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Twelfth annual report

**UNIVERSITY
RETIREMENT
SYSTEM
OF ILLINOIS**



year
ended
august
31

1953

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UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

EMPLOYERS

EASTERN ILLINOIS STATE COLLEGE CHARLESTON

ILLINOIS STATE NORMAL UNIVERSITY NORMAL

NORTHERN ILLINOIS STATE TEACHERS COLLEGE DE KALB

SOUTHERN ILLINOIS UNIVERSITY CARBONDALE

STATE GEOLOGICAL SURVEY URBANA

STATE NATURAL HISTORY SURVEY URBANA

STATE WATER SURVEY URBANA

TEACHERS' COLLEGE BOARD SPRINGFIELD

UNIVERSITY CIVIL SERVICE MERIT BOARD URBANA

UNIVERSITY OF ILLINOIS CHICAGO, SPRINGFIELD, URBANA

UNIVERSITY RETIREMENT SYSTEM URBANA

WESTERN ILLINOIS STATE COLLEGE MACOMB

Twelfth

ANNUAL REPORT

YEAR ENDED

AUGUST 31, 1953

ISSUED BY THE AUTHORITY OF THE BOARD OF TRUSTEES OF THE

UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

URBANA, ILLINOIS DECEMBER, 1953

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University Retirement System Office located at

305 Administration (E) Urbana, Illinois

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ANNUAL REPORT TO THE PARTICIPANTS:

In accordance with Section 6.2(m) of the Act governing the University Retirement System of Illinois, and on behalf of its Board of Trustees, I am submitting herewith the Twelfth Annual Report of the Board. This report contains a summary of its activities during the Fiscal Year ended August 31, 1953, and statements showing the financial position of the System on that date. The accounts have been audited by Haskins and Sells, Certified Public Accountants, and their report is included herein.

This report was prepared by Edward S. Gibala, Secretary, under the general direction and supervision of Lloyd Morey, Comptroller.

R. A. Stipes, Jr., *President*

BOARD OF TRUSTEES

RESULTS OF OPERATIONS FOR 1952-53

INCOME

Total income of the System for the year amounted to \$4,257,493, as compared with \$3,976,007 for the preceding Fiscal Year. This was an increase of 7.1% over the total income for the previous year.

The income of the System is derived from (1) Employee Contributions, (2) Employer Contributions from the State of Illinois and from Trust and Federal funds, and (3) Income from investments.

1 Participation in the University Retirement System is required of every employee whose employment is permanent and continuous and every employee who has completed one year of full time employment without interruption. The responsibility for determining what shall be considered permanent and continuous employment rests with each Employer.

A person on leave of absence without pay except a military or disability leave must make Normal Contributions at the rate of

5% of his salary immediately preceding such leave in order to receive the benefits of the System. Persons on disability leave continue to receive the benefits of the System while on leave, without payment of Contributions. Persons on military leave receive Service credit without payment of Contributions but are not protected by Disability and Additional Death Benefits.

On August 31, 1953, there were 10,005 participants as compared with 9,110 on August 31, 1952. This is an increase of 9.8%. Of the 10,005 participants on August 31, 1953, 8,969 were currently employed and 1,036 had resigned but left their contributions on deposit.

The Employer deducts Contributions at the rate of 5% from the earnings payable to each Participant and remits this amount to the Retirement System. Such Contributions during the year amounted to \$1,997,667. This is 46.9% of the total income received during the year and is an increase of 9% over the total Employee Contributions received during the previous Fiscal Year.

2 The State of Illinois, through appropriations to the various Employers covered by the System, makes Employer Contributions equal to an amount necessary to pay estimated benefits and expenses during a biennium plus an amount necessary to maintain reserves sufficient to meet the payment of benefits and expenses for the year following the biennium. An Amendment to the Retirement Act by the 68th General Assembly removed the restriction which limited the accumulation of benefit reserves of the System to an amount necessary to pay benefits and expenses for the year following the biennium and provided that the benefit reserve shall not be less than an amount necessary to pay benefits for two years following the biennium.

Employers also make Contributions to the System from Trust and Federal funds under their control.

