

ILLINOIS STATE UNIVERSITY STX
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TEN YEARS' PROGRESS

OF THE STATE UNIVERSITIES RETIREMENT SYSTEM
1962-1971

Year Ended August 31	Assets	Income	Expenditures
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
1970	229,309,052	66,560,181	16,629,461
1971	281,547,309	71,511,781	19,109,259

1970-1971

IN BRIEF

	End of Year 1971	End of Year 1970	Percent Increase For the Year
Assets	\$281,547,309	\$229,309,052	22.8
Income	71,511,781	66,560,181	7.4
Expenditures	19,109,259	16,629,461	14.9

Results of Operations for 1970-71

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, widowers, children under age 18, 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 \$34,398,297. This is 48.1 percent of the total income received during the year and is an increase of 15.3 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 of not less than an amount which is needed to fund full the current service costs and to cover interest on the unfunded accrued liabilities. However, the General Assembly has failed to appropriate funds to meet this minimum statutory requirement. As a result, the *deficit* for prior service amounted to about \$248 million at the end of the fiscal year. Employers also make contributions to the System from trust and Federal funds under their control.

Employer contributions during the year amounted to \$23,591,060 which was 33 percent of the total income during the year. This was \$2,942,929 or 11.1 percent less than the employer contributions for 1969-70.

Investment Income

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

Income from investments during the year amounted to \$13,522,424. This is 18.9 percent of the total income received during the year.

The average rate of return on all bonds held during the past year

was 6.06 percent as compared with 5.6 percent for the previous year. Dividends on common stocks amounted to 3.21 percent of the average cost of the stocks. This was slightly less than the 3.34 percent return on stocks for 1969-70.

EXPENDITURES

Total expenditures during the fiscal year amounted to \$19,109,259. This was \$2,479,798 or 14.91 percent greater than the expenditures for the previous year. The expenditures were as follows:

Annuities	\$ 9,137,416
Disability benefits	1,639,917
Death benefits	877,831
Survivors benefits	1,236,408
Refunds	5,783,141
Administrative expenses	434,546

TOTAL	\$19,109,259
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ASSETS

As of August 31, 1971, total assets were \$281,547,309. This is an increase of \$52,238,257 or 22.8 percent over the previous year. Of the total assets, \$351,968 was in cash, \$6,454,706 in receivables, \$196,263,253 in bonds, and \$78,477,382 in common stocks.

INVESTMENTS IN MARKETABLE SECURITIES

Marketable securities owned at August 31, 1971, consisted of the following:

	PRINCIPAL AMOUNT OR NUMBER OF SHARES	CARRYING AMOUNT	MARKET VALUE
Bonds and notes:			
United States			
Government	\$ 20,244,000	\$ 20,265,404	\$ 18,432,939
Canadian	9,012,000	8,695,534	8,254,383
Public Utility	61,796,000	60,543,430	49,830,647
Industrial and			
Financial	99,281,073	98,696,508	89,460,680
Railroad	8,070,000	8,062,377	8,023,162
Total Bonds	\$198,403,073	196,263,253	174,001,811
Common Stocks	1,655,451	78,477,382	88,124,845
TOTAL MARKETABLE SECURITIES		\$274,740,635	\$262,126,656

The securities are held in safekeeping by the Harris Trust and Savings Bank, Chicago, Illinois, as trustee for the System. Bonds are carried at amortized cost and common stocks are carried at cost. Interest income earned but not received at August 31 was accrued.

ERNST & ERNST

Chicago, Illinois

AUDITOR'S REPORT

Board of Trustees of the
State Universities Retirement System
and

Auditor General of the State of Illinois:

We have examined the statements of assets, liabilities and fund balances of the several funds of the State Universities Retirement System (an Illinois Public Corporation) as of August 31, 1971, 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 previously made a similar examination of the financial statements for the year ended August 31, 1970.

