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# UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

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ANNUAL REPORT AS OF AUGUST 31, 1950



# **UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS**

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University Retirement System Office  
located at Urbana, Illinois

Report prepared by Ruth E. Kunkel, Secretary

Issued by authority of the Board of Trustees

November, 1950

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The University Retirement System of Illinois was established by Act of the General Assembly of the State of Illinois in 1941 to provide Retirement Annuities, Disability Benefits, and Death Benefits for staff members and employees of the following agencies of the State of Illinois as employers:

Charleston	Eastern Illinois State College
Normal	Illinois State Normal University
De Kalb	Northern Illinois State Teachers College
Carbondale	Southern Illinois University
Urbana	State Geological Survey
Urbana	State Natural History Survey
Urbana	State Water Survey
Springfield	Teachers College Board
Chicago	
Springfield	University of Illinois
Urbana	
Urbana	University Retirement System
Macomb	Western Illinois State College



The University Retirement System of Illinois is a public trust, and as a public corporation is separate and distinct from all other agencies of the State of Illinois.

### ***Participation***

Persons certified by the various employers as being on permanent and continuous employment are required to participate in the System. At August 31, 1950, the number of participants was 8,477, an increase of 30% over the previous year, and 125% greater than at the inception of the System.

### ***State Retirement Systems Reciprocal Act***

The State Retirement Systems Reciprocal Act determines benefits payable to the individual who has rendered service under this System, the Teachers' Retirement System of the State of Illinois and the State Employees' Retirement System of Illinois, or any two of them.

A participant in the University Retirement System having membership in either of the other two Systems should check with the University Retirement System Office for information as to his status.

## ***Benefits Paid by the System***

The benefits paid by the System are four in number:

1. Annuities — Retirement and Reversionary
2. Disability Benefits
3. Death Benefits and Beneficiary Annuities
4. Separation Benefits



### **Retirement and Reversionary Annuities**

During the year, 49 members retired, eight retirement annuitants died, leaving 259 who were receiving Retirement Annuities on August 31, 1950. The total amount paid to retired annuitants during the year was \$368,591, a 22% increase over the previous year.

On August 31, 1950, five beneficiaries were receiving Reversionary Annuities. These were beneficiaries of annuitants who had elected to receive reduced Retirement Annuities during their lives in order to provide Reversionary Annuities after death to their beneficiaries.

Of the total Retirement and Reversionary Annuity payments made during the year, 4.7% of the annuities was provided by employee contributions and 95.3% was provided by contributions of the employers from State, Federal, and trust funds. Most of these payments include service rendered prior to 1941, for which the State has assumed the entire cost.



### **Disability Benefits**

Disability Benefits paid to disabled employees are provided entirely by appropriations from the State of Illinois and by contributions from trust funds. No portion of the employee's contribution is used to provide the Disability Benefit. In addition to the Disability Benefits paid in cash to the employee, the System also credits Normal Contributions to the account of the employee in the same amount as the employee would be contributing, were he receiving his regular rate of compensation from the employer.

The total Disability Benefits paid during the year amounted to \$223,188, an increase of 15% over the previous year, and during the year ended August 31, 1950, 212 members received Disability Benefits, as compared with 202 during the year ended August 31, 1949.

### Death Benefits and Beneficiary Annuities

During the year, 41 members died and the total of Death Benefits payable to the beneficiaries was \$93,284. Corresponding figures for the preceding year were 39 persons and \$69,966 in benefits. Of this amount \$26,179 consisted of employee contributions to the System plus interest, and the balance of \$67,105 was provided by employer contributions.

Of the total Death Benefits of \$93,284 approved during the year, \$72,023 was paid to beneficiaries in cash and \$21,261 was used to provide Beneficiary Annuities, either as directed by the participant or elected by the beneficiary. At August 31, 1950, 25 beneficiaries were receiving annuities from the System, provided by Death Benefits, and the total amount paid during the year to Beneficiary Annuitants was \$5,144.

### Separation Benefits

An individual who terminates his employment with all agencies of the State of Illinois may request the return of his contributions in the form of a Separation Benefit, provided he is not then entitled to a Retirement Annuity. During the year 1,055 persons withdrew their contributions from the System, and the total amount paid to these individuals was \$186,523, consisting of their own contributions plus interest to the date of termination of employment.