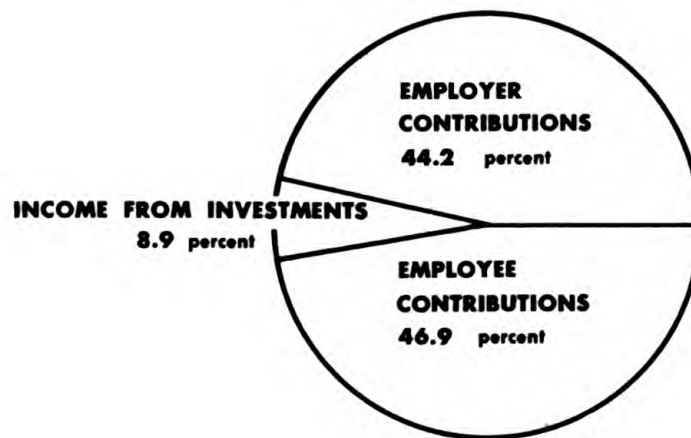
Employer Contributions during the year totaled \$1,880,332. This is 44.2% of the total income received during the year and is an increase of 2.7% over the Employer Contributions received during the previous Fiscal Year.

3 Income of the System in excess of the amount necessary to meet current obligations is promptly invested in good quality

medium-term and long-term bonds which qualify under the provisions of the Retirement Act. The investments in non-public obligations may not exceed 60% of the total book value of all assets of the System at any time.

Income from investments during the year amounted to \$379,097. This is 8.9% of the total income received during the year and is an increase of 21.8% over the income from investments received during the previous Fiscal Year.

SOURCE OF INCOME



EXPENDITURES

Total expenditures of the System during the year were \$1,605,125 as compared with \$1,282,018 for the preceding Fiscal Year. This was an increase of \$323,107 or 25.2%. This increase in total expenditures is accounted for as follows:

1. Annuities increased \$90,009 or 16.9% over the preceding Fiscal Year.
2. Disability Benefits increased \$42,024 or 14.8% over the preceding Fiscal Year.
3. Death Benefit payments increased \$47,118 or 74.3% over the preceding Fiscal Year.
4. Refunds to participants increased \$145,789 or 44.4% over the preceding Fiscal Year.
5. Administrative Expense decreased \$2,291. This is 3.2% less than the amount expended for administrative expense during the preceding Fiscal Year.

