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ILLINOIS STATE UNIVERSITY
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ANNUAL REPORT

for the year ended August 31, 1968

STATE
UNIVERSITIES
RETIREMENT
SYSTEM

Urbana, Illinois

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TEN YEARS' PROGRESS

OF THE STATE UNIVERSITIES RETIREMENT SYSTEM

1959-1968

Year Ended August 31	Assets	Income	Expenditures
1959	\$ 38,828,867	\$ 7,837,770	\$ 3,133,438
1960	45,574,789	10,309,798	3,520,008
1961	53,726,418	11,128,044	3,853,843
1962	62,104,132	12,968,022	4,616,137
1963	71,767,205	14,045,512	5,226,533
1964	82,377,948	16,402,809	5,820,321
1965	94,309,890	18,102,186	6,858,114
1966	108,559,244	21,645,964	8,408,153
1967	130,598,517	27,685,240	9,364,749
1968	159,384,167	39,212,834	11,129,265

1967-1968

IN BRIEF

	End of Year 1968	End of Year 1967	Per Cent Increase For the Year
Assets	\$159,384,167	\$130,598,517	22.0
Income	39,212,834	27,685,240	41.6
Expenditures	11,129,265	9,364,749	18.8

Results of Operations for 1967-68

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 contributions are 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 \$18,260,311. This is 46.6 per cent of the total income received during the year and is an increase of 42.3 per cent over the total employee contributions received during the fiscal year.

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 \$14,843,108. This is 37.9 per cent of the total income received during the 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 \$6,109,415. This is 15.5 per cent of the total income received during the year.

The average rate of return on all bonds held during the past year was 4.68 per cent. The average rate of return on bonds purchased during the year was 6.30 per cent. Dividends on common stocks amounted to 3.51 per cent of the average cost of the stocks.

EXPENDITURES

Total expenditures during the fiscal year amounted to \$11,129,265. This was \$1,764,516 or 18.8 per cent greater than the expenditures for the previous year. The expenditures were as follows:

Annuities	\$ 5,463,358
Disability benefits	1,006,991
Death benefits	523,770
Survivors benefits	720,661
Refunds	3,138,500
Administrative expenses	275,985
	<hr/>
TOTAL	\$11,129,265

ASSETS

As of August 31, 1968, total assets were \$159,384,167. This is an increase of \$28,785,650 or 22 per cent over the previous year. Of the total assets \$1,057,138 was in cash, \$4,386,902 in receivables, \$124,964,287 in bonds, and \$28,975,840 in common stocks. Substantially all of the cash had been invested in marketable securities which were scheduled for delivery prior to August 31, 1968.

INVESTMENTS IN MARKETABLE SECURITIES

The marketable securities owned at August 31, 1968, were held by the Harris Trust and Savings Bank, Chicago, Illinois, as custodian, and are summarized as follows:

	PRINCIPAL OR NUMBER OF SHARES	BONDS (AMORTIZED COST), STOCKS (COST)	MARKET VALUE
Bonds:			
United States Government	\$ 15,501,000	\$ 15,552,560	\$ 14,831,108
Canadian Provincial	1,500,000	1,508,813	1,563,750
Public Utility	45,605,000	45,480,895	37,710,648
Industrial and Financial (including demand notes)	56,248,508	56,175,462	50,837,677
Railroad	6,285,000	6,246,557	6,023,550
Sub-total	\$125,139,508	\$124,964,287	\$110,966,733
Common Stocks	606,911	28,975,840	32,447,832
TOTAL INVESTMENTS		\$153,940,127	\$143,414,565

ARTHUR ANDERSEN & CO.

Chicago, Illinois

AUDITORS' REPORT

To the Board of Trustees of the
State Universities Retirement System
and

Auditor General of the State of Illinois:

We have examined the statement of assets, liabilities and fund balances of the STATE UNIVERSITIES RETIREMENT SYSTEM (an Illinois public corporation) as of August 31, 1968, and the related statements of income and expenditures and changes in fund balances 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. We have previously examined and reported on the financial statements for the preceding year.

As explained in Note 1 to the financial statements, appropriations made for the 75th biennium by the General Assembly were not sufficient to meet the requirements of Article 15 of the Illinois Pension Code, as amended.

The State Universities Retirement System follows the practice of recording in its accounts only those funds for which it is accountable and its accounts do not reflect the employer contributions which would be required from state appropriations to provide for the actuarial requirements of the employee benefits provided for by the Illinois Pension Code. Accordingly, the accompanying financial statements do not include the unrecorded benefits actuarially accrued.

In our opinion, the amounts shown in the accompanying financial statements for assets, accounts payable, employer contributions advanced, accumulated contributions and undistributed income as of August 31, 1968, and for income and expenditures, excluding full provision for the current cost of benefits accrued, and changes in fund balances for the year then ended, are presented fairly in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Chicago, Illinois,
October 23, 1968.

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES • STATE UNIVERSITIES RETIREMENT SYSTEM
August 31, 1968

ASSETS		
Cash (Note 4)		\$ 1,057,138
Accounts receivable		3,005,865
Accrued interest receivable		1,381,037
Marketable securities -		
Bonds, at amortized cost (market value \$110,966,733) (Note 2)	\$124,964,287	
Common stocks, at cost (market value \$32,447,832)	28,975,840	153,940,127
		\$159,384,167
LIABILITIES AND FUND BALANCES		
Accounts payable		\$ 361,349
Employer contributions advanced		10,457,100
Fund balances (Note 1) -		
Accumulated contributions -		
Employee	\$ 94,169,293	
Other	47,539,800	141,709,093
Undistributed income on investments		6,856,625
		\$159,384,167

The accompanying notes to financial statements are an integral part of this statement.

