



# ANNUAL REF

*for the year ended*

STATE  
UNIVER  
RETIRE  
SYSTEM

*Urbana, Illinois*

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The State Universities Retirement System Office is located at  
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**TEN YEARS' PROGRESS**  
**OF THE STATE UNIVERSITIES RETIREMENT SYSTEM**  
**1960-1969**

Year Ended August 31	Assets	Income	Expenditures
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
1969	181,296,152	43,514,123	13,431,798

1968-1969

IN BRIEF

	End of Year 1969	End of Year 1968	Per Cent Increase For the Year
Assets	\$181,296,152	\$159,384,167	13.7
Income	43,514,123	39,212,834	11.0
Expenditures	13,431,798	11,129,265	20.7

## Results of Operations for 1968-69

### 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 7 percent 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 percent 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 \$21,788,767. This is 50.1 percent of the total income received during the year and is an increase of 19.3 percent over the total employee contributions received during the previous 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 sufficient to fund fully the current service costs and to cover interest on the unfunded accrued liabilities. Employers also make contributions to the System from trust and federal funds under their control.

Employer contributions during the year amounted to \$13,722,028 which is well below the amount of \$37,276,000 which would have been required to fund fully the current service costs and to cover interest on the unfunded accrued liabilities. The employer contributions of \$13,722,028 amounted to 31.5 percent of the total

income during the year. This was \$1,121,080 or 7.6 percent *less* than the employer contributions for 1967-68. The decrease was due to the failure of the General Assembly to appropriate funds required by the "Illinois Pension Code."

#### **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 \$8,003,328. This is 13.4 percent of the total income received during the year.

The average rate of return on all bonds held during the past year was 5.03 percent. The average rate of return on bonds purchased during the year was 7.2 percent. Dividends on common stocks amounted to 3.48 percent of the average cost of the stocks.

#### **EXPENDITURES**

Total expenditures during the fiscal year amounted to \$13,431,798. This was \$2,302,533 or 20.7 percent greater than the expenditures for the previous year. The expenditures were as follows:

Annuities	\$ 6,214,062
Disability benefits	1,150,223
Death benefits	541,148
Survivors benefits	856,739
Refunds	4,332,901
Administrative expenses	336,725
	<hr/>
TOTAL	\$13,431,798

#### **ASSETS**

As of August 31, 1969, total assets were \$181,296,152. This is an increase of \$21,911,985 or 13.7 percent over the previous year. Of the total assets \$367,551 was in cash, \$3,596,098 in receivables, \$142,032,866 in bonds, and \$35,299,637 in common stocks.

#### **INVESTMENTS IN MARKETABLE SECURITIES**

The marketable securities owned at August 31, 1969, were held by the Harris Trust and Savings Bank, Chicago, Illinois, as custodian, and are summarized as follows:

	<b>PRINCIPAL OR NUMBER OF SHARES</b>	<b>BONDS (AMORTIZED COST), STOCKS (COST)</b>	<b>MARKET VALUE</b>
<b>Bonds:</b>			
United States			
Government	\$ 17,001,000	17,032,923	\$14,735,494
Canadian			
Provincial	7,012,000	6,677,744	5,953,300
Public Utility	49,522,000	49,094,814	36,634,039
Industrial and Financial (including demand notes)	63,098,341	62,772,904	51,682,153
Railroad	6,482,000	6,454,481	5,896,393
Sub-total	\$143,115,341	\$142,032,866	\$114,901,379
Common Stocks	788,863	35,299,637	37,407,062
<b>TOTAL INVESTMENTS</b>		<b>\$177,332,503</b>	<b>\$152,308,441</b>

**ERNST & ERNST**

Chicago, Illinois

**AUDITORS' REPORT**

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, 1969, 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. The financial statements for the year ended August 31, 1968, were examined by other independent accountants.

As explained in Note C 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.

