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State Universities Retirement System of Illinois.

Champaign, Ill. : State Universities Retirement System of Illinois, 1983-

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended August 31, 1983**



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COMPREHENSIVE ANNUAL FINANCIAL REPORT for the Fiscal Year Ended August 31, 1983



Prepared by: The Accounting Department

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Contents

3 1.3
1 2
1 1.1

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	7
Board of Trustees.....	12
Consulting and Professional Services.....	13
Administrative Staff.....	14
Organizational Chart.....	15
FINANCIAL SECTION	
Report of Independent Public Accountants.....	19
Combined Balance Sheet.....	20
Combined Statement of Revenues, Expenses and Changes in Fund Balance.....	21
Combined Statement of Changes in Financial Position.....	22
Combining Balance Sheet.....	23
Combining Statement of Revenues, Expenses and Changes in Fund Balance.....	24
Combining Statement of Changes in Financial Position.....	25
Notes to the Financial Statements.....	26
Supporting Schedules.....	35
ACTUARIAL SECTION	
Actuary's Certification Letter.....	43
Valuation Results.....	44
Contribution Rates.....	44
Schedule of Changes in the Unfunded Accrued Liability.....	45
Summary of Major Actuarial Assumptions.....	46
Analysis of Funding.....	47
STATISTICAL SECTION	
Schedule of Revenue by Source.....	50
Schedule of Benefit Recipients.....	52
Schedule of Benefit Expenses.....	54
Schedule of Total Expenses.....	56
Schedule of Assets.....	57
Schedule of Liabilities.....	57
Schedule of Active and Inactive Participants.....	58
Schedule of Participating Employers.....	59
INVESTMENT SECTION	
Master Trustee's Certification.....	62
Investment Performance Summary.....	64
Investment Portfolio.....	65

INTRODUCTORY SECTION



50 GERTY DRIVE · P.O. BOX 2710 — STATION A · CHAMPAIGN, IL 61820 · Telephone: (217) 333-3860

Board of Trustees and Executive Director
State Universities Retirement System
50 Gerty Drive
Champaign, Illinois 61820

The Annual Report of the State Universities Retirement System for the fiscal year ending August 31, 1983, is submitted herewith. The Report is in five sections: (1) the Introductory Section contains this transmittal letter and identification of the trustees, staff, and consultants; (2) the Financial Section contains the report of the independent public accountants as well as the financial statements and notes; (3) the Actuarial Section contains the report of the actuary as well as the statement of assumptions and certain tables; (4) the Statistical Section contains the statistical tables; and (5) the Investment Section contains the custodian bank's certification of the assets held in safekeeping along with a list of those assets.

ACCOUNTING SYSTEM & INTERNAL CONTROL

The accrual basis of accounting is used to record the assets, liabilities, revenues and expenses. Revenues for the System are taken into account when earned, without regard to date of collection and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

In developing and evaluating SURS' accounting system, consideration has been given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records.

SURS has instituted an internal audit program and employs the services of an independent accountant to function as internal auditor and determine that all controls implemented are being accomplished.

REVENUES

The reserves needed to finance the benefits provided by the State Universities Retirement System are accumulated through the collection of employer and employee contributions and through income on investments. These income sources for fiscal year 1983 totaled \$240 million which is an increase of .3% over income for 1982. Employee contributions accounted for 32.6% of the total income as compared to 32.0% for the preceding fiscal year. Employer contributions provided 21.8% of the total income as opposed to 23.0% for FY 82. Investment income accounted for 45.6% of the total income as compared to 45.0% for FY 82. Employer contributions did not meet the State's share of the benefits paid during the year.

EXPENSES

The primary expense of a retirement system relates to the purpose for which it is created; namely, the payment of benefits. Consequently, recurring benefit payments prescribed by the plan, refunds of contributions to terminated employees and the cost of administering the system comprise the total expenses. These expenses for fiscal year 1983 were \$94.8 million, an increase of 8.9% over fiscal year 1982. Contribution refunds for the same period decreased 13.2%. This decrease is mainly due to fewer terminations of employment and requests for refunds. Benefit payments for the year increased 12.4% due to growth in the number of annuitants and higher average benefit amounts. Administrative expenses in FY 83 increased 29.8%. This increase reflects the higher market value of investments and corresponding investment fees. Income exceeded expenses by \$163.9 million.