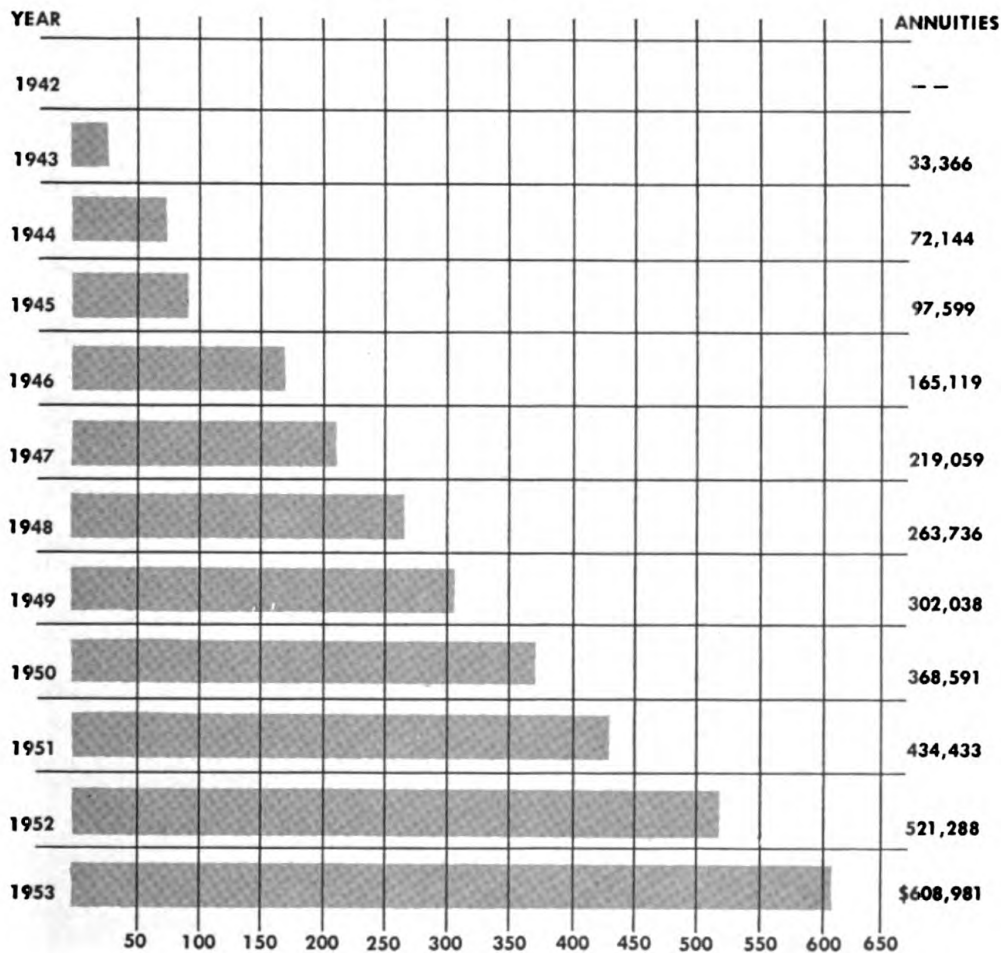
ANNUITIES

At the beginning of the year there were 350 persons receiving Retirement Annuities. During the year 70 participants retired and 15 annuitants died, leaving 405 who were receiving Retirement Annuities on August 31, 1953. Retirement Annuity payments amounted to \$608,981, as compared with \$521,288 for the Fiscal Year ended August 31, 1952.

At the end of the year 9 persons were receiving Reversionary Annuities. Reversionary Annuity payments during the year amounted to \$6,176.

At the end of the year, 32 Beneficiaries were receiving Beneficiary Annuities. Beneficiary Annuity payments during the year amounted to \$8,486.

