
ANNUAL REPORT

for the year ended August 31, 1979

STATE
UNIVERSITIES
RETIREMENT
SYSTEM

Champaign, Illinois

BOARD OF TRUSTEES AND OFFICERS

OF THE STATE UNIVERSITIES RETIREMENT SYSTEM

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FILBEY, SUMMERS, ABOLT, GOOD & KIDDOO, Auditors

DEPOSITORY

HARRIS TRUST AND SAVINGS BANK, Chicago

The State Universities Retirement System Office is located at
50 Gerly Drive, Champaign, Illinois 61820
Phone — 333-3860, Area Code 217

Report of Executive Director

FINANCIAL SUMMARY

OF THE STATE UNIVERSITIES RETIREMENT SYSTEM

1970-79

Year Ended August 31	Assets	Income	Expenditures	Unfunded Accrued Liabilities*
1970	\$229,309,052	\$ 66,560,181	\$16,629,461	\$217,000,000
1971	281,547,309	71,511,781	19,109,259	248,000,000
1972	328,737,980	71,232,832	24,185,849	401,421,722
1973	383,174,386	83,124,602	28,686,941	467,896,311
1974	444,078,972	94,379,742	33,513,308	509,793,867
1975	508,315,785	100,899,023	36,799,815	587,893,456
1976	579,175,632	111,985,800	41,659,832	658,772,105
1977	661,559,703	128,007,396	48,309,540	730,570,416
1978	751,209,345	146,103,464	55,582,874	792,374,137
1979	863,141,804	171,463,991	62,426,338	849,722,361

* Amount which the State owes the System for benefits earned by employees covering service rendered prior to the end of the fiscal year.

Results of Operations for 1978-79

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) income from investments.

Employee Contributions

Each participating employee contributes 8 percent of earnings which includes (a) normal retirement contributions of 6½ percent, (b) contributions of ½ of 1 percent for annual increases in retirement benefits, and (c) survivors insurance contributions of 1 percent.

Total employee contributions during the year amounted to \$56,503,802. This is 33.0 percent of the total income received during the year and 7.4 percent more than the total employee contributions received during the previous fiscal year.

Employer Contributions

Employer contributions during the year amounted to \$61,595,360 which was 35.9 percent of the total income during the year. This was \$10,853,996 or 21.4 percent more than the employer contributions for 1977-78.

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 \$53,364,829. This is 31.1 percent of the total income received during the year.

The average rate of return on all corporate obligations except short-term notes held on August 31, 1979 was 7.70 percent as compared with 7.48 percent for the previous year. Dividends on common stocks amounted to 4.84 percent of the average cost of the stocks. This was greater than the 4.42 percent return on stocks for 1977-78.

EXPENDITURES

Total expenditures during the fiscal year amounted to \$62,426,338. This was \$6,843,464 or 12.3 percent greater than the expenditures for the previous year. The expenditures were as follows:

EXPENSES	1978	1979	INCREASE	
			AMOUNT	PER-CENT-AGE
Retirement benefits	\$32,982,948	\$37,220,681	\$4,237,733	12.85
Disability benefits	5,324,788	5,708,948	384,160	7.21
Death benefits	165,897	219,266	53,369	32.17
Survivors' benefits	3,476,991	3,998,473	521,482	15.00
Refunds	12,614,658	14,101,511	1,486,853	11.79
Administrative expenses	1,017,592	1,177,459	159,867	15.71
TOTAL	\$55,582,874	\$62,426,338	\$6,843,464	12.30

ASSETS

As of August 31, 1979, total assets were \$863,141,804. This is an increase of \$111,932,459 or 14.9 percent over the previous year.

INVESTMENTS IN MARKETABLE SECURITIES

Marketable securities owned at August 31, 1979 consisted of the following:

	PRINCIPAL AMOUNT OR NUMBER OF SHARES	CARRYING AMOUNT	MARKET VALUE
Bonds and notes:			
U.S. Government and Federal Agencies	\$ 83,993,445	\$ 82,892,665	\$ 77,603,587
Canadian	9,012,000	8,842,745	7,302,696
Public Utilities	111,559,900	107,583,350	86,915,336
Railroads	3,314,000	3,314,995	3,172,615
Industrial	272,448,109	271,254,911	241,254,062
Total Bonds and Notes	<u>\$480,327,454</u>	<u>\$473,888,666</u>	<u>\$416,248,296</u>
Short-Term Commercial Notes	<u>\$ 51,568,000</u>	<u>51,568,000</u>	<u>51,568,000</u>
Common Stocks	<u>8,189,898</u>	<u>320,663,021</u>	<u>334,475,084</u>
TOTAL MARKETABLE SECURITIES	<u>\$846,119,687</u>	<u>\$802,291,380</u>	

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 and dividend income earned but not received at August 31 was accrued.