INVESTMENTS

The investment portfolio must be regarded as a major contributor to the System. Income from both long-term and short-term investments amounted to \$109,522,684 which represented 45.6% of total revenues. This exceeded the 32.6% of total revenue contributed by employee members. Changes in the makeup of the total portfolio during the year are reflected in the supporting schedule on pages 38 and 39. The income rate of return on book value was 8.4%.

Investment Authority

The State Universities Retirement System's investments are governed by an investment authority known as the "prudent person rule". The prudent person rule establishes a standard for all fiduciaries, who include anyone that has authority with respect to the fund. The prudent person standard states that fiduciaries shall discharge their duties solely in the interests of the fund participants and beneficiaries and with the care, skill, prudence and diligence under circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. By permitting further diversification of investments within a fund, the prudent person standard may enable a fund to reduce overall risk and increase returns. The prudent person standard also permits a fund to establish an investment policy based solely upon investment criteria and a particular risk-reward tradeoff.

Investment Policy

The State Universities Retirement System's Board of Trustees has established an investment policy statement for the total fund as well as guidelines for each type of investment manager. The statement of investment policy outlines the Board of Trustees' responsibility for the investment of the fund and the degree of risk that the Trustees deem appropriate for the fund. Investment managers are to execute the investment policy in accordance with the statutory authority, the investment policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

The investment policy provides for the following permissible limits:

	<u>Percent of Market Value</u>	
	<u>Maximum</u>	<u>Minimum</u>
Equity	50	15
Active Management	--	75
Passive Management	25	--

Multiple managers are to be retained to diversify and reduce risk. All individual managers' guidelines provide for full discretion to achieve this objective. Liquidity is not to be a current concern.

The investment objective for the overall fund performance is to equal or exceed a "policy portfolio" comprised of 50% of the S&P 500 Index and 50% of the Lehman Kuhn Loeb Government/Corporate Bond Index. Comparisons of total fund performance are also made with a universe of funds having similar policies.

Fixed-Income Manager Guidelines

Fixed-income portfolios are to be 100% invested in investment grade fixed-income securities.

The fixed-income objective is to exceed the rate of return of the Lehman Brothers Kuhn Loeb Government/Corporate Bond Index over reasonable measurement periods, and to achieve an above-median ranking within a universe of fixed-income funds.

Equity Manager Guidelines

Equity portfolios may be invested in any combination of equity and fixed-income securities at the sole discretion of the managers.

For all managers, except Alliance Capital, the performance objective is to exceed the S&P 500 Index. Alliance Capital, because of its investment style is to exceed the Wilshire 5000 Index. All managers are to achieve an above-median ranking with a universe of equity funds.

Balanced Manager Guidelines

The portfolio may be invested in common stocks and other equity-related securities or in investment-grade fixed-income securities in proportions which are at the discretion of the manager; however, equity investments are not to exceed 70% of the fund.

The performance objective is to exceed the rate of return of a policy portfolio which consists of 70% of the S&P 500 Stock Index and 30% of the Lehman Government/Corporate Bond Index, and to achieve an above-median ranking within a universe of balanced funds, and to achieve an above-median ranking of risk adjusted performance within a universe of balanced funds.

A complete listing of securities in the investment portfolio as of August 31, 1983, can be found in the Investment Section of this Report.

FUNDING

The actuarial liability of the System at August 31, 1983, amounted to \$3.0 billion. The reserve balances for participants' contributions and benefits from employee and employer contributions amounted to \$1.40 billion as of the same date. The amount by which the liability exceeds the reserves is called the "unfunded accrued liability" and is shown on the balance sheet as "to be provided by future State of Illinois appropriations." The unfunded accrued liability amounts to \$1.64 billion and reflects the current State policy of not appropriating sufficient funds to meet the normal costs of benefits being earned by current employees each year.

