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ANNUAL REPORT

for the year ended August 31, 1960

UNIVERSITY
RETIREMENT
SYSTEM
OF ILLINOIS

**EMPLOYERS COVERED BY THE
UNIVERSITY RETIREMENT SYSTEM**

EASTERN ILLINOIS UNIVERSITY CHARLESTON

ILLINOIS COMMISSION OF HIGHER EDUCATION CHICAGO

ILLINOIS STATE NORMAL UNIVERSITY NORMAL

NORTHERN ILLINOIS UNIVERSITY DE KALB

SOUTHERN ILLINOIS UNIVERSITY ALTON, CARBONDALE, EAST ST. LOUIS

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 OF ILLINOIS ALUMNI ASSOCIATION URBANA

UNIVERSITY OF ILLINOIS FOUNDATION URBANA

UNIVERSITY RETIREMENT SYSTEM URBANA

WESTERN ILLINOIS UNIVERSITY MACOMB

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OF THE UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

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The University Retirement System Office is located at
 1210 W. Oregon St., Urbana, Illinois
 Phone — EMpire 7-6611, Extension 541

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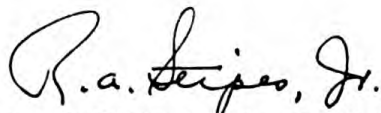
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ANNUAL REPORT TO THE PARTICIPANTS

In accordance with the provisions of the Act governing the University Retirement System of Illinois, I am submitting on behalf of the Board of Trustees, the Twentieth Annual Report of this System. This report covers a review of the operations during the fiscal year ended August 31, 1961, the financial position on that date, as well as the progress of the Retirement System during the past ten years.

During the 1960-61 fiscal year another 2,324 employees joined the Retirement System, thereby providing a sound financial future for themselves and their families. The Retirement Board extends a hearty welcome to these employees and strongly urges that they familiarize themselves with the benefits provided by the Retirement System and ask questions about any part of the program which they do not fully understand. Inquiries should be directed to the Secretary of the System whose office is located at 1210 W. Oregon St., Urbana.



R. A. STIPES, JR., President, Board of Trustees

TEN YEARS' PROGRESS

OF THE UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

1952-1961

Year Ended August 31	Assets	Income	Expenditures	Membership
1952	\$12,599,303	\$3,976,008	\$1,282,018	9,110
1953	15,290,111	4,257,493	1,605,125	10,005
1954	17,952,155	4,540,802	1,848,356	10,336
1955	20,542,551	4,680,987	2,108,716	10,443
1956	23,657,961	5,650,873	2,467,600	10,069
1957	26,853,094	5,907,568	2,735,742	10,624
1958	33,393,459	7,150,943	2,783,084	11,068
1959	38,828,867	7,837,770	3,133,438	11,767
1960	45,574,789	10,309,798	3,520,008	12,437
1961	53,726,418	11,128,044	3,853,843	13,116
Increase 1952-1961	\$41,127,115	\$ 7,152,036	\$2,571,825	4,006
Per Cent Increase 1952-1961	326.4	179.9	200.6	44.0

1960-1961

IN BRIEF

	End of Year 1961	End of Year 1960	Per Cent Increase for the Year
Assets	\$53,726,418	\$45,574,789	17.9
Income	11,128,044	10,309,798	7.9
Expenditures	3,853,843	3,520,008	9.5
Membership	13,116	12,437	5.5

Results of Operations for 1962-63

MEMBERSHIP

Every person who is under age 58 at the time of employment must become a member of the Retirement System after one year of permanent or full-time and continuous employment. If a person is employed on a permanent basis, he may elect to become a member during the first year of employment by filing a notice of election with his employer.

The following schedule shows the change in the membership during the past fiscal year:

Number of participants, September 1, 1962		13,963
Additions:		
Employees certified for participation during the year		<u>2,888</u>
		16,851
Deductions:		
Deaths of participants	53	
Separations with refunds	1,775	
Retirements	<u>147</u>	<u>1,975</u>
Number of participants, August 31, 1963		<u><u>14,876</u></u>

INCOME

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) interest on investments.

Employee Contributions

Every employee under the System contributes 6 per cent of his earnings to finance part of the cost of his annuity. If he resigns prior to establishing eligibility for a retirement annuity, his contributions plus interest are refunded to him, or, upon his death, to his beneficiary.