FILBEY, SUMMERS, ABOLT, GOOD & KIDDOO

CERTIFIED PUBLIC ACCOUNTANTS
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Champaign, Illinois 61820
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Offices
Champaign, Illinois
Aurora, Illinois

The Honorable Robert G. Cronson
Auditor General, State of Illinois
and Board of Trustees of State
Universities Retirement System

We have examined the statement of assets, liabilities and fund balances of the Retirement Fund and the Building Fund of State Universities Retirement System as of August 31, 1979 and 1978 and the related statements of income and expenditures and changes in fund balances for the years then ended. Our examinations were 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.

In our opinion, the financial statements referred to above present fairly the assets, liabilities and fund balances of State Universities Retirement System as of August 31, 1979 and 1978 and the results of its operations and the changes in its fund balances for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Filbey, Summers, Abolt, Good & Kiddoo

November 30, 1979

Exhibit A-1

STATE UNIVERSITIES RETIREMENT SYSTEM
Champaign, Illinois
RETIREMENT FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
August 31, 1979 and 1978

ASSETS		
	1979	1978
Receivables:		
Participants' Contributions	\$ 2,136,553	\$ 2,380,139
Employer Contributions:		
Federal and Trust Funds	1,287,678	1,027,807
State Appropriations	1,487,392	1,382,017
Reciprocating Retirement Systems	33,201	33,597
Other	10,665	20,798
Total Receivables	4,955,489	4,844,358
Prepaid Expenses	187	45,213
Investments:		
Bonds, At Amortized Cost, Market Value \$467,816,295 (1979) and \$419,210,983 (1978)	525,456,666	456,805,536
Common Stocks, At Cost, Market Value \$334,475,084 (1979) and \$282,628,648 (1978)	320,663,021	279,020,381
Due from Building Fund	498,447	509,465
Accrued Interest and Dividends	11,567,994	9,984,392
Total Investments	858,186,128	746,319,774
Total Assets	\$863,141,804	\$751,209,345
LIABILITIES AND FUND BALANCES		
Bank Overdraft	\$ 754,708	\$ 139,985
Accounts Payable:		
Refunds to Participants	505,936	969,432
Benefits to Annuitants and Beneficiaries	361,746	133,906
Administrative	20,973	112,025
Unclaimed Benefit and Refund Checks	15,530	15,026
Other	17,744	17,243
Funds Transferred From Building Fund		
To Be Invested	71,745	60,069
Total Payables	993,674	1,307,701
Deferred Income:		
10/12ths of Appropriation From State Pension Fund	2,090,000	829,167
Prepayment of Contributions	2,289,785	956,508
Total Deferred Income	4,379,785	1,785,675
Fund Balances (Exhibits A-3 and A-4):		
Participants' Contributions	510,986,382	455,668,777
Annuitants' and Employers' Contributions	321,427,388	273,502,416
Undistributed Investment Income	24,599,867	18,804,791
Total Fund Balances	857,013,637	747,975,984
To Be Provided By Future State of Illinois Appropriations	849,722,361	792,374,137
Total Liabilities and Fund Balances	1,706,735,998	1,540,350,121
Unfunded Accrued Liability	(849,722,361)	(792,374,137)
Total Fund Balances	857,013,637	747,975,984
Total Liabilities and Fund Balances	\$863,141,804	\$751,209,345

The notes following Exhibit B-3 are an integral part of this financial statement.