As in FY 82 the employer contributions for FY 83 from State funds were less than the State's share of the benefits paid to retired and disabled employees and their survivors.

Continued underfunding the State Universities Retirement System will have an adverse effect upon future taxpayers, future public employees and future students. Our State Constitution gives employees and annuitants a contractual right to the benefits they have earned. Therefore, future taxpayers will be required to pay the taxes to make up the underfunding in the past years, plus interest on the amount that was underfunded. Also, future taxpayers will pay additional interest on the bonded indebtedness of the State, when the State's credit rating deteriorates because of the huge unfunded obligation to the pension systems. Future employees will be adversely affected, because as the payout of the Retirement System becomes a greater part of the operating expenses of the universities, there will be less money available to pay salary increases and fund new programs. Future students will be affected, because the State will not be able to compete by paying adequate salaries to attract the best faculty.

CURRENT & FUTURE DEVELOPMENTS

Board Members

Robert Sechler was appointed by the State Community College Board for an indefinite term.

Investments

With the appointment of one equity, one balanced, and two small-capitalization managers during FY 83, the Board of Trustees has substantially completed its formation of a multiple investment manager team consisting of firms having proven track records for managing large investment portfolio accounts. The investment manager team functions with full discretion under investment guidelines adopted by the Board of Trustees. The investment consultant monitors each investment manager's performance and makes periodic reports to the Board.

Legislation

Legislation effecting the State Universities Retirement System passed during the 1983 session of the General Assembly included the following.

Public Act 83-0976 permits the transfer from a disability retirement allowance to a regular retirement annuity after age 60. This Act also provides for a lump sum payment upon termination of employment for one-half of the unused sick leave that an employee accumulates subsequent to December 31, 1983.

Public Act 83-0501 grants a 3% automatic annual increase to those annuitants who terminated their employment before August 15, 1959, with less than 15 years of service credit. The first increase of 3% will be paid on January 1, 1984, but not before the January 1 nearest the annuitant's first anniversary of retirement or 65th birthday, whichever is later.

Public Act 83-0543 removes the current three year optional participation period and requires that all new employees hired on or after January 1, 1984, become participants of the Retirement System immediately upon employment.

Public Act 83-0744 requires that the employee contribution be picked up on the cash value of a cafeteria plan fringe benefit, which an employee elects to receive in lieu of cash salary. This Act also permits the calculation of the employee's four year average salary on the basis of the employee's academic year, rather than the Retirement System's fiscal year.

ACKNOWLEDGEMENTS

The preparation of this Report reflects the combined efforts of the Retirement System Staff under the leadership of the Board of Trustees. It is intended to be used by the Trustees and Staff in making management decisions, as a means of determining compliance with legal provisions and for determining responsible stewardship for the assets contributed by the members and the State of Illinois. The Report is being mailed to all employers covered by the State Universities Retirement System and is available to individual participants and other interested persons upon request.

On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the Staff, the Advisors and to the many people who worked so effectively to assure the successful operation of this System.

Respectively submitted,

Bryan S. Bloom

Bryan S. Bloom, C.P.A.
Chief Accountant

BOARD OF TRUSTEES
of the
STATE UNIVERSITIES RETIREMENT SYSTEM
50 Gerty Drive
Champaign, Illinois 61820

FROM THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
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GEORGE W. HOWARD III, Mt. Vernon

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CONSULTING AND PROFESSIONAL SERVICES