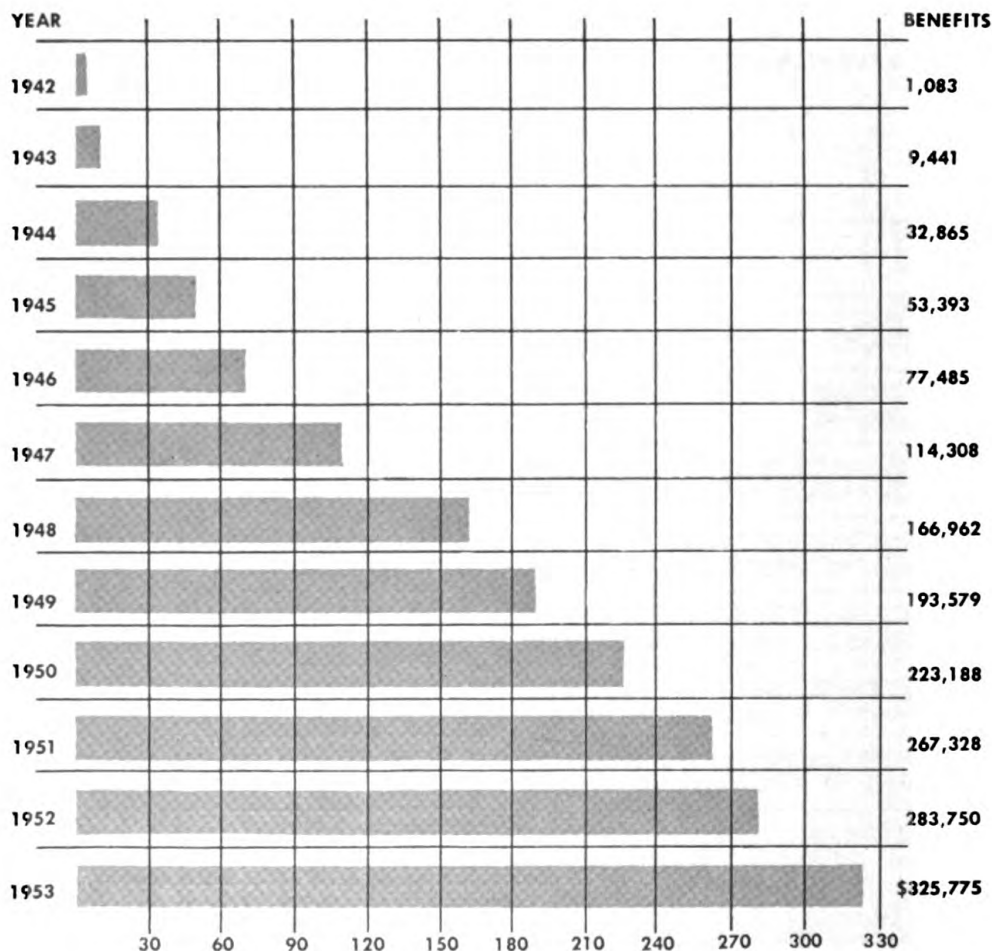
RETIREMENT ANNUITIES PAID DURING YEARS ENDED AUGUST 31



DISABILITY BENEFITS

During the year 259 Participants received Disability Benefits as compared with 223 during the Fiscal Year ended August 31, 1952. Disability Benefit payments amounted to \$325,774 as compared with \$283,750 during the previous year.