Employees also contribute an additional 1 per cent on earnings which is used to finance a part of the cost of survivors insurance benefits to widows, children under age 18, dependent widowers, and dependent parents. If a person resigns and withdraws his contributions, the survivors insurance contribution is refunded

with interest. Survivors insurance contributions are also refunded with interest if a person dies or retires and does not have a beneficiary who could qualify for survivors insurance payments.

Total employee contributions during the year amounted to \$7,906,642. This is 48.2 per cent of the total income received during the year and is an increase of 12.2 per cent over the total employee contributions received during the fiscal year 1962-63.

Employer Contributions

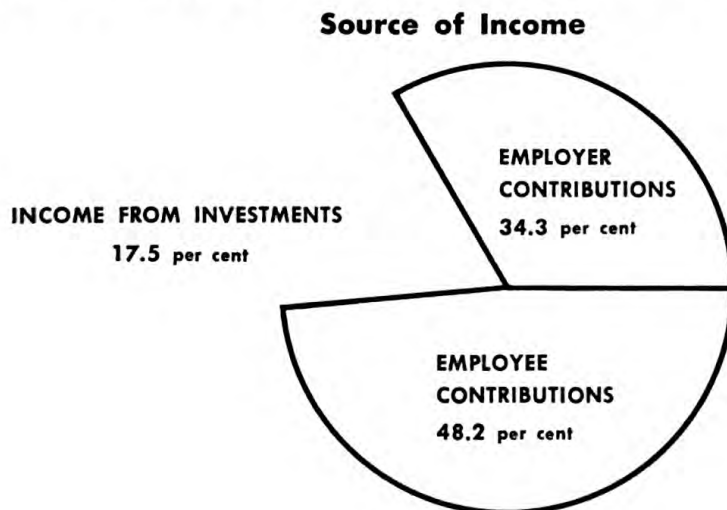
The Act governing the Retirement System provides that the State of Illinois, through appropriations to the various employers covered by the System, shall make employer contributions at least equal to an amount necessary to pay estimated benefits and expenses during each biennium, plus an amount necessary to maintain reserves sufficient to meet the payment of benefits and expenses 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 amounted to \$5,626,268. This is 34.3 per cent of the total income received during the year and is \$1,039,757 or 22.7 per cent more than the amount received during the previous year.

Investment Income

Income from the System in excess of the amount necessary to meet current obligations is promptly invested in good quality corporation and government bonds and common stocks.

Income from investments during the year amounted to \$2,869,899. This is 17.5 per cent of the total income received during the year and is an increase of \$460,366 or 19.1 per cent



over the income from investments received during 1961-62. The average rate of return on all bonds held during the past year was 3.92 per cent. Dividends on common stocks amounted to 2.87 per cent of the average cost of the stocks.

EXPENDITURES

Total expenditures during the 1962-63 fiscal year amounted to \$5,226,533. This was \$610,386 or 13.2 per cent greater than the expenditures for the previous year. The expenditures were as follows:

	Paid from State, Federal and Trust Funds		Paid from Employee Contributions		Total
	Amount	Per Cent	Amount	Per Cent	
Retirement annuities	\$2,379,976	86.2	\$380,017	13.8	\$2,759,993
Reversionary annuities	44,565	87.5	6,373	12.5	50,938
Beneficiary annuities	10,724	54.1	9,105	45.9	19,829
Disability benefits	510,670	100.0	—	—	510,670
Death benefits	89,775	34.4	170,906	65.6	260,681
Survivors benefits	189,449	99.7	622	.3	190,071
Refunds and transfers	—	—	1,277,156	100.0	1,277,156
Administrative expenses	157,195	100.0	—	—	157,195
TOTAL	\$3,382,354	64.7	\$1,844,179	35.3	\$5,226,533

ANNUITY AND DISABILITY BENEFIT STATISTICS

	Retirement Annuities	Reversionary Annuities	Beneficiary Annuities	Disability Benefits	Total
Number at beginning of year	1071	31	56	194	1352
Additions during the year	147	3	7	116	273
TOTAL	1218	34	63	310	1625
Terminations during the year because of death or return to employment	53	1	1	105	160
Number at end of year	1165	33	62	205	1465

DEATH BENEFIT AND SURVIVORS INSURANCE STATISTICS

During the year 53 participants and 53 annuitants died. Death benefits paid during the year amounted to \$260,681. This was \$88,055 or 51 per cent more than the previous year.