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Assistant Director

WILLIAM B. JACKSON, JR.
Assistant Secretary

JEANNE VALCIK, CPA
Internal Auditor

BRYAN S. BLOOM, CPA
Chief Accountant

JAMES S. BEEDIE
Public Information Officer

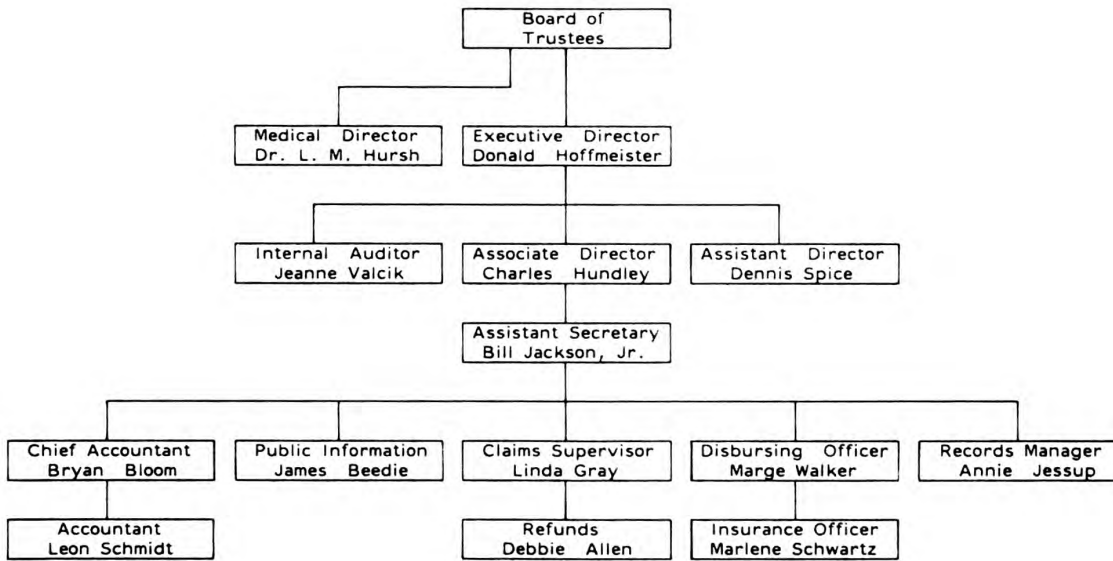
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Claims Manager

MARGE J. WALKER
Disbursing Officer

ANNIE L. JESSUP
Records Manager

ANN F. SWARTZ
Administrative Services Manager

ORGANIZATIONAL CHART



FINANCIAL SECTION

ALLSUP, VOLLBRACHT, MORRIS & CO.

PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

TED T. ALLSUP, CPA
FRANK C. VOLLBRACHT, CPA
JOHN C. MORRIS, CPA
DAVID M. RICHTER, CPA

TERESE G. FRIEDMAN, CPA
MILES T. KILCOIN, CPA

309-829-7081
201 W. OLIVE
BLOOMINGTON, ILLINOIS
61701

The Honorable Robert G. Cronson
Auditor General
State of Illinois
Springfield, Illinois

We have examined the balance sheets of the Retirement Fund and Building Fund of the State Universities Retirement System as of August 31, 1983 and 1982 and the related statements of revenue and expenses and changes in reserve 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 financial position of the Retirement Fund and Building Fund of the State Universities Retirement System as of August 31, 1983 and 1982 and the results of operations and changes in reserve balances for the years then ended, in conformity with generally accepted accounting principles, applied on a consistent basis.

Allsup, Vollbracht, Morris & Co.
Professional Corporation
ALLSUP, VOLLBRACHT, MORRIS & CO.
PROFESSIONAL CORPORATION