As explained in Note C to the financial statements, appropriations made for the fiscal year ended June 30, 1971 by the 76th 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, income and expenditures, and changes in fund balances of the respective funds of the State Universities Retirement System at August 31, 1971, or 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
October 27, 1971

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

STATE UNIVERSITIES RETIREMENT SYSTEM

August 31, 1971

RETIREMENT FUND		
ASSETS		
Cash		\$ 351,968
Contributions receivable		2,698,090
Unearned interest receivable		3,213,648
Marketable securities — Note B:		
Bonds and notes — at amortized cost		
(market value — \$174,001,811)	\$196,263,253	
Common stocks — at cost (market		
value — \$88,124,845)	<u>78,477,382</u>	274,740,635
Amount receivable from Building Fund —		
Note D		<u>542,968</u>
		\$281,547,309
 LIABILITIES AND FUND BALANCES		
Accounts payable		\$ 103,783
Benefits payable		462,241
Fund balances — Notes A and C:		
Accumulated contributions	\$266,081,043	
Undistributed income on investments	<u>14,900,242</u>	280,981,285
		\$281,547,309
 BUILDING FUND — Note D		
ASSETS		
Cash		\$ 3,623
Land		70,000
Land improvements		12,086
Office building		557,629
Furniture and equipment		<u>38,266</u>
		\$ 681,604
 LIABILITIES AND FUND BALANCES		
Amount payable to Retirement Fund		\$ 542,968
Accounts payable		25,243
Fund balances provided by:		
Gift of land	\$ 70,000	
Expenditure from Retirement Fund	38,266	
Accumulated income in excess		
of expenditures	<u>5,127</u>	113,393
		\$ 681,604

See notes to financial statements.

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

Year ended August 31, 1971

	Balance Sept. 1, 1970	Balance Available From Income	Interest Distribution	Transfers	Balance Aug. 31, 1971
ACCUMULATED CONTRIBUTIONS:					
From employees	\$138,534,827	\$27,934,989	\$6,002,147	(\$3,582,621)	\$168,889,342
From employers and other sources:					
Retirement annuities accruing provided from Federal and trust funds	16,280,555	2,339,539	732,625	(526,738)	18,825,981
Retirement and reversionary annuities in force provided from:					
Annuitants and Federal and trust funds					
State appropriations	14,257,261	(1,746,239)	641,577	3,818,814	16,971,413
Beneficiary annuities in force	22,547,242	1,285,031	959,119	(1,233,495)	23,557,897
Disability benefits	485,515	(47,479)	21,848	88,995	548,879
Death benefits	6,521,318	1,911,167	310,362	375,615	9,118,462
Survivors insurance benefits	1,449,755	284,382	67,032	24,504	1,825,673
Annual increases in annuities to past retirees	11,257,060	5,052,189	531,645	726,181	17,567,075
Annual increase in annuities	—	(446,110)	446,110	—	—
Administrative expenses	1,934,806	2,088,894	95,953	219,152	4,338,805
Variations in mortality, interest and turnover experience	1,104,053	223,735	52,530	63,287	1,443,605
	2,864,987	—	128,924	—	2,993,911
	78,702,552	10,945,109	3,987,725	3,556,315	97,191,701
Undistributed income on investments	11,341,384	13,522,424	(9,989,872)	26,306	14,900,242
TOTAL	\$228,578,763	\$52,402,522	\$ —	\$ —	\$280,981,285

See notes to financial statements.

() Denotes deduction.

STATEMENT OF CHANGES IN BUILDING FUND BALANCE - STATE UNIVERSITIES RETIREMENT SYSTEM

AUGUST 31, 1971

	Provided By		
Total	Gift of Land	Expenditures From Retirement Fund	Accumulated Income in Excess of Expenditures
ADDITIONS:			
Estimated fair market value of land on date of gift	\$ 70,000		
Retirement Fund expenditures for furniture and equipment:			
Prior to September 1, 1970	36,087	\$36,087	
During the year	4,335	4,335	
Income in excess of expenditures for the period of occupancy	5,127		\$5,127
	115,549	40,422	5,127
DEDUCTIONS:			
Furniture and equipment disposed of		1,583	
Furniture and equipment transferred to University of Illinois		573	
		2,156	
BALANCE AT AUGUST 31, 1971	\$70,000	\$38,266	\$5,127

See notes to financial statements.