STATE UNIVERSITIES RETIREMENT SYSTEM

Champaign, Illinois

RETIREMENT FUND**STATEMENT OF INCOME AND EXPENDITURES**

For the Years Ended August 31, 1979 and 1978

	1979	1978
INCOME		
Participants' Contributions	\$ 56,503,802	\$ 52,631,639
Employer Contributions:		
State Appropriations	54,446,100	44,495,600
Federal and Trust Funds	6,397,307	5,479,532
Reciprocating Systems	751,953	766,232
Income on Investments:		
Interest	38,134,773	31,664,225
Dividends	14,966,195	11,792,209
Gain (Loss) on Sales of Securities	233,293	(757,165)
Interest From Building Fund	30,568	31,192
	<u>171,463,991</u>	<u>146,103,464</u>
EXPENDITURES		
Benefits:		
Retirement	37,220,681	32,982,948
Disability	5,708,948	5,324,788
Death	219,266	165,897
Survivors	3,998,473	3,476,991
Withdrawal of Participants'		
Contributions and Interest:		
Termination as Employees	12,021,454	11,008,076
Death of Participants	2,080,057	1,606,582
Administrative Expenses	1,177,459	1,017,592
	<u>62,426,338</u>	<u>55,582,874</u>
Excess of Income Over Expenditures	\$109,037,653	\$90,520,590

The notes following Exhibit B-3 are an integral part of this financial statement.

STATE UNIVERSITIES RETIREMENT SYSTEM

Champaign, Illinois

Exhibit A-3

RETIREMENT FUND

STATEMENT OF CHANGES IN FUND BALANCES

For the Year Ended August 31, 1979

	Balance		Income	Expenditures	Investment		Transfers In (Out)	Balance	
	August 31, 1978	August 31, 1979			Income Distribution	In (Out)		August 31, 1979	
ACCUMULATED CONTRIBUTIONS:									
From Participants	\$455,668,777		\$ 56,503,802	\$14,101,511	\$29,108,342		(\$16,193,028)	\$510,986,382	
From Employers and Other Sources:									
Retirement Annuities Accruing Provided									
From Federal and Trust Funds	43,128,326		4,125,784	—	2,911,162		(1,666,646)	48,498,626	
Retirement and Reversionary Annuities									
In Force Provided From Annuities									
and From Federal and Trust Funds	77,320,458		751,953	10,141,514	5,219,131		15,994,296	89,144,324	
Retirement and Reversionary Annuities									
Accruing and In Force Provided									
From State Appropriations	(14,040,476)		23,961,180	24,062,423	(947,732)		—	(15,089,451)	
Beneficiary Annuities In Force	723,978		—	62,204	48,868		—	710,642	
Disability Benefits	12,359,325		7,063,161	5,708,948	834,254		—	14,547,792	
Death Benefits	8,720,045		1,316,220	219,267	588,603		—	10,405,601	
Survivors' Insurance Benefits	106,417,203		14,728,640	3,998,473	7,183,161		1,330,966	125,661,497	
Annual Increase in Annuities	31,705,260		8,221,409	2,954,540	2,140,105		534,412	39,646,646	
Administrative Expenses	2,561,933		1,427,013	1,177,459	172,931		—	2,984,418	
Variations in Mortality, Interest									
and Turnover Experience	4,606,364		—	—	310,929		—	4,917,293	
	273,502,416		61,595,360	48,324,828	18,461,412		16,193,028	321,427,388	
Undistributed Investment Income	18,804,791		53,438,534	73,704	(47,569,754)		—	24,599,867	
TOTAL (EXHIBIT A-1)	\$747,975,984		\$171,537,696	\$62,500,043	\$ —		\$ —	\$857,013,637	

The notes following Exhibit B-3 are an integral part of this financial statement.

STATE UNIVERSITIES RETIREMENT SYSTEM
Champaign, Illinois
RETIREMENT FUND

STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1978

	Balance August 31, 1977	Income	Expenditures	Investment Income Distribution	Transfers In (Out)	Balance August 31, 1978
ACCUMULATED CONTRIBUTIONS:						
From Participants	\$406,047,663	\$ 52,631,639	\$12,614,658	\$24,807,918	(\$15,203,785)	\$455,668,777
From Employers and Other Sources:						
Retirement Annuities Accruing Provided From Federal and Trust Funds	38,291,358	3,590,087	—	2,488,938	(1,242,057)	43,128,326
Retirement and Reversionary Annuities In Force Provided From Annuities and From Federal and Trust Funds	66,390,078	766,232	8,930,470	4,315,355	14,779,263	77,320,458
Retirement and Reversionary Annuities Accruing and In Force Provided From State Appropriations	(10,523,345)	18,852,776	21,685,890	(684,017)	—	(14,040,476)
Beneficiary Annuities In Force	738,917	—	62,969	48,030	—	723,978
Disability Benefits	11,468,683	5,469,965	5,324,788	745,464	—	12,359,325
Death Benefits	7,162,503	1,257,877	165,897	465,563	—	8,720,045
Survivors' Insurance Benefits	89,377,286	13,507,049	3,476,991	5,809,524	1,200,335	106,417,203
Annual Increase in Annuities	25,691,765	6,180,905	2,303,619	1,669,965	466,244	31,705,260
Administrative Expenses	2,312,725	1,116,473	1,017,592	150,327	—	2,561,933
Variations in Mortality, Interest and Turnover Experience	4,325,224	—	—	281,140	—	4,606,364
	235,235,194	50,741,364	42,968,216	15,290,289	15,203,785	273,502,416
Undistributed Investment Income	16,172,538	42,730,461	—	(40,098,207)	—	18,804,791
TOTAL (EXHIBIT A-1)	\$657,455,395	\$146,103,464	\$55,582,874	\$	\$	\$747,975,984