November 16, 1983

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Financial Statement 1983

COMBINED BALANCE SHEET August 31, 1983 and 1982

	Totals	
	1983	1982
ASSETS		
Cash	\$ 372,798	\$
Accounts Receivable - Retirement Fund	47,375	62,410
Contributions Receivable		
Participants	4,144,427	3,917,631
Federal, trust funds and other	963,529	2,432,725
State of Illinois	<u>1,630,500</u>	<u>2,798,201</u>
	6,738,456	9,148,557
Prepaid Expenses	20,021	179,716
Accrued Investment Income Receivable	16,679,201	22,880,285
Investments (Note IV)	1,387,887,709	1,213,892,892
(Market value:		
\$1,429,040,015 @ 8/31/83		
\$1,105,034,142 @ 8/31/82)		
Property & Equipment (net) (Note II F)		
Land	70,000	70,000
Land improvements	7,712	8,135
Office building	423,697	434,890
Building improvements	33,174	39,159
Furniture & fixtures	<u>558,686</u>	<u>458,610</u>
	1,093,269	1,010,794
Notes Receivable - Building Fund	447,357	461,266
	<u>\$1,413,286,186</u>	<u>\$1,247,635,920</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Bank overdraft	\$	\$ 2,212,784
Accounts payable	882,310	789,415
Benefits payable	290,283	204,848
Refunds payable	1,338,156	1,916,829
Accounts payable - building fund	47,375	62,410
Deferred income (Note II D)	6,180,575	1,844,840
Notes payable - retirement fund	<u>447,357</u>	<u>461,266</u>
	9,186,056	7,492,392
Fund Balance (Reserved) (Note III C)		
Participants contributions	828,362,283	740,975,354
Benefits from employee & employer contributions	575,044,560	498,556,236
Land	70,000	70,000
Retirement fund expenditures	611,452	510,823
Excess revenue (expense)	<u>11,835</u>	<u>31,115</u>
	1,404,100,130	1,240,143,528
To be provided by future State of Illinois appropriations	<u>1,640,020,356</u>	<u>1,561,445,267</u>
	3,044,120,486	2,801,588,795
Less unfunded accrued liability	<u>(1,640,020,356)</u>	<u>(1,561,445,267)</u>
	<u>1,404,100,130</u>	<u>1,240,143,528</u>
	<u>\$1,413,286,186</u>	<u>\$1,247,635,920</u>

See accompanying notes to financial statements

Financial Statement 1983

COMBINED STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
August 31, 1983 and 1982

REVENUE	Totals	
	1983	1982
Contributions by participants		
Salary deductions & qualifying payments	\$ 78,358,894	\$ 76,715,608
Contributions by State of Illinois		
Employer units	42,558,271	45,856,828
State pension fund	<u>2,220,683</u>	<u>1,322,416</u>
	44,778,954	47,179,244
Contributions from federal, trust funds & other	7,078,254	7,445,796
Reciprocity payments	407,334	419,759
Investment income	109,498,791	107,731,490
Rental income	102,004	98,704
Miscellaneous	<u>28,886</u>	<u>30,384</u>
	240,253,117	239,620,985
EXPENSE		
Benefits		
Age retirement	61,422,402	53,111,008
Disability retirement	142,915	65,465
Disability	6,787,871	6,668,410
Survivors	6,789,840	6,034,706
Death	3,306,214	3,847,120
Reversionary	218,099	217,370
Beneficiary	<u>65,477</u>	<u>63,437</u>
	78,732,818	70,007,516
Refunds	12,185,593	14,040,075
Administrative Expense	3,849,880	2,965,561
Building operations	80,447	85,136
Interest	27,676	28,463
Depreciation	<u>18,154</u>	<u>18,143</u>
	94,894,568	87,144,894
Excess of revenue over expense before gain (loss) on sale of investments	145,358,549	152,502,431
Gain (loss) on sale of investments, net	<u>18,497,424</u>	<u>(37,373,857)</u>
Excess of revenue over expense	<u>163,855,973</u>	<u>115,102,234</u>
Amount transferred from retirement fund	<u>100,629</u>	<u>14,906</u>
Fund balance:		
Beginning of year	<u>1,240,143,528</u>	<u>1,125,026,388</u>
End of year	<u>\$1,404,100,130</u>	<u>\$1,240,143,528</u>