In our opinion, the accompanying financial statements identified above present fairly the assets, liabilities, and fund balances of the State Universities Retirement System at August 31, 1969, and a summary of income and expenditures and changes in fund balances for the year then ended, in conformity with the method of accounting described in Note A to the financial statements applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Chicago, Illinois  
November 5, 1969



**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES • STATE UNIVERSITIES RETIREMENT SYSTEM**

August 31, 1969

**ASSETS**

Cash			\$ 367,551
Contributions receivable			1,841,608
Accrued interest receivable			1,754,490
Marketable securities — Note B:			
Bonds and notes, at amortized cost (market value \$114,901,379)	\$142,032,866		
Common stocks, at cost (market value \$37,407,062)	35,299,637		177,332,503
Furniture and fixtures, carried at no value (cost \$32,967)			
			<b>\$181,296,152</b>

**LIABILITIES AND FUND BALANCES**

Accounts payable			\$ 49,803
Benefits payable			359,294
Employer contributions advanced			2,239,012
Fund balances — Notes A and C:			
Accumulated contributions:			
Employees	\$113,275,586		
Employers and other sources	56,702,326	169,977,912	
Undistributed income on investments		8,670,131	178,648,043
			<b>\$181,296,152</b>

See notes to financial statements.

From employers and other sources:					
Retirement annuities accruing provided from Federal and trust funds — Note	15,159,489	1,752,391	697,476	(4,100,630)	13,818,938
Retirement and reversionary annuities in force provided from:					
Annuitants and Federal and trust funds	10,049,727	( 1,283,920)	452,238	2,185,419	11,403,464
State appropriations — Note	9,100,447	1,893,796	409,520	3,855,723	15,259,486
Beneficiary annuities in force	387,948	( 37,414)	17,458	42,300	410,292
Disability benefits	3,430,453	411,593	154,370		3,996,416
Death benefits	1,143,353	( 14,024)	51,451	( 2,592)	1,178,188
Survivors' insurance benefits	4,341,843	1,771,365	195,383	93,196	6,401,787
Reciprocal benefits	336,383	302,472	15,137		653,992
Administrative expenses	626,603	183,349	28,197		838,149
Variations in mortality, interest, and turnover experience	2,623,554		118,060		2,741,614
	47,539,800	4,979,808	2,139,292	2,043,426	56,702,326
<b>UNDISTRIBUTED INCOME ON INVESTMENTS</b>	6,856,625	8,003,329	( 6,203,574)	13,751	8,670,131
	<b>\$148,565,718</b>	<b>\$30,082,325</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$178,648,043</b>

Note: Included in transfers is an amount of \$3,855,722 representing a portion of the employers' contribution for Class I junior colleges credited to retirement annuities accruing provided from Federal and trust funds in prior years and transferred to retirement annuities in force provided from state appropriations. Contributions were initially made by the Illinois Junior College Board before the contribution was appropriated by the 75th General Assembly.

See notes to financial statements.

( ) Denotes deduction.

**EXPENDITURES**

Ended August 31	1968	1969
767	\$19,260,311	\$3,528,454
1,091	4,366,781	2,474,150
2,312	1,258,813	1,172,377
1,816	1,625,296	83,475
1,446	82,311	12,866
1,105	1,100,292	41,113
7,783	626,022	1,117
1,075	122,896	1,417
7,808	1,158,111	1,112,111
1,249	129,111	215,114
1,271	1,111	98,111
1,753	2,212,826	\$ 4,301,289
4,062	1,111,111	1,111,111
1,223	1,111	41,111
1,148	1,111	1,111
6,739	1,111	1,111
6,725	1,111	1,111
2,901	1,111	1,111
1,798	9,363	\$ 2,302,533
1,323	1,369	\$ 1,998,756
9,188	1,111	1,111,111
9,806	1,111	1,111,111
3,320	1,111	1,111,111
1,323	\$ 1,369	\$ 1,998,756

**NOTES TO FINANCIAL STATEMENTS**  
**STATE UNIVERSITIES RETIREMENT SYSTEM**  
 August 31, 1969

**Note A - Method of Accounting:**

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

Furniture and fixtures purchased by the System are charged to expense.