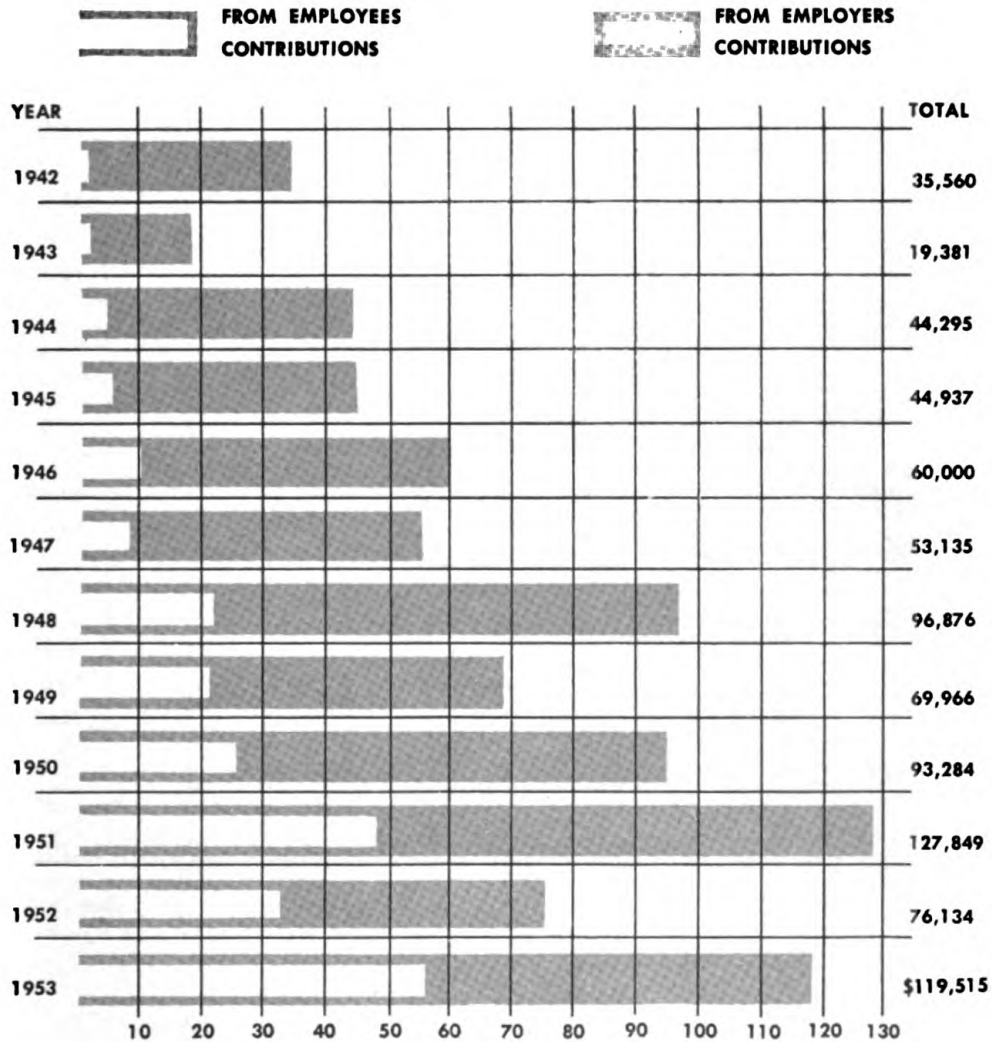
DISABILITY BENEFITS PAID DURING YEARS ENDED AUGUST 31



DEATH BENEFITS

Forty-three Participants and fifteen Annuitants died during the year. Death Benefits approved during the year amounted to \$119,515 as compared with \$76,134 for the year ended August 31, 1952. Of the total Death Benefits approved during the year ended August 31, 1953, \$64,107 was provided by Employer Contributions, and \$55,408 by Employee Contributions. Five thousand dollars was set aside to be paid in monthly installments and the balance was paid in lump sums to beneficiaries.