### Income

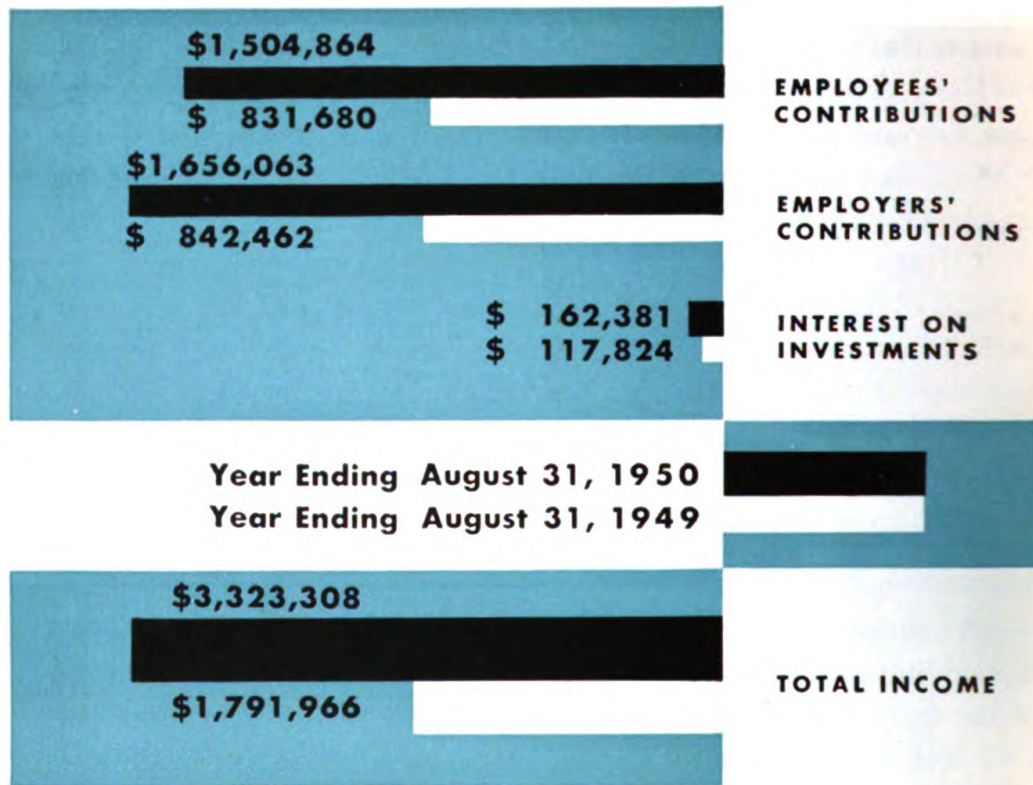
The total income of the System for the year was \$3,323,308, an increase of 85% over the preceding year.

All participating employees now contribute 5% of each payment of earnings; the rate prior to September 1, 1949, was 3½%. These contributions may be used only for one of the following benefits:

- |          |   |
|----------|---|
| <b>a</b> | Part of the Death Benefit   |
| <b>b</b> | Part of Retirement Annuity  |
| <b>c</b> | Separation Benefit payable to employee upon request after termination of employment |

The remainder of cost is provided by the State of Illinois through appropriations to the various employers, and by contributions of

### THREE SOURCES OF INCOME



employers from trust and Federal funds under their control. Contributions from the State are on substantially a pay-as-you-go basis, plus certain minimum reserves prescribed by the Act.

The chart above shows the three sources of income and the comparative amounts for the two years ending on August 31, 1950 and August 31, 1949.

### *Expenditures*

Persons who are receiving annuities from the System received the major portion of the expenditures during the past year. Below are comparative figures of expenditures taken from the statements for the years ending on August 31, 1950 and on August 31, 1949.

The excess of income over expenditures for the year ending August 31, 1950, was \$2,396,915, which resulted in an increase in the total assets of the System.

Administrative expense, paid entirely from employer contributions, was 2.04% of the total income.



