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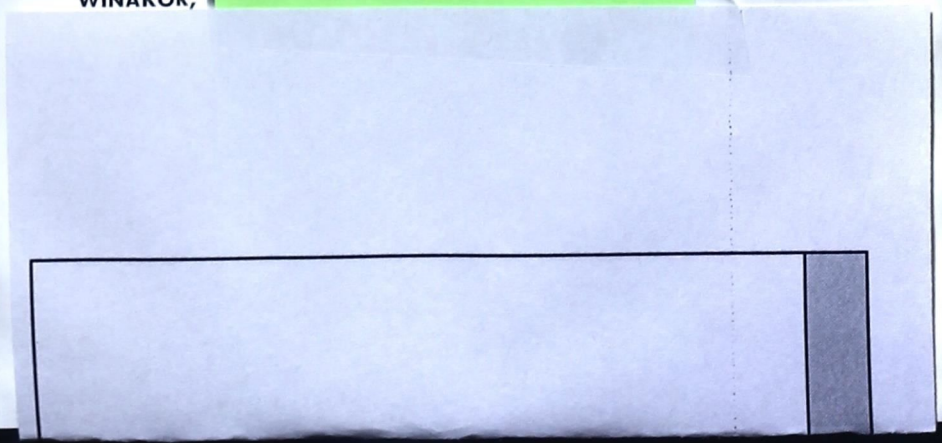
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TEN YEARS' PROGRESS

OF THE STATE UNIVERSITIES RETIREMENT SYSTEM

1963-1972

Year Ended August 31	Assets	Income	Expenditures
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
1972	328,737,980	71,232,832	24,185,849

1971-1972

IN BRIEF

	End of Year 1972	End of Year 1971	Percent Increase For the Year
Assets	\$328,737,980	\$281,547,309	16.8
Income	71,232,832	71,511,781	(.4)
Expenditures	24,185,849	19,109,259	26.6

Results of Operations for 1971-72

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 \$35,539,911. This is 49.9 percent of the total income received during the year and is an increase of 3.3 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 fully 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 \$401 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 \$19,327,709 which was 27.1 percent of the total income during the year. This was \$4,263,351 or 18.1 percent less than the employer contributions for 1970-71.

Investment Income

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

Income from investments during the year amounted to \$16,365,212. This is 23 percent of the total income received during the year.

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

was 6.33 percent as compared with 6.06 percent for the previous year. Dividends on common stocks amounted to 3.25 percent of the average cost of the stocks. This was slightly more than the 3.21 percent return on stocks for 1970-71.

EXPENDITURES

Total expenditures during the fiscal year amounted to \$24,185,849. This was \$5,076,590 or 26.6 percent greater than the expenditures for the previous year. The expenditures were as follows:

Annuities	\$11,641,547
Disability benefits	2,017,177
Death benefits	906,523
Survivors benefits	1,461,965
Refunds	7,641,835
Administrative expenses	516,802
TOTAL	\$24,185,849

ASSETS

As of August 31, 1972, total assets were \$328,737,980. This is an increase of \$47,190,671 or 16.8 percent over the previous year. Of the total assets, \$41,428 was in cash, \$6,273,147 in receivables, \$217,455,560 in bonds, and \$104,385,546 in common stocks.

INVESTMENTS IN MARKETABLE SECURITIES

Marketable securities owned at August 31, 1972, consisted of the following:

	PRINCIPAL AMOUNT OR NUMBER OF SHARES	CARRYING AMOUNT	MARKET VALUE
Bonds and notes:			
United States			
Government	\$ 18,061,000	\$ 18,054,097	\$ 16,912,300
Canadian	9,012,000	8,713,935	8,584,736
Public Utility	73,813,000	70,744,350	61,444,118
Industrial and Financial	114,580,265	113,021,104	106,010,341
Railroad	6,925,000	6,922,074	7,123,938
Total Bonds	\$222,391,265	217,455,560	200,075,433
Common Stocks	2,137,230	104,385,546	128,445,037
TOTAL MARKETABLE SECURITIES		\$321,841,106	\$328,520,470

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.