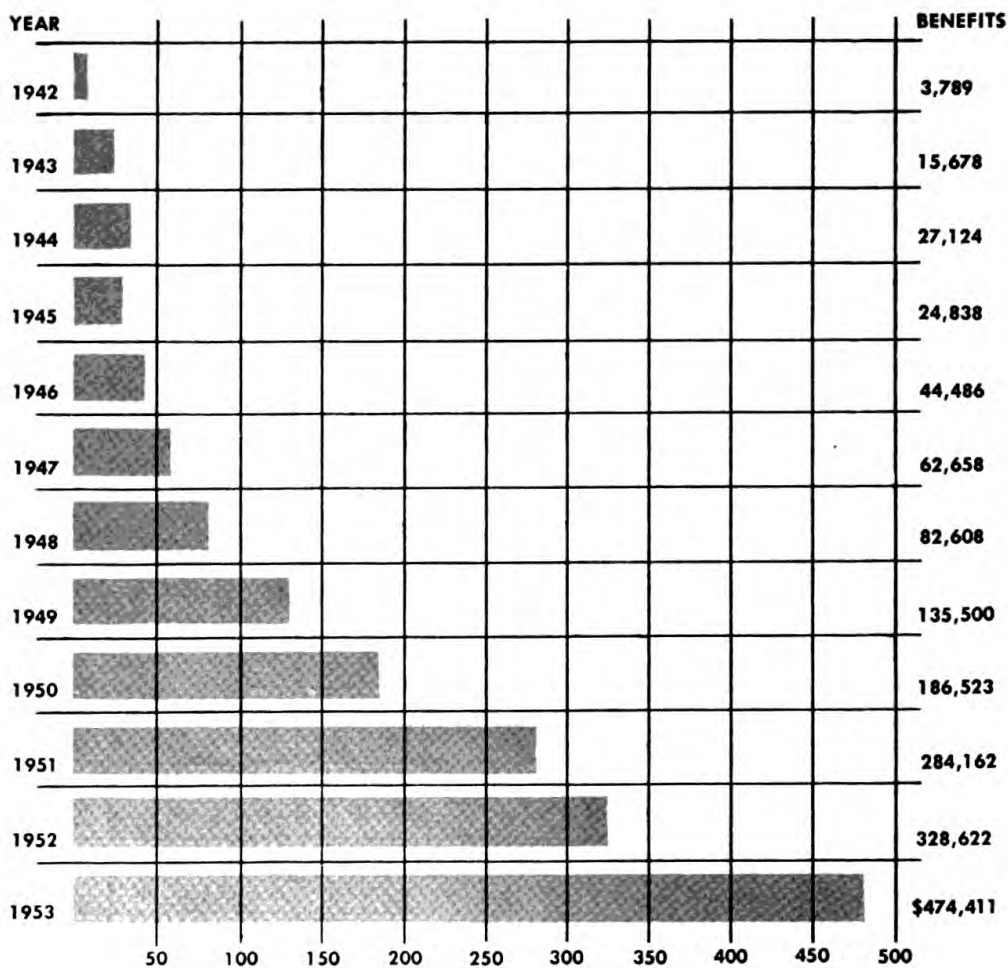
DEATH BENEFITS APPROVED DURING YEARS ENDED AUGUST 31



REFUNDS

A total of 1,693 Participants withdrew their Contributions from the System as compared with 1,250 for the year ended August 31, 1952. These withdrawals amounted to \$474,411, as compared with \$328,622 for the previous year.

REFUNDS PAID DURING YEARS ENDED AUGUST 31



ASSETS AND LIABILITIES

As of August 31, 1953, total assets were \$15,290,111. This represents an increase of \$2,690,807 or 21.4% over the previous year. Of the total assets, \$14,969,660 or 97.9% was represented by investments in bonds, \$7,721 or 0.05% in cash, and \$312,730 or 2.05% in receivables. These assets represent the following accounts:

	AMOUNT	PERCENTAGE
Employee Contributions, held in trust for the benefit of each Employee	\$ 9,453,478	61.9
Reserves for Funded Annuities in Force	480,842	3.1
Reserve for Employer Contributions for Unfunded Annuities in Force	1,254,501	8.2
Reserves for Employer Contributions for Funded Current Annuities Accruing	1,394,797	9.1
Reserve for Additional Death Benefits	151,495	1.0
Reserve for Disability Benefits	573,203	3.7
Reserve for Administrative Expenses	121,620	.8
Reserve for Variation in Mortality, Interest, and Turnover Experience	1,496,772	9.8
Miscellaneous Liabilities and Reserves	363,403	2.4
	<u>\$15,290,111</u>	<u>100.0</u>

INVESTMENTS

Investments owned by the System as of August 31, 1953, were as follows:

DESCRIPTION OF BONDS	PAR VALUE	AMORTIZED COST	MARKET VALUE
United States Government	\$ 5,906,000	\$ 5,909,217	\$ 5,624,470
Industrial Corporation	3,647,000	3,693,535	3,548,100
Public Utility	5,223,000	5,346,689	4,864,323
Railroad	20,000	20,219	17,425
	<u>\$14,796,000</u>	<u>\$14,969,660</u>	<u>\$14,054,318</u>

A detailed schedule of the above securities may be inspected at the office of the System in Urbana.

At the end of the year, the investment in non-public obligations was 59.3% of the total book value of assets at that date whereas the investment in public obligations was 38.6% of the total book value of the assets.

Income from investments during the year amounted to \$379,097 as compared with \$311,200 for the previous year. The average rate of return on the funds invested by the System during the past year of operation was 2.70% as compared with 2.63% for the previous year.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF TRADE BUILDING · CHICAGO 4

ACCOUNTANTS' CERTIFICATE

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, 1953, the related summary of income and expenditures, and the related summary of changes in reserves 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, the related summary of income and expenditures, and the related summary of changes in reserves present fairly the financial position of the University Retirement System of Illinois at August 31, 1953 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

HASKINS & SELLS

November 10, 1953

BALANCE SHEET, August 31, 1953 EXHIBIT A

ASSETS

Cash in bank	
Accounts receivable	
Accrued interest receivable	
Investment in bonds — at amortized cost (market value, \$14,054,318.09)	
Furniture and fixtures — carried at no value (cost, \$20,999.71)	

LIABILITIES

Accounts payable	
Benefits payable	
Reserves, per Exhibit C:	
Employee contributions	
Funded retirement and reversionary annuities in force	
Beneficiary annuities in force	
Employer contributions for funded current annuities accruing	
Employer contributions for unfunded current annuities (see note)	
Additional death benefits	
Disability benefits	
Employer contributions for supplemental annuities (see note)	
Reciprocal benefits	
Administrative expenses	
Variations in mortality, interest, and turnover experience	
Undistributed interest and losses on investments	

The accompanying note on page 22
is an integral part of these financial statements.