## EXPENDITURES

ANNUITIES (ALL TYPES)	\$376,945	\$309,048
DISABILITY BENEFITS	\$223,188	\$193,579
SEPARATION BENEFITS	\$186,523	\$135,500
DEATH BENEFITS	\$ 72,023	\$ 54,965
ADMINISTRATIVE EXPENSE	\$ 67,710	\$ 54,594
OTHER EXPENDITURES	\$ 4	\$ 930
	Year Ending August 31, 1950	Year Ending August 31, 1949
TOTAL EXPENDITURES	\$926,393	\$748,616

### *Assets*

At August 31, 1950, total assets were \$7,476,628, an increase of \$2,420,892 over 1949. 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	\$4,854,280	64.93%
Reserves for Funded Annuities in Force	231,144	3.09
Reserves for Employers' Contributions	1,556,038	20.81
General Reserves	835,166	11.17
<b>TOTAL</b>	<b>\$7,476,628</b>	<b>100.00%</b>

## **Investments**

All cash not required for current operation of the System is invested promptly in interest-bearing securities. The State Law governing the System requires that at least 40% of the investments shall be in Government, State, and Municipal Bonds.

Investments owned by the System as of August 31, 1950, were as follows:

	<b>PAR VALUE</b>	<b>AMORTIZED COST</b>	<b>QUOTED MARKET VALUE</b>	<b>AVERAGE RATE OF INTEREST EARNED</b>
<b>INDUSTRIAL</b>	<b>\$ 821,000</b>	<b>\$ 837,378</b>	<b>\$ 841,122</b>	<b>2.47 %</b>
<b>PUBLIC UTILITY</b>	<b>3,408,000</b>	<b>3,501,204</b>	<b>3,513,624</b>	<b>2.75</b>
<b>RAILROAD</b>	<b>20,000</b>	<b>20,250</b>	<b>20,200</b>	<b>2.54</b>
<b>TOTAL, NON-PUBLIC</b>	<b>4,249,000</b>	<b>4,358,832</b>	<b>4,374,946</b>	<b>2.69 %</b>
<b>U. S. GOVERNMENT</b>	<b>2,890,000</b>	<b>2,922,381</b>	<b>2,913,475</b>	<b>2.38</b>
<b>TOTAL, ALL BONDS</b>	<b>7,139,000</b>	<b>7,281,213</b>	<b>7,288,421</b>	<b>2.57 %</b>

## **RETIREMENT SYSTEM INVESTMENTS**

The average rate of interest earned on all bonds for the fiscal year ending August 31, 1949, was 2.61%.

Interest at 3% was added to all employee contributions, in the total amount of \$119,709. Undistributed interest at August 31, 1950, was \$52,412, an increase of \$17,945 over August 31, 1949.

**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, 1950, 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 note thereto, present fairly the financial position of the University Retirement System of Illinois at August 31, 1950, 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 8, 1950

**Balance Sheet, August 31, 1950**

**Exhibit A**

**ASSETS**

CASH IN BANK.....	\$ 111,887.69
ACCOUNTS RECEIVABLE.....	27,170.10
ACCRUED INTEREST RECEIVABLE.....	56,357.14
INVESTMENTS IN BONDS — at amortized cost (market value: \$7,288,421.25).....	7,281,213.21
FURNITURE AND FIXTURES — carried at no value (cost: \$10,757.92).....	Nil
TOTAL.....	<u>\$7,476,628.14</u>

**LIABILITIES**

ACCOUNTS PAYABLE.....	\$ 5,722.35
BENEFITS PAYABLE.....	38,947.02
RETIREMENT ANNUITY PAYABLE.....	62.24
RESERVES, per Exhibit B:	
Reserve for employee contributions.....	\$4,854,280.30
Reserve for additional death benefits.....	\$265,935.20
Reserve for disability benefits.....	105,406.99
Reserve for funded retirement and reversionary annuities in force.....	154,082.81
Reserve for beneficiary annuities in force.....	76,541.74
Reserve for reciprocal benefits.....	519.09
Reserve for employer contributions for funded current annuities accruing.....	721,219.41
Reserve for employer contributions for unfunded current annuities (see note).....	51,117.58
Reserve for employer contributions for supplemental an- nuities (see note).....	412,359.21
Reserve for undistributed interest and gains on invest- ments.....	54,273.08
Reserve for annuities, benefits, and administrative ex- penses (as provided in Section 4.1(1)(e) ).....	345,443.08
Reserve for variations in mortality, interest, and turnover experience.....	390,718.04
TOTAL.....	<u>2,577,616.23</u> <u>\$7,476,628.14</u>