See accompanying notes to financial statements

Financial Statement 1983

COMBINED STATEMENT OF
CHANGES IN FINANCIAL POSITION
August 31, 1983 and 1982

	Totals	
	1983	1982
Sources of Working Capital:		
Operations:		
Net income (loss)	\$163,855,973	\$115,102,234
Add back items not requiring working capital -		
Depreciation	18,154	18,143
Working capital provided by operations	<u>163,874,127</u>	<u>115,120,377</u>
Total sources of working capital	<u>163,874,127</u>	<u>115,120,377</u>
Uses of working capital:		
Total use of working capital	<u>0</u>	<u>0</u>
Net increase (decrease) in working capital	<u>\$163,874,127</u>	<u>\$115,120,377</u>
Elements of net increase (decrease) in working capital:		
Cash	\$ 2,585,582	\$(11,933,197)
Investments	173,994,817	119,564,620
Accounts receivable	(8,626,220)	6,787,208
Prepaid expenses	(159,695)	179,716
Notes receivable	(13,909)	(13,122)
Accounts payable	(77,860)	(396,938)
Benefits payable	493,238	(485,657)
Deferred income	(4,335,735)	1,404,625
Note payable	<u>13,909</u>	<u>13,122</u>
Net increase (decrease) in working capital	<u>\$163,874,127</u>	<u>\$115,120,377</u>

See accompanying notes to financial statements

Financial Statement 1983

COMBINING BALANCE SHEET
Year ended August 31, 1983

	Retirement Fund	Building Fund	Totals	
			1983	1982
ASSETS				
Cash	\$ 372,798	\$	\$ 372,798	\$
Accounts Receivable - Retirement Fund		47,375	47,375	62,410
Contributions Receivable				
Participants	4,144,427		4,144,427	3,917,631
Federal, trust funds and other	963,529		963,529	2,432,725
State of Illinois	1,630,500		1,630,500	2,798,201
	<u>6,738,456</u>		<u>6,738,456</u>	<u>9,148,557</u>
Prepaid Expenses	20,021		20,021	179,716
Accrued Investment Income Receivable	16,679,201		16,679,201	22,880,285
Investments (Note IV)	1,387,887,709		1,387,887,709	1,213,892,892
(Market value:				
\$1,429,040,015 @ 8/31/83				
\$1,105,034,142 @ 8/31/82)				
Property & Equipment (net) (Note II F)				
Land		70,000	70,000	70,000
Land improvements		7,712	7,712	8,135
Office building		423,697	423,697	434,890
Building improvements		33,174	33,174	39,159
Furniture & fixtures		558,686	558,686	458,610
		<u>1,093,269</u>	<u>1,093,269</u>	<u>1,010,794</u>
Notes Receivable - Building Fund	447,357		447,357	461,266
	<u>\$1,412,145,542</u>	<u>\$1,140,644</u>	<u>\$1,413,286,186</u>	<u>\$1,247,635,920</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Bank overdraft	\$	\$	\$	\$ 2,212,784
Accounts payable	882,310		882,310	789,415
Benefits payable	290,283		290,283	204,848
Refunds payable	1,338,156		1,338,156	1,916,829
Accounts payable - building fund	47,375		47,375	62,410
Deferred income (Note II D)	6,180,575		6,180,575	1,844,840
Notes payable - retirement fund		447,357	447,357	461,266
	<u>8,738,699</u>	<u>447,357</u>	<u>9,186,056</u>	<u>7,492,392</u>
Fund Balance (Reserved) (Note III C)				
Participants contributions	828,362,283		828,362,283	740,975,354
Benefits from employee & employer contributions	575,044,560		575,044,560	498,556,236
Land		70,000	70,000	70,000
Retirement fund expenditures		611,452	611,452	510,823
Excess revenue (expense)		11,835	11,835	31,115
	<u>1,403,406,843</u>	<u>693,287</u>	<u>1,404,100,130</u>	<u>1,240,143,528</u>
To be provided by future State of Illinois appropriations	<u>1,640,020,356</u>		<u>1,640,020,356</u>	<u>1,561,445,267</u>
	<u>3,043,427,199</u>		<u>3,044,120,486</u>	<u>2,801,588,795</u>
Less unfunded accrued liability	<u>(1,640,020,356)</u>	<u>693,287</u>	<u>(1,640,020,356)</u>	<u>(1,561,445,267)</u>
	<u>\$1,412,145,542</u>	<u>\$1,140,644</u>	<u>\$1,413,286,186</u>	<u>\$1,247,635,920</u>