The notes following Exhibit B-3 are an integral part of this financial statement.

Exhibit B-1

STATE UNIVERSITIES RETIREMENT SYSTEM
Champaign, Illinois
BUILDING FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
August 31, 1979 and 1978

	1979	1978
ASSETS		
Funds Transferred to Retirement Fund To Be Invested	\$ 71,745	\$ 60,069
Property, Plant and Equipment:		
Land	70,000	70,000
Land Improvements	12,799	12,799
Office Buildings	559,621	559,621
Furniture and Equipment	76,834	69,648
	719,254	712,068
Accumulated Depreciation of Building and Land Improvements	94,547	82,931
	624,707	629,137
Total Assets	\$696,452	\$689,206
LIABILITIES AND FUND BALANCES		
Due to Retirement Fund	\$498,447	\$509,465
Fund Balances Provided By (Exhibit B-3):		
Gift of Land	70,000	70,000
Retirement Fund Expenditures For Furniture and Equipment	76,834	69,648
Accumulated Excess of Income Over Expenditures and Depreciation	51,171	40,093
	198,005	179,741
Total Liabilities and Fund Balances	\$696,452	\$689,206

The notes following Exhibit B-3 are an integral part of this financial statement.

Exhibit B-2

STATE UNIVERSITIES RETIREMENT SYSTEM
Champaign, Illinois
BUILDING FUND
STATEMENT OF INCOME, EXPENDITURES AND DEPRECIATION
For the Years Ended August 31, 1979 and 1978

	1979	1978
INCOME		
Office Space Rental, Including \$48,000 from Retirement Fund (Note 4d)	\$ 90,576	\$ 86,206
Interest	4,055	3,286
	94,631	89,492
EXPENDITURES AND DEPRECIATION		
Interest Paid to Retirement Fund	30,568	31,192
Building Operating Expenses	41,369	38,398
Depreciation	11,616	11,616
	83,553	81,206
Excess of Income Over Expenditures and Depreciation	\$ 11,078	\$ 8,286

The notes following Exhibit B-3 are an integral part of this financial statement.

STATE UNIVERSITIES RETIREMENT SYSTEM
Champaign, Illinois
BUILDING FUND

STATEMENT OF CHANGES IN FUND BALANCES
For the Years Ended August 31, 1979 and 1978

	Provided by			Accumulated Excess of Income Over Expenditures
	Total	Gift of Land	Expenditures From Retirement Fund	
BALANCE — AUGUST 31, 1977	\$157,076	\$ 70,000	\$ 55,269	\$ 31,807
ADDITIONS (REDUCTIONS):				
Excess of Income Over Expenditures and Depreciation for the Year Ended August 31, 1978	8,286	—	—	8,286
Retirement Fund Expenditures for Furniture and Equipment	15,580	—	15,580	—
Dispositions	(1,201)	—	(1,201)	—
BALANCE — AUGUST 31, 1978	179,741	70,000	69,648	40,093
ADDITIONS (REDUCTIONS):				
Excess of Income Over Expenditures and Depreciation for the Year Ended August 31, 1979	11,078	—	—	11,078
Retirement Fund Expenditures for Furniture and Equipment	7,903	—	7,903	—
Dispositions	(717)	—	(717)	—
BALANCE — AUGUST 31, 1979	\$198,005	\$70,000	\$76,834	\$51,171

The notes following this Exhibit are an integral part of this financial statement.