During the year beneficiaries of 31 deceased participants and annuitants qualified for benefits under the survivors insurance program. Survivors benefit payments during the year amounted to \$190,071, as compared with \$138,822 for the previous year. The following schedule shows the number of persons who qualified for survivors benefits during the year and the number of beneficiaries who were qualified to receive such benefits at the end of the year:

	Widows	Widowers	Children	Parents	Total
Number of beneficiaries on September 1, 1962	57	0	40	1	98
Number who began receiving benefits during the year	27	0	16	0	43
TOTAL	84	0	56	1	141
Number of benefit terminations during the year	2	0	3	0	5
Number of beneficiaries on August 31, 1963	82	0	53	1	136

REFUNDS

A total of 1,775 participants withdrew their contributions during the past year, as compared with 1,681 during 1961-62. These refunds amounted to \$1,277,156, which was \$65,087 more than the total refunds during the previous year.

ADMINISTRATIVE EXPENSES

The expenses incurred in administering the Retirement System are paid from State appropriations and trust and federal funds. The employee contributions are not used for this purpose. The administrative expenses during 1962-63 amounted to \$157,195 which was \$16,536 more than the administrative costs for 1961-62.

SCHEDULE OF ADMINISTRATIVE EXPENSES

Actuarial services	\$ 2,315
Audit expense	2,200
Corporate trustee fees	43,509
Disability medical examinations	686
Equipment	932
Equipment rental	694
Insurance and bonding	77
Maintenance	751
Office expense	384
Postage	2,959
Printing and stationery	6,932
Salaries and wages	80,465
Staff services, University of Illinois	15,000
Stenographic services	385
Subscriptions	149
Tabulating	8,803
Telephone and telegraph	1,119
Travel	1,273
Contingent	—
	TOTAL \$168,633

ASSETS

As of August 31, 1964, total assets were \$82,377,948. This is an increase of \$10,610,743 or 14.8 per cent over the previous year. Of the total assets \$96,121 was in cash, \$1,187,161 in receivables, \$70,335,550 was invested in bonds and \$10,759,116 was invested in common stocks.

INVESTMENTS

Investments owned by the System as of August 31, 1964, were as follows:

DESCRIPTION OF BONDS	PRINCIPAL OR NUMBERS OF SHARES	AMORTIZED COST STOCKS (COST)	MARKET PRICE
United States			
Government	\$11,422,000	\$11,425,939	\$10,849,395
Public Utility	32,715,000	32,582,548	31,344,063
Industrial and Financial	24,114,000	24,084,386	23,666,882
Railroad	2,254,000	2,242,677	2,192,755
Sub-total	\$70,505,000	\$70,335,550	\$68,053,095
Common Stocks	195,344	10,759,116	11,978,700
TOTAL		\$81,094,666	\$80,031,795

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

LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS

COOPERS & LYBRAND
IN AREAS OF THE WORLD
OUTSIDE THE UNITED STATES

Board of Trustees of the
State Universities Retirement System and
Auditor General of the State of Illinois

We have examined the balance sheet of the STATE UNIVERSITIES RETIREMENT SYSTEM as of August 31, 1965, and the statements of income and expenditures and 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.

As stated in the note to financial statements, employer contributions have been limited generally 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 certain federal funds and trust funds.

In our opinion, the aforementioned statements present fairly the financial position of the State Universities Retirement System at August 31, 1965, 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.

Lybrand, Ross Bros. & Montgomery

Chicago, Illinois
October 29, 1965

BALANCE SHEET

STATE UNIVERSITIES RETIREMENT SYSTEM

August 31, 1964

ASSETS

Cash

Accounts receivable

Accrued interest receivable

Investment in marketable securities:

Bonds, at amortized cost (market price \$68,053,095)

Common stocks, at cost (market price \$11,978,700)

Furniture and fixtures, carried at no value (cost \$27,986.56)

LIABILITIES

Accounts payable

Benefits payable

Employer contributions advanced

Reserves:

Employee contributions

Funded retirement and reversionary annuities in force

Beneficiary annuities in force

Employer contributions for funded annuities accruing

Retirement and reversionary annuities provided by State appropriatio

Disability benefits

Death benefits from employer contributions

Survivors insurance benefits

Reciprocal benefits

Administrative expenses

Variations in mortality, interest and turnover experience

Undistributed income and gains and losses on investments

See note to financial statements.

