power Co. 1st & Gen. Mtg. L	3½	1970	40 000 00	42 324 07	41 600 00
Cincinnati Gas & Electric Co. 1st Mtg.	2¾	1975	40 000 00	39 704 20	39 100 00
Cleveland Electric Illuminating Co. 1st Mtg.	3	1982	40 000 00	41 186 80	41 000 00
Columbia Gas & Electric Corp. Deb.	3⅛	1971	40 000 00	41 233 20	40 100 00
Commonwealth Edison Co. 1st Mtg. L	3	1977	40 000 00	42 660 73	40 500 00
Consumers Power Co. 1st Mtg.	2⅞	1975	40 000 00	42 853 20	39 500 00
Dallas Power & Light Co. 1st Mtg.	3½	1967	20 000 00	21 769 30	21 575 00
Dayton Power & Light Co. 1st Mtg.	2¾	1975	30 000 00	30 527 60	29 100 00
Dayton Power & Light Co. 1st Mtg.	3	1978	10 000 00	10 172 97	10 050 00
Detroit Edison Co. Gen. & Ref. Mtg. H	3	1970	30 000 00	31 625 55	30 300 00
Detroit Edison Co. Gen. & Ref. Mtg. I	2¾	1982	10 000 00	9 975 38	9 575 00
Duquesne Light Co. 1st Mtg.	2¾	1977	40 000 00	40 295 47	39 000 00
Florida Power & Light Co. 1st Mtg.	3½	1974	30 000 00	32 168 20	31 575 00
Gulf States Utilities Co. 1st Mtg.	2⅝	1976	40 000 00	40 321 60	37 300 00
Illinois Bell Telephone Co. 1st Mtg. A	2¾	1981	40 000 00	38 717 40	38 000 00
Illinois Power Co. 1st Mtg.	2⅞	1976	40 000 00	41 233 20	39 400 00
Iowa-Illinois Gas & Electric Co. 1st Mtg.	2¾	1977	5 000 00	4 679 75	4 787 50
Iowa Power and Light Co. 1st Mtg.	3	1978	40 000 00	41 191 00	40 200 00
Kansas City Power & Light Co. 1st Mtg.	2¾	1976	40 000 00	41 923 80	38 900 00
Louisiana Power & Light Co. 1st Mtg.	3	1974	40 000 00	40 821 40	39 300 00
Minnesota Power & Light Co. 1st Mtg.	3⅛	1975	40 000 00	41 096 20	40 100 00
Mountain States Tel. & Tel. Co. Deb.	2⅝	1986	40 000 00	40 569 83	36 000 00
Narragansett Electric Co. 1st Mtg. A	3	1974	30 000 00	31 543 50	30 225 00
New Jersey Power & Light Co. 1st Mtg.	3	1974	30 000 00	31 897 20	30 075 00
New York Power & Light Corp. 1st Mtg.	2¾	1975	40 000 00	40 687 60	38 300 00
Northern States Power Co. 1st Mtg.	2⅝	1977	40 000 00	40 271 67	36 800 00
Ohio Public Service Co. 1st Mtg.	2¾	1976	40 000 00	40 479 80	37 400 00
Oklahoma Gas & Electric Co. 1st Mtg.	2¾	1975	40 000 00	40 452 20	37 800 00
Pacific Telephone & Telegraph Co. Deb.	2¾	1985	30 000 00	32 197 20	27 637 50
Pacific Telephone & Telegraph Co. Deb.	3⅛	1987	10 000 00	10 297 12	10 050 00
Penn. Power & Light Co. 1st Mtg.	3	1975	40 000 00	41 356 80	39 400 00
Portland General Electric Co. 1st Mtg.	3⅛	1975	30 000 00	32 151 50	28 725 00
Public Service Co. of Colorado 1st Mtg.	2⅞	1977	40 000 00	41 026 80	39 000 00
Public Service Co. of Oklahoma 1st Mtg. A	2¾	1975	30 000 00	29 860 80	28 350 00
San Diego Gas & Electric Co. 1st Mtg. C	3	1978	40 000 00	41 142 80	40 000 00
Southern Bell Tel. & Tel. Co. Deb.	3	1979	40 000 00	42 262 53	40 300 00
Southern Calif. Edison Co. 1st & Ref. Mtg.	3	1965	30 000 00	31 530 90	30 750 00
Southern Calif. Edison Co. 1st & Ref. Mtg. A	3⅛	1973	10 000 00	10 544 12	10 100 00
Southwestern Bell Telephone Co. Deb.	2¾	1985	40 000 00	40 537 93	37 800 00
Southwestern Gas & Elec. Co. 1st Mtg. A	3¼	1970	29 000 00	30 832 80	30 232 50
Tennessee Gas & Transmission Co. 1st Mtg. Pipe Line	2¾	1966	37 000 00	37 755 79	35 705 00
Texas Electric Service Co. 1st Mtg.	2¾	1975	30 000 00	30 267 00	28 725 00
Toledo Edison Co. 1st Mtg.	2⅞	1977	30 000 00	30 968 45	29 400 00
West Penn Power Co. 1st Mtg. M	3	1978	35 000 00	35 987 35	35 262 50
West Texas Utilities Co. 1st Mtg. A	3⅛	1973	20 000 00	21 063 17	20 050 00
Wisconsin Michigan Power Co. 1st Mtg.	3	1978	30 000 00	30 485 47	30 225 00
Wisconsin Electric Power Co. 1st Mtg.	2⅝	1976	40 000 00	40 774 60	37 300 00
Total Public Utility			$1 696 000 00	$1 756 844 50	$1 676 675 00