STATEMENT OF INCOME AND EXPENDITURES — RETIREMENT FUND
STATE UNIVERSITIES RETIREMENT SYSTEM

	Year Ended August 31		Increase (Decrease)
	1971	1970	
INCOME			
Employee contributions	\$34,398,297	\$29,820,815	\$4,577,482
Employer contributions:			
Retirement and reversionary annuities:			
Federal and trust funds	2,339,540	2,287,405	52,135
State appropriations	7,643,200	11,363,355	(3,720,155)
Disability benefits	3,551,084	3,679,049	(127,965)
Death benefits	482,045	390,089	91,956
Survivors insurance benefits	6,288,596	5,455,992	832,604
Reciprocal benefits	515,626	566,023	(50,397)
Annual increase in annuities	2,112,688	2,175,158	(62,470)
Administrative expenses	658,281	616,918	41,363
Interest on bonds and notes	11,335,028	8,883,201	2,451,827
Dividends	2,024,160	1,410,269	613,891
Net gain (loss) on sale of securities	156,099	(88,093)	244,192
Interest from Building Fund	7,137		7,137
TOTAL INCOME	\$71,511,781	\$66,560,181	\$4,951,600
EXPENDITURES			
Retirement, reversionary, and beneficiary annuity payments	8,682,493	7,228,002	1,454,491
Annual increase in annuities to past retirees	454,923	405,204	49,719
Benefit payments:			
Disability	1,639,917	1,333,770	306,147
Death	877,831	640,044	237,787
Survivors insurance	1,236,408	1,016,474	219,934
Administrative expenses	434,546	389,844	44,702
Contributions refunded to employees upon separation from service	5,783,141	5,616,123	167,018
TOTAL EXPENDITURES	\$19,109,259	\$16,629,461	\$2,479,798
INCOME IN EXCESS OF EXPENDITURES	\$52,402,522	\$49,930,720	\$2,471,802
Income in excess of expenditures distributed to fund balances as follows:			
Accumulated contributions:			
Employees	\$27,934,989	\$23,730,435	\$4,204,554
Employers and other sources	10,945,109	15,994,909	(5,049,800)
Undistributed income from investments	13,522,424	10,205,376	3,317,048
TOTAL	\$52,402,522	\$49,930,720	\$2,471,802

See notes to financial statements.

STATEMENT OF INCOME AND EXPENDITURES — BUILDING FUND
STATE UNIVERSITIES RETIREMENT SYSTEM

Period from June 7, 1971 (date of occupancy) to August 31, 1971

INCOME		
Office space rental, including \$10,733 from Retirement Fund		\$17,393
EXPENDITURES		
Interest paid to Retirement Fund		7,137
Building operating expenses		5,129
TOTAL EXPENDITURES		12,266
INCOME IN EXCESS OF EXPENDITURES		\$ 5,127

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
STATE UNIVERSITIES RETIREMENT SYSTEM

August 31, 1971

Note A — Method of Accounting:

The 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. In substantially all other aspects the System employs the accrual basis of accounting.

The System records as Retirement Fund expenditures the cost of routine purchases of furniture and equipment. The cost of such furniture and equipment has been recorded in the Building Fund established during the year.

In accordance with the practice generally followed by not for profit corporations, no provision has been made for depreciation of the building and equipment.

Note B — Marketable Securities:

The carrying amount of bonds held by the System on August 31, 1971, exceeded the market value at that date by approximately \$22,200,000. The System intends to hold substantially all of the 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, provides that the State of Illinois shall make contributions to the System by 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, 1971, employer contributions provided from state appropriations by the 76th General Assembly were not sufficient to meet these requirements by \$35,150,000. The unfunded accrued liabilities increased from \$217,000,000 as of August 31, 1970, to \$248,000,000 as of August

31, 1971, according to computations by the Actuary retained by the System.

Note D — Building Fund:

Article 15 of the "Illinois Pension Code" allows the Board of Trustees of the System to invest in an office building for the use of the System at a total cost not to exceed \$575,000. As of August 31, 1971, the office building was substantially completed. The System occupied the building on June 7, 1971.

The building was constructed on land donated by the University of Illinois. Such land is carried at the estimated fair market value on the date of gift. The land improvements, building, and furniture and equipment are carried at cost.

The cost of the office building is being financed through the Retirement Fund over a period not to exceed 30 years with interest at 6 percent. The funds to retire the indebtedness are to be provided from State appropriations and rentals of surplus space. The Building Fund was established during the year to account for these transactions.

ILLINOIS STATE UNIVERSITY

NORMAL, ILLINOIS



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