	\$ 148,207.56
	489,180.84
	542,102.62
\$55,382,461.64	
5,542,179.10	60,924,640.74
TOTAL ASSETS	\$62,104,131.76
	\$ 18,968.85
	94,406.05
	3,712,450.00
\$37,850,480.96	
3,736,363.64	
204,595.91	
5,092,086.43	
3,817,958.85	
1,923,256.21	
785,574.88	
581,354.07	
14,411.18	
258,585.52	
2,103,774.35	
1,909,864.86	
	58,278,306.86
TOTAL LIABILITIES	\$62,104,131.76

STATEMENT OF INCOME AND EXPENDITURES

UNIVERSITY RETIREMENT SYSTEM OF ILLINOIS

Year Ended August 31, 1961

INCOME	
Employee contributions	\$5,663,281.35
Employer contributions:	
Funded annuities accruing	567,991.33
Retirement and reversionary annuities	1,855,650.00
Disability benefits	655,834.95
Death benefits	266,182.03
Survivors insurance benefits	198,897.12
Requirements for reciprocal benefits (as provided in Section 7.10)	7,512.90
Administrative expenses	143,430.84
Interest on bonds, plus accumulated discount, less amortized premiums	1,763,412.13
Gains on sales or redemptions of bonds	5,851.40
TOTAL INCOME	\$11,128,044.05

EXPENDITURES

Annuity payments:

Retirement	\$2,442,017.55
Reversionary	50,217.02
Beneficiary	17,878.64

Benefit payments:

Disability	441,846.92
Death	172,626.04
Survivors insurance	138,822.34

Administrative expenses	140,659.20
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Contributions refunded to employees upon separation from service	1,211,659.26
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Contributions transferred to other retirement systems under the provisions of the Retirement Systems Reciprocal Act	410.22
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TOTAL EXPENDITURES **\$4,616,137.19****INCOME IN EXCESS OF EXPENDITURES****\$8,351,885.23****DISTRIBUTED TO RESERVES AS FOLLOWS:**

Employee contributions	\$5,106,368.36
Funded retirement and reversionary annuities in force	(397,376.35)
Beneficiary annuities in force	(17,878.64)
Employer contributions for funded annuities accruing	548,913.21
Retirement and reversionary annuities provided by State appropriations (Note)	575,182.99
Disability benefits	116,435.07
Death benefits from employer contributions	50,518.15
Survivors insurance benefits	299,956.81
Reciprocal benefits	(946.32)
Administrative expenses	22,987.83
Undistributed income and gains and losses on investments	2,047,724.12

TOTAL **\$8,351,885.23**

See note to financial statements.
() Denotes negative amounts.

STATEMENT OF CHANGES IN RESERVES

STATE UNIVERSITIES RETIREMENT SYSTEM

Year ended August 31, 1964

	BALANCE September 1, 1963	INC in Ex Exper
Employee contributions	\$43,623,156.89	\$6,347,
Funded retirement and reversionary annuities in force	4,418,437.29	(553,
Beneficiary annuities in force	239,050.35	(21,
Employer contributions for funded annuities accruing	5,666,009.56	759,
Retirement and reversionary annuities provided by State appropriations (Note)	4,269,564.81	882,
Disability benefits	2,039,940.76	(53,
Death benefits from employer contributions	833,240.59	54,
Survivors insurance benefits	884,049.15	283,
Reciprocal benefits	8,818.92	
Administrative expenses	275,532.96	12,
Variations in mortality, interest and turnover experience	2,166,887.58	
Undistributed income and gains and losses on investments	2,672,597.81	2,869,
TOTAL	\$67,097,286.67	\$10,582,4

() Denotes negative amounts.

Note to Financial Statements

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 establishing the System, the employers are obligated to contribute to employee retirement and reversionary annuities, disability benefits, additional death benefits, survivors insurance benefits, and administrative expenses. Employer contributions have been limited generally 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 certain federal funds 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 unfunded reserve requirements are estimated by the System's consulting actuary to be \$111,240,000 as of August 31, 1964.

INTEREST DISTRIBUTION		TRANSFERS		BALANCE August 31, 1960
Months	Deductions	Additions	Deductions	
19.22			\$644,758.49	\$27,782,172.82
12.28		\$845,947.21		2,631,544.69
16.84		32,326.79		199,688.68
16.40			230,563.42	3,983,257.76
15.25				3,032,473.11
19.39		1,974.24		1,432,493.86
15.53			9,500.00	503,483.46
		2,060.65		145,149.09
10.99				12,854.98
17.51				206,515.42
17.55				1,983,009.10
	\$1,036,890.96	2,513.02		739,578.10
0.96	\$1,036,890.96	\$884,821.91	\$884,821.91	\$42,652,221.07