STATEMENTS OF INCOME AND EXPENDITURES

STATE UNIVERSITIES RETIREMENT SYSTEM

For the years ended August 31, 1968 and 1967

INCOME:	1968	1967	Increase (Decrease)
Employee contributions	\$ 18,260,311	\$ 13,538,153	\$ 4,722,158
Employer contributions –			
Retirement annuities –			
Federal and trust funds	4,246,781	2,293,929	1,952,852
State appropriations	5,258,813	4,322,291	936,522
Disability benefits	1,625,294	1,190,905	434,389
Death benefits	183,312	109,558	73,754
Survivors' insurance benefits	2,580,392	957,094	1,623,298
Reciprocal benefits	426,022	182,721	243,301
Administrative expenses	522,494	245,890	276,604
Interest on bonds	5,208,777	4,033,734	1,175,043
Dividends	899,075	683,163	215,912
Net gain on sale of securities	1,563	127,802	(126,239)
	\$39,212,834	\$27,685,240	\$11,527,594
EXPENDITURES:			
Annuity payments	\$ 5,463,358	\$ 4,706,777	\$ 756,581
Benefit payments –			
Disability	1,006,991	864,206	142,785
Death	523,770	371,617	152,153
Survivors' insurance	720,661	585,380	135,281
Administrative expenses	275,985	231,473	44,512
Refunds to members	3,138,500	2,605,296	533,204
	\$11,129,265	\$ 9,364,749	\$ 1,764,516
Balance available for distribution to fund balances	\$28,083,569	\$18,320,491	\$ 9,763,078
DISTRIBUTED AS FOLLOWS:			
Accumulated contributions –			
Employee	\$ 14,717,023	\$ 10,663,651	\$ 4,053,372
Other	7,257,131	2,812,141	4,444,990
Undistributed income on investments	6,109,415	4,844,699	1,264,716
	\$28,083,569	\$18,320,491	\$ 9,763,078

The accompanying notes to financial statements are an integral part of these statements.

STATEMENT OF CHANGES IN FUND BALANCES • **STATE UNIVERSITIES RETIREMENT SYSTEM**
for the year ended August 31, 1968

	Balance Aug. 31, 1967	Balance Available From Income	Interest Distribution	Transfers	Balance Aug. 31, 1968
ACCUMULATED CONTRIBUTIONS:					
From employees	\$ 78,367,097	\$ 14,717,023	\$ 3,384,306	\$(2,299,133)	\$ 94,169,293
From others —					
Retirement annuities accruing provided from Federal and trust funds	\$ 11,021,264	\$ 4,246,781	\$ 495,957	\$ (264,513)	15,499,489
Retirement annuities in force provided from —					
Annuitants and Federal and trust funds	8,373,178	(1,084,619)	376,793	2,384,375	10,049,727
State appropriations	7,652,810	1,103,261	344,376	—	9,100,447
Beneficiary annuities in force	332,667	(33,700)	14,970	74,011	387,948
Disability benefits	2,691,053	618,303	121,097	—	3,430,453
Death benefits	1,032,555	64,333	46,465	—	1,143,353
Survivors' insurance benefits	2,286,865	1,859,732	102,909	92,337	4,341,843
Reciprocal benefits	95,552	236,531	4,300	—	336,383
Administrative expenses	363,726	246,509	16,368	—	626,603
Variations in mortality, interest, and turnover experience	2,510,578	—	112,976	—	2,623,554
TOTAL OTHER	\$ 36,360,248	\$ 7,257,131	\$1,636,211	\$2,286,210	\$ 47,539,800
UNDISTRIBUTED INCOME ON INVESTMENTS	\$ 5,754,804	\$ 6,109,415	\$5,020,517	\$ 12,923	\$ 6,856,625
	\$120,482,149	\$28,083,569	\$ —	\$ —	\$148,565,718

() Denotes negative balance or deduction.
The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

(1) Article 15, Section 15-155 of the Illinois Pension Code (Code), as amended by the General Assembly on September 8, 1967, provides that the State of Illinois shall make contributions to the System by biennial appropriations "which for any fiscal year shall not be less than an amount which is required to fund fully the current service costs in accordance with actuarial reserve requirements" as prescribed by such Article and Section of the Code, "plus interest at the prescribed rate on the unfunded accrued liabilities." For the year ended August 31, 1968, employer contributions provided from State appropriations by the 75th General Assembly were not sufficient to meet these requirements and the unfunded accrued liabilities as of that date amounted to \$167,700,000 as computed by the Actuary retained by the System.

(2) The cost of bonds held by the System at August 31, 1968, exceeded the market value at that date by approximately \$13,998,000. The System intends to hold substantially all of the bonds until maturity, so that losses, if any, resulting from the sale of securities would not be significant.

(3) The System follows the practice of charging to expense furniture and fixtures when purchased. As of August 31, 1968, the System was using furniture and fixtures which cost approximately \$30,000.

(4) Substantially all of the cash balance at August 31, 1968, was committed for the purchase of marketable securities.