See accompanying notes to financial statements

Financial Statement 1983

COMBINING STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
Year Ended August 31, 1983

	Retirement Fund	Building Fund	Totals	
			1983	1982
REVENUE				
Contributions by participants				
Salary deductions & qualifying payments	\$ 78,358,894	\$	\$ 78,358,894	\$ 76,715,608
Contributions by State of Illinois				
Employer units	42,558,271		42,558,271	45,856,828
State pension fund	2,220,683		2,220,683	1,322,416
	<u>44,778,954</u>		<u>44,778,954</u>	<u>47,179,244</u>
Contributions from federal, trust funds & other	7,078,254		7,078,254	7,445,796
Reciprocity payments	407,334		407,334	419,759
Investment income	109,493,798	4,993	109,498,791	107,731,490
Rental income		102,004	102,004	98,704
Miscellaneous	28,886		28,886	30,384
	<u>240,146,120</u>	<u>106,997</u>	<u>240,253,117</u>	<u>239,620,985</u>
EXPENSE				
Benefits				
Age retirement	61,422,402		61,422,402	53,111,008
Disability retirement	142,915		142,915	65,465
Disability	6,787,871		6,787,871	6,668,410
Survivors	6,789,840		6,789,840	6,034,706
Death	3,306,214		3,306,214	3,847,120
Reversionary	218,099		218,099	217,370
Beneficiary	65,477		65,477	63,437
	<u>78,732,818</u>		<u>78,732,818</u>	<u>70,007,516</u>
Refunds	12,185,593		12,185,593	14,040,075
Administrative Expense	3,849,880		3,849,880	2,965,561
Building operations		80,447	80,447	85,136
Interest		27,676	27,676	28,463
Depreciation		18,154	18,154	18,143
	<u>94,768,291</u>	<u>126,277</u>	<u>94,894,568</u>	<u>87,144,894</u>
Excess of revenue over expense before gain (loss) on sale of investments	145,377,829	(19,280)	145,358,549	152,476,091
Gain (loss) on sale of investments, net	18,497,424		18,497,424	(37,373,857)
Excess of revenue over expense	<u>163,875,253</u>	<u>(19,280)</u>	<u>163,855,973</u>	<u>115,102,234</u>
Amount transferred from retirement fund		100,629	100,629	14,906
Fund balance:				
Beginning of year	<u>1,239,531,590</u>	<u>611,938</u>	<u>1,240,143,528</u>	<u>1,125,026,388</u>
End of year	<u>1,403,406,843</u>	<u>693,287</u>	<u>1,404,100,130</u>	<u>1,240,143,528</u>

See accompanying notes to financial statements

Financial Statement 1983

COMBINING STATEMENT OF
CHANGES IN FINANCIAL POSITION
Year Ended August 31, 1983

	Retirement Fund	Building Fund	Totals	
			1983	1982
Sources of Working Capital:				
Operations:				
Net income (loss)	\$163,875,253	\$(19,280)	\$163,855,973	\$115,102,234
Add back items not requiring working capital -				
Depreciation		18,154	18,154	18,143
Working capital provided by operations	163,875,253	(1,126)	163,874,127	115,120,377
Total sources of working capital	163,875,253	(1,126)	163,874,127	115,120,377
Uses of working capital:				
Total use of working capital	0	0	0	0
Net increase (decrease) in working capital	\$163,875,253	\$ (1,126)	\$163,874,127	\$115,120,377
Elements of net increase (decrease) in working capital:				
Cash	\$ 2,585,582	\$	\$ 2,585,582	\$(11,933,197)
Investments	173,994,817		173,994,817	119,564,620
Accounts receivable	(8,611,185)	(15,035)	(8,626,220)	6,787,208
Prepaid expenses	(159,695)		(159,695)	179,716
Notes receivable	(13,909)		(13,909)	(13,122)
Accounts payable	(77,860)		(77,860)	(396,938)
Benefits payable	493,238		493,238	(485,657)
Deferred income	(4,335,735)		(4,335,735)	1,404,625
Note payable		13,909	13,909	13,122
Net increase (decrease) in working capital	\$163,875,253	\$ (1,126)	\$163,874,127	\$115,120,377