In substantially all other respects, the System employs the accrual basis of accounting.

**Note B - Marketable Securities:**

The carrying amount of bonds held by the System at August 31, 1969, exceeded the market value at that date by approximately \$27,100,000. The System intends to hold substantially all of its bonds until maturity so that losses, if any, would not be significant.

**Note C - State of Illinois Appropriations:**

Article 15, Section 15-155 of the Illinois Pension 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 fully fund 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, 1969, employer contributions provided from state appropriations by the 75th General Assembly were not sufficient to meet these requirements and the unfunded accrued liabilities increased from \$167,700,000 as of August 31, 1968, to \$193,990,000 as of August 31, 1969, according to computations by the Actuary retained by the System.

**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES • STATE UNIVERSITIES RETIREMENT SYSTEM**

August 31, 1969

**ASSETS**

Cash			\$ 367,551
Contributions receivable			1,841,608
Accrued interest receivable			1,754,490
Marketable securities — Note B:			
Bonds and notes, at amortized cost (market value \$114,901,379)	\$142,032,866		
Common stocks, at cost (market value \$37,407,062)	35,299,637	177,332,503	
Furniture and fixtures, carried at no value (cost \$32,967)			
			<b>\$181,296,152</b>

**LIABILITIES AND FUND BALANCES**

Accounts payable			\$ 49,803
Benefits payable			359,294
Employer contributions advanced			2,239,012
Fund balances — Notes A and C:			
Accumulated contributions:			
Employees	\$113,275,586		
Employers and other sources	56,702,326	169,977,912	
Undistributed income on investments		8,670,131	178,648,043
			<b>\$181,296,152</b>

See notes to financial statements.

**STATEMENT OF CHANGES IN FUND BALANCES • STATE UNIVERSITIES RETIREMENT SYSTEM**

Year ended August 31, 1969

	Balance Sept. 1, 1968	Balance Available From Income	Interest Distribution	Transfers	Balance Aug. 31, 1969
<b>ACCUMULATED CONTRIBUTIONS:</b>					
From employees	\$ 94,169,293	\$17,099,188	\$4,064,282	(\$2,057,177)	\$113,275,586
From employers and other sources:					
Retirement annuities accruing provided from Federal and trust funds — Note	15,499,489	1,752,591	697,478	(4,130,620)	13,818,938
Retirement and reversionary annuities in force provided from:					
Annuitants and Federal and trust funds	10,049,727	( 1,283,920)	452,238	2,185,419	11,403,464
State appropriations — Note	9,100,447	1,893,796	409,520	3,855,723	15,259,486
Beneficiary annuities in force	387,948	( 37,414)	17,458	42,300	410,292
Disability benefits	3,430,453	411,593	154,370		3,996,416
Death benefits	1,143,353	( 14,024)	51,451	( 2,592)	1,178,188
Survivors' insurance benefits	4,341,843	1,771,365	195,383	93,196	6,401,787
Reciprocal benefits	336,383	302,472	15,137		653,992
Administrative expenses	626,603	183,349	28,197		838,149
Variations in mortality, interest, and turnover experience	2,623,554		118,060		2,741,614
	47,539,800	4,979,808	2,139,292	2,043,426	56,702,326
<b>UNDISTRIBUTED INCOME ON INVESTMENTS</b>	6,856,625	8,003,329	( 6,203,574)	13,751	8,670,131
	<b>\$148,565,718</b>	<b>\$30,082,325</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$178,648,043</b>

Note: Included in transfers is an amount of \$3,855,722 representing a portion of the employers' contribution for Class I junior colleges credited to retirement annuities accruing provided from Federal and trust funds in prior years and transferred to retirement annuities in force provided from state appropriations. Contributions were initially made by the Illinois Junior College Board before the contribution was appropriated by the 75th General Assembly.