*Accumulated Contributions from Federal and Trust Funds
for Retirement Annuities Accruing — \$48,498,626*

This account represents employer contributions for participants whose salaries have been paid from federal and trust funds. Such contributions for the 1978-79 year were made primarily at the rate of 7.63%. The 7.63% rate was determined by the System's consulting actuary. The employer's contributions and interest are transferred at the time of an employee's retirement to the account for Retirement Annuities in Force.

*Accumulated Contributions from Annuitants and from
Federal and Trust Funds for Retirement and Reversionary
Annuities in Force — \$89,144,324*

Additions are made to this account when a participant retires. The additions are the participant's accumulated contributions, the employer contributions (which were from federal and trust funds) and funds transferred from other reciprocating retirement systems. A proportional part of the annuities paid are charged to this account.

*Accumulated Contributions (Deficit) from State Appropriations
for Retirement and Reversionary Annuities Accruing
and in Force — (\$15,089,451)*

This account balance represents the excess of the State's share of the cost of retirement and reversionary annuities over the appropriations received. The System has structured the fund balance accounts so that each account descriptive of benefits accruing or in force reflects the actuarially determined liability, except this one. If the August 31, 1979 unfunded accrued liability of \$849,722,361 were funded, all of it would be credited to this account. This account shows a decrease for the year because the actuarial liability for all other benefit categories are deemed to be fully funded, with the result that the income allocated to this benefit was less than the benefits actually distributed.

*Accumulated Contributions for Beneficiary Annuities in
Force — \$710,642*

This account represents the amounts transferred from Accumulated Contributions from Participants and from Ac-

1. When a participant retires, dies or withdraws his accumulated contributions, interest is credited to his account for the number of whole months from September 1, 1978 through the end of the month preceding the distribution.
2. In the event of a withdrawal of the participant's contribution resulting from termination as an employee, interest is credited from September 1, 1974, at the annual rate of 4½%. Any interest credited for a prior year at a rate above 4½% is recomputed at 4½% for such prior year.

Accumulated Contributions from Participants — \$510,986,-382

Contributions received on behalf of participants are credited to this account, and interest is also added annually to each of the participant's accounts. The contribution rate is 8% of the participant's earnings. Prior to September 1, 1969, the rate was 7% and was less than that in earlier years. The 8% rate is comprised of three separate rates:

- 6.5% which is for regular retirement benefits
 - .5 which is the participant's contribution toward the cost of the automatic annual increases in retirement annuities
 - 1.0 which is for survivors' insurance benefits
-
- 8.0%

When a participant's status changes — by retirement, death, or termination — his account balance is transferred to other fund balance categories or is refunded to him or his beneficiaries, or a combination transfer/refund occurs. If an employee terminates before becoming eligible for retirement benefits, he may leave his contributions with the System to qualify for the retirement benefits upon attaining retirement age. Such former employees are called inactive participants.

At August 31, 1978, there were 38,147 active participants and 4,846 inactive participants.

*Accumulated Contributions from Federal and Trust Funds
for Retirement Annuities Accruing — \$48,498,626*

This account represents employer contributions for participants whose salaries have been paid from federal and trust funds. Such contributions for the 1978-79 year were made primarily at the rate of 7.63%. The 7.63% rate was determined by the System's consulting actuary. The employer's contributions and interest are transferred at the time of an employee's retirement to the account for Retirement Annuities in Force.

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*Accumulated Contributions for Beneficiary Annuities in
Force — \$710,642*

This account represents the amounts transferred from Accumulated Contributions from Participants and from Ac-

cumulated Contributions for Death Benefits for those participants or their beneficiaries who elected to have the death benefit paid in the form of an annuity. Beneficiary annuities paid during the year are charged to the account.

Accumulated Contributions for Disability Benefits and Death Benefits — \$14,547,792 and \$10,405,601, respectively

These accounts represent accumulated contributions from employers (provided from State appropriations and from trust funds) for payment of disability and death benefits. Disability and death benefits paid during the year are charged to the accounts.

Accumulated Contributions for Survivors' Insurance Benefits — \$125,661,497

The balance in this account represents unexpended contributions from employers (including amounts provided from State appropriations) and unexpended contributions of participants who have retired or died. Survivors' benefits paid during the year are charged to the account.

Accumulated Contributions for Annual Increases in Annuities — \$39,646,646

The Pension Code provides for automatic annual increases of 3% of the retiree's initial annuity. The annual increases are to be partially financed by the employee's contributions ($\frac{1}{2}\%$ of earnings).