	\$ 7,721.20
	184,979.14
	127,750.07
	14,969,660.16
	Nil
TOTAL ASSETS	\$15,290,110.57

	\$ 2,836.70
	116,850.24
\$9,453,478.32	
384,870.83	
95,970.94	
1,394,796.50	
245,378.48	
151,495.08	
573,203.43	
1,009,122.20	
6,427.75	
121,620.12	
1,496,772.04	
237,287.94	
TOTAL RESERVES	15,170,423.63
TOTAL LIABILITIES	\$15,290,110.57

SUMMARY OF INCOME AND EXPENDITURES
for the Year Ended August 31, 1953 **EXHIBIT B**

INCOME:		
Employee contributions		\$1,997,666.61
Employer contributions:		
Funded current annuities accruing	\$249,823.24	
Unfunded current annuities (See note)	88,035.00	
Supplemental annuities (See note)	627,855.00	
Additional death benefits	165,899.09	
Disability benefits	384,105.93	
Requirements for reciprocal benefits (as provided in Section 7.10)	6,484.00	
Administrative expense	83,066.14	
Variations in mortality, interest, and turnover experience	275,064.00	1,880,332.40
Contributions transferred from other retirement systems under the provisions of the State Retirement Systems Reciprocal Act		397.03
Interest on bonds, plus accumulated discount, less amortized premiums		379,192.56
Gain (loss*) on sale or redemption of bonds		95.19*
TOTAL INCOME		\$4,257,493.41

EXPENDITURES:

Administrative expenses		\$ 70,107.30
Annuity payments:		
Retirement	\$608,981.27	
Reversionary	6,176.34	
Beneficiary	8,486.23	623,643.84
Benefit payments:		
Death	110,535.18	
Disability	325,774.36	436,309.54
Contributions refunded to employees upon separation from service		474,411.33
Contributions transferred to other retirement systems under the provisions of the State Retirement Systems Reciprocal Act		653.12
TOTAL EXPENDITURES		\$1,605,125.13
EXCESS OF INCOME OVER EXPENDITURES		\$2,652,368.28
Distributed to reserves as follows, Exhibit C:		
Employee contributions		1,471,278.48
Funded retirement and reversionary annuities in force		48,376.30*
Beneficiary annuities in force		8,486.23*
Employer contributions for funded current annuities accruing		249,823.24
Employer contributions for unfunded current annuities (See note)		20,489.27
Employer contributions for supplemental annuities (See note)		132,963.65
Additional death benefits		106,878.24
Disability benefits		58,331.57
Reciprocal benefits		2,346.15
Undistributed interest and losses on investments		379,097.37
Administrative expenses		12,958.84
Variations in mortality, interest, and turnover experience		275,064.00
TOTAL, AS ABOVE		\$2,652,368.28

The accompanying note on page 22 is an integral part of these financial statements.

* Deduct

SUMMARY OF CHANGES IN RESERVES for the Year Ended August 31, 1953

RESERVES FOR:	BALANCE, September 1, 1952	Add Excess of Income Over Expenditures, Per Exhibit B
Employee contributions	\$ 7,851,105.53	\$1,471,278.48
Funded retirement and reversionary annuities in force	292,346.12	48,376.30*
Beneficiary annuities in force	92,602.06	8,486.23*
Employer contributions for funded current annuities accruing	1,123,966.13	249,823.24
Employer contributions for unfunded current annuities — (See note)	224,889.21	20,489.27
Employer contributions for supplemental annuities — (See note)	876,158.55	132,963.65
Additional death benefits	49,703.31	106,878.24
Disability benefits	514,653.86	58,331.57
Reciprocal benefits	4,081.60	2,346.15
Administrative expenses	108,661.28	12,958.84
Variations in mortality, interest, and turnover experience	1,221,708.04	275,064.00
Undistributed interest and losses on investments	158,179.66	379,097.37
TOTAL	\$12,518,055.35	\$2,652,368.28

* Deduct excess of expenditures over income.