See notes to financial statements.

( ) Denotes deduction.

**STATEMENT OF INCOME AND EXPENDITURES**  
**STATE UNIVERSITIES RETIREMENT SYSTEM**

INCOME	Year Ended August 31		Increase (Decrease)
	1969	1968	
Employee contributions	\$21,788,767	\$18,260,311	\$3,528,456
Employer contributions:			
Retirement annuities:			
Federal and trust funds	1,752,591	4,246,781	(2,494,190)
State appropriations	6,511,212	5,258,813	1,252,399
Disability benefits	1,561,816	1,625,294	( 63,478)
Death benefits	170,446	183,312	( 12,866)
Survivors' insurance benefits	2,628,105	2,580,392	47,713
Reciprocal benefits	577,783	426,022	151,761
Administrative expenses	520,075	522,494	( 2,419)
Interest on bonds and notes	6,787,808	5,208,777	1,579,031
Dividends	1,115,249	899,075	216,174
Net gain on sale of securities	100,271	1,563	98,708
<b>TOTAL INCOME</b>	<b>\$43,514,123</b>	<b>\$39,212,834</b>	<b>\$ 4,301,289</b>
<b>EXPENDITURES</b>			
Annuity payments	\$ 6,214,062	\$ 5,463,358	\$ 750,704
Benefit payments:			
Disability	1,150,223	1,006,991	143,232
Death	541,148	523,770	17,378
Survivors' insurance	856,739	720,661	136, 078
Administrative expenses	336,725	275,985	60,740
Contributions refunded to employees upon separation from service	4,332,901	3,138,500	1,194,401
<b>TOTAL EXPENDITURES</b>	<b>\$13,431,798</b>	<b>\$11,129,265</b>	<b>\$ 2,302,533</b>
<b>INCOME IN EXCESS OF EXPENDITURES</b>	<b>\$30,082,325</b>	<b>\$28,083,569</b>	<b>\$ 1,998,756</b>
Income in excess of expenditures distributed to fund balances as follows:			
Accumulated contributions:			
Employees	\$17,099,188	\$14,717,023	\$2,382,165
Employers and other sources	4,979,808	7,257,131	(2,277,323)
Undistributed income from investments	8,003,329	6,109,415	1,893,914
<b>TOTAL</b>	<b>\$30,082,325</b>	<b>\$28,083,569</b>	<b>\$ 1,998,756</b>

See notes to financial statements.

## FINANCIAL STATEMENTS UNIVERSITIES RETIREMENT SYSTEM

### Method of Accounting:

The Universities Retirement System follows the practice of setting up accounts only those funds for which it is responsible. Therefore, the accounts do not reflect employer contributions which would be required from the State of Illinois to provide for the actuarial requirements of the benefits provided for by the Illinois Pension Code. Consequently, the financial statements do not include the unactuarially accrued.

Investments purchased by the System are charged to the System.

In all other respects, the System employs the same accounting methods as the State of Illinois.

### Investment Securities:

The amount of bonds held by the System at August 31, 1969, is approximately \$10,000,000. The market value at that date by approximately \$10,000,000. The System intends to hold substantially all of the investments so that losses, if any, would not be significant.

### Illinois Appropriations:

Section 15-155 of the Illinois Pension Code, as amended by the General Assembly on September 8, 1967, provides that the State of Illinois shall make contributions to the System by appropriations "which for any fiscal year shall not be less than the amount which is required to fully fund the current service requirements with actuarial reserve requirements" as prescribed in Article and Section of the Code, "plus interest at the rate of 6% on the unfunded accrued liabilities." For the fiscal year ending August 31, 1969, employer contributions provided by the 75th General Assembly were not sufficient to meet these requirements and the unfunded accrued liabilities increased from \$167,700,000 as of August 31, 1968, to \$187,700,000 as of August 31, 1969, according to computations made by the System.