WINAKOR, BATES, & BRUNSON

Champaign, 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 State Universities Retirement System (an Illinois Public Corporation) as of August 31, 1972, 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, 1971 were examined by other independent accountants.

As explained in Note C to the financial statements, appropriations made for the fiscal year ended June 30, 1972 by the 77th General Assembly were not sufficient to meet the requirements of Article 15 of the "Illinois Pension Code," as amended.

In our opinion, the aforementioned financial statements present fairly the assets, liabilities and fund balances of the State Universities Retirement System as of August 31, 1972 and its financial activities 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.

Winakor, Bates & Brunson

Champaign, Illinois

October 23, 1972

STATE UNIVERSITIES RETIREMENT SYSTEM

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

August 31, 1972

RETIREMENT FUND		
ASSETS		
Cash		\$ 41,428
Contributions receivable		2,666,767
Accrued interest receivable		3,606,380
Marketable securities — Note B:		
Bonds and notes — at amortized cost		
(market value — \$200,075,433)	\$217,455,560	
Common stocks — at cost		
(market value — \$128,445,037)	104,385,546	321,841,106
Due from Building Fund — Note D		563,643
Benefits paid in advance		18,656
		<u>\$328,737,980</u>
 LIABILITIES AND FUND BALANCES		
Accounts payable		\$ 238,494
Benefits payable		471,218
Fund balances — Notes A and C:		
Accumulated contributions	\$308,879,213	
Undistributed income on investments	19,149,055	328,028,268
		<u>\$328,737,980</u>
 BUILDING FUND — Note D		
ASSETS		
Cash		\$ 12,789
Property, plant and equipment:		
Land	\$ 70,000	
Land improvements	12,088	
Office building	560,332	
Furniture and equipment	43,790	686,210
		<u>\$ 698,999</u>
 LIABILITIES AND FUND BALANCES		
Amount payable to Retirement Fund		\$ 563,643
Fund balances provided by:		
Gift of land	\$ 70,000	
Expenditure from Retirement Fund	43,790	
Accumulated income in excess of expenditures	21,566	135,356
		<u>\$ 698,999</u>

The accompanying notes are a part of the financial statements.

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

Year ended August 31, 1972

	Balance Sept. 1, 1971	Balance Available From Income	Interest Distribution	Transfers In (Out)	Balance Aug. 31, 1972
ACCUMULATED CONTRIBUTIONS:					
From employees	\$168,889,342	\$27,189,455	\$ 7,239,601	(\$6,017,995)	\$197,300,403
From employers and other sources:					
Retirement annuities accruing provided from Federal and trust funds	18,825,981	2,231,275	847,169	(682,932)	21,221,493
Retirement and reversionary annuities in force provided from:					
Annuitants and Federal and trust funds	16,971,413	(2,198,185)	763,714	6,257,053	21,793,995
State appropriations	23,557,897	(7,341,884)	1,060,105	—	17,276,118
Beneficiary annuities in force	548,879	(54,190)	24,700	55,760	575,149
Disability benefits	9,118,462	543,470	410,331	—	10,072,263
Death benefits	1,825,673	491,179	82,155	(6,974)	2,392,033
Survivors' insurance benefits	17,567,075	7,877,651	790,518	305,868	26,541,112
Annual increases in annuities to past retirees	—	(527,718)	527,718	—	—
Annual increase in annuities	4,338,805	2,398,239	195,246	64,673	6,996,963
Administrative expenses	1,443,605	72,480	64,962	—	1,581,047
Variations in mortality, interest and turnover experience	2,993,911	—	134,726	—	3,128,637
	97,191,701	3,492,317	4,901,344	5,993,448	111,578,810
Undistributed income on investments	14,900,242	16,365,211	(12,140,945)	24,547	19,149,055
TOTAL	\$280,981,285	\$47,046,983	\$ —	\$ —	\$328,028,268

The accompanying notes are a part of the financial statements.