The accompanying note on page 22 is an integral part of these financial statements.

EXHIBIT C

INTEREST DISTRIBUTION		TRANSFERS		BALANCE, August 31, 1953
ADD	DEDUCT	ADD	DEDUCT	
\$251,567.12			\$120,472.81	\$ 9,453,478.32
11,106.11		\$129,794.90		384,870.83
2,875.08		8,980.03		95,970.94
36,028.46			15,021.33	1,394,796.50
				245,378.48
				1,009,122.20
			5,086.47	151,495.08
		218.00		573,203.43
				6,427.75
				121,620.12
				1,496,772.04
	\$301,576.77	1,587.68		237,287.94
\$301,576.77	\$301,576.77	\$140,580.61	\$140,580.61	\$15,170,423.63

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Note to Financial Statements, August 31, 1953

At the conclusion of each fiscal year a determination is 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 expenses. Employer contributions are limited under the Act 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.

The actuarial determination of the System's reserve requirements as of August 31, 1953, indicated that there were unfunded requirements approximating \$32,500,000.

STATISTICAL TABLES

RETIREMENT ANNUITIES

TABLE 1

**being paid at August 31, 1953
by age at end of fiscal year**

Age	AVERAGE MONTHLY PAYMENT			
	MALE		FEMALE	
	No.	Amount	No.	Amount
55-59	2	\$ 55	2	\$ 40
60-64	17	42	17	39
65-69	68	144	39	119
70-74	118	149	49	114
75-79	60	138	21	88
Over 79	9	126	3	20
TOTAL	274		131	
AVERAGE MONTHLY PAYMENT		\$137	\$ 98	

DISABILITY BENEFITS**TABLE 2**

being paid at August 31, 1953
by age at end of fiscal year

Age	AVERAGE MONTHLY PAYMENT			
	MALE		FEMALE	
	No.	Amount	No.	Amount
Under 40	2	\$198	7	\$111
40-44	3	185	5	125
45-49	3	169	8	121
50-54	9	147	8	120
55-59	16	169	17	122
60-64	31	157	23	134
Over 64	29	174	21	103
TOTAL	93		89	
AVERAGE MONTHLY PAYMENT		\$166		\$120

DEATH BENEFITS**TABLE 3**

during fiscal year
by length of service at date of death

LENGTH OF SERVICE Years	AVERAGE AMOUNT OF DEATH BENEFIT			
	MALE		FEMALE	
	No.	Amount	No.	Amount
Under 1	2	\$ 104	..	\$...
1-4	5	2,702	2	1,410
5-9	11	3,290	3	756
10-14	3	3,105	1	1,465
15-19	3	1,306
20-24	5	3,138	1	772
25-29	7	1,139	3	1,361
30-34	2	777	2	1,258
35-39	3	3,705
Over 39	4	1,319	1	500
TOTAL	42		16	
AVERAGE PAYMENT		\$2,401		\$1,146

PARTICIPATING EMPLOYEES***TABLE 4**

at August 31, 1953
by age at end of fiscal year

Age	No.	Average Annual Rate of Earnings
Under 20	142	\$2,049
20-24	793	2,551
25-29	1,126	3,339
30-34	1,322	4,078
35-39	1,147	4,667
40-44	1,106	4,910
45-49	1,044	5,168
50-54	852	5,208
55-59	661	4,994
60-64	523	5,252
Over 64	253	5,531
TOTAL	8,969	
AVERAGE ANNUAL RATE OF EARNINGS		\$4,407

* Including Disability Benefit Recipients

PARTICIPATING EMPLOYEES***TABLE 5**

at August 31, 1953
by length of service at end of fiscal year

Length of Service Years	No.	Average Annual Rate of Earnings
Under 1	646	\$2,906
1-4	4,158	3,767
5-9	2,112	4,883
10-14	547	4,882
15-19	443	5,544
20-24	342	5,658
25-29	347	6,042
30-34	239	6,624
Over 34	135	6,913
TOTAL	8,969	
AVERAGE ANNUAL RATE OF EARNINGS		\$4,407

* Including Disability Benefit Recipients