**SUMMARY OF CHANGES IN RESERVES  
 For the Year Ended August 31, 1950**

Reserve	Balance August 31, 1949	Additions			Deductions			Balance, August 31, 1950
		Income, per Exhibit C	Interest Distri- bution	Transfers	Expenditures, per Exhibit C	Interest Distri- bution	Transfers	
Reserve for employee contribu- tions . . . . .	\$3,489,923.01	\$1,504,864.20	\$119,709.08		\$206,249.24		\$53,966.75	\$4,854,280.30
Reserve for additional death benefits . . . . .	188,232.51	143,571.60			51,462.24		14,406.67	265,935.20
Reserve for disability benefits . . . . .		328,594.88			223,187.89			105,406.99
Reserve for funded retirement and reversionary annuities in force . . . . .	110,559.21		4,442.87	\$58,577.76	19,497.03			154,082.81
Reserve for beneficiary annu- ities in force . . . . .	58,542.46		1,880.95	21,262.10	5,143.77			76,541.74
Reserve for reciprocal benefits . . . . .		3,171.48			2,652.39			519.09
Reserve for employer contribu- tions for funded current an- nuities accruing . . . . .	562,962.25	151,193.84	18,529.76				11,466.44	721,219.41
Reserve for employer contribu- tions for unfunded current annuities . . . . .	22,771.59	56,318.00			27,972.01			51,117.58
Reserve for employer contribu- tions for supplemental an- nuities . . . . .	224,816.71	510,061.00			322,518.50			412,359.21
Reserve for undistributed inter- est and gains on investments	36,455.25	162,380.49				\$144,562.66		54,273.08
Reserve for administrative ex- penses . . . . .		65,327.00			67,709.92			
Reserve for annuities, benefits, and administrative expenses (as provided in Section 4.1 (1)(c) . . . . .		347,826.00					2,382.92	345,443.08
Reserve for variations in mor- tality, interest, and turnover experience . . . . .	340,718.04	50,000.00						390,718.04
<b>Total . . . . .</b>	<b>\$5,034,981.03</b>	<b>\$3,323,308.49</b>	<b>\$144,562.66</b>	<b>\$82,222.78</b>	<b>\$926,392.99</b>	<b>\$144,562.66</b>	<b>\$82,222.78</b>	<b>\$7,431,896.53</b>

**Summary of Income and Expenditures  
For the Year Ended August 31, 1950**

**Exhibit C**

**INCOME:**

Employee contributions . . . . .	\$1,504,864.20	
Employer contributions:		
Additional death benefits . . . . .	\$143,571.60	
Disability benefits . . . . .	328,594.88	
Funded current annuities accruing . . . . .	151,193.84	
Unfunded current annuities . . . . .	56,318.00	
Supplemental annuities . . . . .	510,061.00	
Administrative expenses . . . . .	65,327.00	
Annuities, benefits, and administrative expenses (as provided in Section 4.1(1)(e) ) . . . . .	347,826.00	
Variations in mortality, interest, and turnover ex- perience . . . . .	<u>50,000.00</u>	1,652,892.32
Contributions transferred from other retirement systems under the provisions of State Retirement Systems Reciprocal Act . . . . .		3,171.48
Interest on bonds, plus accumulated discount, less amortized pre- mium . . . . .		162,507.33
Loss on sale or redemption of bonds (debit *) . . . . .		<u>126.84 *</u>
Total income . . . . .		<u>\$3,323,308.49</u>

**EXPENDITURES:**

Administrative expenses . . . . .	\$	67,709.92
Annuity payments:		
Retirement . . . . .	\$368,591.32	
Reversionary . . . . .	3,210.84	
Beneficiary . . . . .	<u>5,143.77</u>	376,945.93
Benefit payments:		
Death . . . . .	72,022.33	
Disability . . . . .	223,187.89	
Separation . . . . .	<u>186,523.17</u>	481,733.39
Refunds . . . . .		<u>3.75</u>
Total expenditures . . . . .	\$	<u>926,392.99</u>
EXCESS OF INCOME OVER EXPENDITURES . . . . .		<u>\$2,396,915.50</u>

***Note to Financial Statements, August 31, 1950***

At August 31, 1950, 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 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, 1949, indicated that, as of that date, there were unfunded requirements for annuities accruing and annuities entered upon of approximately \$19,900,000.00.

inquiries should be directed to

**University Retirement  
System of Illinois  
305 Administration (E)  
Urbana, Illinois  
Phone: Urbana 7-6611 Ext. 541**















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