Additions to this account are employer contributions (from State appropriations and trust funds) and transfers from participants' accumulated contributions; the transfer occurring when the participants retire. Annuity increases paid are charged to this account.

Accumulated Contributions for Administrative Expenses — \$2,984,418

This account is used to accumulate that portion of employers' contributions used to pay the administrative costs incurred by the System. Administrative costs are charged to the account.

A portion of the income received from State appropriations is allocated to defray administrative costs. A portion of employer contributions from trust funds also applies to administrative expenses.

Accumulated Contributions for Variations in Mortality, Interest and Turnover Experience — \$4,917,293

This account represents contributions in prior years provided from appropriations of the State for contingencies arising from variations in mortality, interest and turnover experience. There was no activity in this account during the year, except for the interest added.

Undistributed Income on Investments — \$24,599,867

The balance in this account represents the accumulated excess of investment income over interest distributed to the other fund balance accounts.

2. Valuation of Marketable Securities

Chapter 108½, Article 15, of the Illinois Revised Statutes states that investments are to be carried at book value without adjustment for changes in current market price fluctuations.

The amortized cost of bonds held by the System exceeded market value by approximately \$57,638,371 as of August 31, 1979, and \$37,594,551 as of August 31, 1978. The market value of common stocks exceeded cost by approximately \$13,812,063 at August 31, 1979. The market value of common stocks exceeded cost by \$3,608,000 at August 31, 1978.

At November 30, 1979, the amortized cost of bonds held by the System exceeded market value by approximately \$98,431,302 and the market value of common stocks exceeded cost by approximately \$6,040,737.

3. Unfunded Accrued Liability

Article 15, Section 155 of the Illinois Pension Code 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, plus interest at the prescribed rate on the unfunded accrued liabilities."

Each year, the System's consulting actuary determines the percent of personal services which the employer units within the System need to contribute to meet the statutory requirement. For the year ended August 31, 1979, the percentage was 18.30 and the amount was approximately \$133,025,000; the percentage for the prior year was 17.82 and the amount was approximately \$120,124,000. Actual contributions by State appropriations were \$54,446,100 for 1979 and \$44,495,600 for 1978, or approximately \$57,348,200 (1979) and \$75,628,400 (1978) less than the statutory requirement.

The consulting actuary has reported that the unfunded accrued liability was \$849,722,361 as of August 31, 1979, and \$792,374,137 as of August 31, 1978. The increase in unfunded accrued liability was approximately \$57,348,200 for the 1978-79 year and \$61,800,000 for the 1977-78 year. The increases in unfunded accrued liability are caused by deficiencies in State funding, changes in benefits, and variations between actual experience and actuarial assumptions — salary progression of participants, employee turnover, mortality rates, and investment yields.

4. Building Fund

- a. The System completed construction of a building in 1971 on land donated by the University of Illinois.
- b. The cost of the office building was financed through a loan from the Retirement Fund. That loan is to be repaid in thirty equal annual installments of \$41,586, including interest at 6%. As of August 31, 1979, 22 installments remain to be paid. The funds to retire the indebtedness and to defray the operating expenses are derived from rentals from Retirement Fund and from the lease of surplus space.
- c. The assets of the Building Fund are carried at cost, except the land is carried at the fair market value when received by gift.
- d. The Building Fund leases part of the building to the State Universities Civil Service System on a year-to-year basis. The lessor is required to furnish utilities, custodial service, repairs and insurance. The rental rate varies from \$4.20 to \$5.40 per square foot. Rental income received from this

agreement during the fiscal year ending August 31, 1979 was \$33,132.

The Retirement Fund has an unwritten lease with the Building Fund whereby it rents the west half of the building based on a per square footage charge varying from \$4.20 to \$5.40. Rental income to the Building Fund was \$48,000 for the fiscal year ending August 31, 1979.

The Adler Zone Center rents excess space from the Building Fund. Adler does not pay cash for the space rented but rather provides engineering services to the Building Fund of \$4,200, which is equal to the value of the space rented.

The University of Illinois entered into a lease with the Building Fund on July 1, 1978 to rent excess space. The lease requires the lessee to pay \$437 per month. The lessor is required to pay utilities, custodial service, repairs and insurance. Rental income received from this agreement during the fiscal year ending August 31, 1979 was \$5,244.