EXHIBIT D
(*Continued*)

INVESTMENTS IN BONDS, AUGUST 31, 1948

Description	*Interest Rate*	*Maturities*	*Par Value*	*Book Value*	*Market Value*
RAILROAD					
Washington Terminal Co. 1st Mtg. A	2⅝	1970	$20 000 00	$20 269 63	$19 950 00
INDUSTRIAL					
American Tobacco Co. Sinking Fund Deb.	3	1962	$ 27 000 00	$ 27 326 97	$ 27 573 75
Celanese Corp. of America Sinking Fund Deb.	3	1965	30 000 00	31 269 95	30 525 00
Deere & Company Deb.	2¾	1965	30 000 00	30 855 15	30 075 00
Firestone Tire and Rubber Co. Deb.	3	1961	19 000 00	19 520 22	19 570 00
Food Machinery Corp. Sinking Fund Deb.	2½	1962	5 000 00	4 963 00	4 900 00
The B. F. Goodrich Co. 1st Mtg.	2¾	1965	40 000 00	40 437 47	39 500 00
Minn. Mining and Mfg. Co. Sinking Fund Deb.	2¾	1967	40 000 00	40 133 67	40 000 00
John Morrell & Co. Deb.	3	1958	30 000 00	30 333 50	29 925 00
Phillips Petroleum Co. Sinking Fund Deb.	2¾	1964	29 000 00	30 424 43	29 181 25
The Quaker Oats Co. Deb.	2⅝	1964	30 000 00	30 327 70	29 850 00
Shell Union Oil Corp. Deb.	2½	1971	40 000 00	39 823 13	37 800 00
Skelly Oil Co. Deb.	2¾	1965	40 000 00	41 084 13	39 700 00
Socony-Vacuum Oil Co., Inc., Deb.	2½	1976	40 000 00	38 987 00	37 400 00
Swift & Co. Deb.	2⅝	1972	40 000 00	40 369 20	38 300 00
Westinghouse Electric and Mfg. Co. Deb.	2⅛	1951	20 000 00	20 102 20	20 100 00
Westinghouse Electric Corp. Deb.	2⅝	1971	20 000 00	20 331 20	19 400 00
Total Industrial			$480 000 00	$486 288 92	$473 800 00

SUMMARY

United States Government	$1 790 000 00	$1 793 471 20	$1 790 925 00
Public Utility	1 696 000 00	1 756 844 50	1 676 675 00
Railroad	20 000 00	20 269 63	19 950 00
Industrial	480 000 00	486 288 92	473 800 00
TOTAL	$3 986 000 00	$4 056 874 25	$3 961 350 00

NOTE

The market value as shown for United States of America Savings bonds, Series G, represents cost of these investments. Series G bonds are redeemable prior to maturity at a discount.