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

Year ended August 31, 1972

	Provided By			Accumulated Income in Excess of Expenditures
	Total	Gift of Land	Expenditures From Retirement Fund	
BALANCE AT SEPTEMBER 1, 1971	\$113,393	\$70,000	\$38,266	\$ 5,127
ADDITIONS:				
Income in excess of expenditures for the year ended August 31, 1972	16,439	—	—	16,439
Retirement Fund expenditures for furniture and equipment	7,419	—	7,419	—
	23,858	—	7,419	16,439
DEDUCTIONS:				
Disposition of furniture and equipment	1,895	—	1,895	—
BALANCE AT AUGUST 31, 1972	\$135,356	\$70,000	\$43,790	\$21,566

The accompanying notes are a part of the financial statements.

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

	Year Ended August 31		Increase (Decrease)
	1972	1971	
INCOME			
Employee contributions	\$35,539,911	\$34,398,297	\$1,141,614
Employer contributions:			
Retirement and reversionary annuities:			
Federal and trust funds	2,231,274	2,339,540	(108,266)
State appropriations	573,661	7,643,200	(7,069,539)
Disability benefits	2,560,647	3,551,084	(990,437)
Death benefits	689,081	482,045	207,036
Survivors' insurance benefits	9,339,614	6,288,596	3,051,018
Reciprocal benefits	852,146	515,626	336,520
Annual increase in annuities	2,492,005	2,112,688	379,317
Administrative expenses	589,281	658,281	(69,000)
Interest on bonds and notes	13,119,772	11,335,028	1,784,744
Dividends	2,973,862	2,024,160	949,702
Net gain on sale of securities	237,601	156,099	81,502
Interest from Building Fund	33,977	7,137	26,840
TOTAL INCOME	\$71,232,832	\$71,511,781	(\$ 278,949)
EXPENDITURES			
Retirement, reversionary, and beneficiary annuity payments	\$11,082,799	\$ 8,682,493	\$ 2,400,306
Annual increase in annuities to past retirees	558,748	454,923	103,825
Benefit payments:			
Disability	2,017,177	1,639,917	377,260
Death	906,523	877,831	28,692
Survivors' insurance	1,461,965	1,236,408	225,557
Administrative expenses	516,802	434,546	82,256
Contributions refunded to employees upon separation from service	7,641,835	5,783,141	1,858,694
TOTAL EXPENDITURES	\$24,185,849	\$19,109,259	\$ 5,076,590
INCOME IN EXCESS OF EXPENDITURES	\$47,046,983	\$52,402,522	(\$5,355,539)
Income in excess of expenditures distributed to fund balances as follows:			
Accumulated contributions:			
Employees	\$27,189,455	\$27,934,989	(\$ 745,534)
Employers and other sources	3,492,317	10,945,109	(7,452,792)
Undistributed income from investments	16,365,211	13,522,424	2,842,787
TOTAL	\$47,046,983	\$52,402,522	(\$5,355,539)

The accompanying notes are a part of the financial statements.

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

For the year ended August 31, 1972 and
for the period June 7, 1971 to August 31, 1971

	1972	1971	Increase (Decrease)
INCOME			
Office space rental, including \$46,000 and \$10,733 from Retirement Fund for the periods ending in 1972 and 1971 respectively	\$81,467	\$17,393	\$64,074
EXPENDITURES			
Interest paid to Retirement Fund	\$33,977	\$ 7,137	\$26,840
Building operating expenses	31,051	5,129	25,922
TOTAL EXPENDITURES	\$65,028	\$12,266	\$52,762
INCOME IN EXCESS OF EXPENDITURES	\$16,439	\$ 5,127	\$11,312

The accompanying notes are a part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
STATE UNIVERSITIES RETIREMENT SYSTEM

August 31, 1972

Note A — Accounting Policies:

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.

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, 1972, exceeded the market value at that date by approximately \$17,380,000. 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 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, 1972, employer contributions provided from state appropriations by the 77th General Assembly were not sufficient to meet these requirements by \$53,196,165. The unfunded accrued liabilities increased from \$248,000,000 as of August 31, 1971, to \$401,421,722 as of August 31, 1972, 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. The building was substantially completed and occupied 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 ended August 31, 1971 to account for these transactions.