See accompanying notes to financial statements

Notes to the Financial Statements 1983

I. DESCRIPTION OF PLAN

The following is a summary of the provisions of the State Universities Retirement System as in effect on August 31, 1983, as defined in the "Illinois Pension Code". Participants should refer to the SURS brochures or the "Illinois Pension Code" for more complete information.

A. Membership

The System covers faculty and non-academic permanent employees of Illinois State Universities and Colleges, Community Colleges, State Scientific Surveys and other related agencies. Participation is compulsory after three years of service but is optional during the first three years of employment.

Employees hired after age 68, employed less than 50% full-time or employed less than full-time and attending classes with an employer are ineligible to participate.

B. Member Contributions

Members contribute 8% of their gross earnings, 6-1/2% of the 8% contributions are designated for retirement annuities, 1/2% for automatic annual increases and 1% for survivor benefits. Police officers and fire fighters contribute 9-1/2% of earnings. The additional 1-1/2% is a normal retirement contribution.

The member contributions are "picked-up" by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings.

All contributions on pre-1981 earnings and service credit payments, plus future other public employment, prior service and refund payments will be considered as previously taxed. Previously taxed contributions will be recovered tax free when distributed to the employee as a retirement annuity or refund.

C. Interest Credited on Member Contributions

The interest rate credited is fixed by the Board of Trustees and is currently 8%. For purposes of lump sum payments to former members, the interest rate is 4-1/2%.

D. Retirement Benefits

1. Normal Retirement

Members are eligible for normal retirement at any age after 35 years of covered service, after 8 years of covered service and age 60, or after 5 years of covered service and age 62. Policemen and firemen are eligible for normal retirement at age 55 with 20 years of service, or at age 50 with 25 years of service.

Notes to the Financial Statements 1983

The annuity payable is based on the largest of three formulas:

- a) The following percentages of "average earnings", the highest earnings for any 4 consecutive years:

	<u>General</u>	<u>Police & Firemen</u>
i) For each of the first 10 years of service	1.67%	2.25%
ii) For each of the next 10 years of service	1.90	2.50
iii) For each of the next 10 years of service	2.10	2.75
iiii) For each year of service over 30	2.30	--

- b) The actuarial equivalent of 2.4 times the accumulated member contributions for retirement annuities (6-1/2% of earnings). The actuarial equivalent assumes an annuity payable for life.
- c) For each year of service up to a maximum of 30 years, if employed one-half time or more, the following monthly amounts based on average earnings:

<u>"Average Annual Earnings"</u>		
Under	\$3,500	\$ 8
3,500 -	4,500	9
4,500 -	5,500	10
5,500 -	6,500	11
Over	6,500	12

For members first participating hired after September 14, 1977, the maximum annuity under (a) or (b) is 75% of average earnings. The maximum is 80% of average earnings for members who participated on or before September 14, 1977.

2. Early Retirement

Members are eligible for early retirement after 8 years of service and age 55 but the annuity calculated under formula (1) or (3) above is reduced by 1/2% for each month such retirement precedes age 60.

3. Early Retirement Without Discount

A member may retire between the ages of 55 and 60 with at least 8, but not more than 35 years service credit, without the 1/2 of 1% reduction, provided:

- a) The member does so between September 8, 1981 and June 30, 1987.
- b) The member retires within 6 months of the last day of employment.
- c) The member and the employer make one-time lump sum payments to the Retirement System based upon the member's highest

Notes to the Financial Statements 1983

full-time annual salary rate during the 4 year average salary period, or if not full-time, the full-time equivalent. The member pays 7% of the base salary for each year or fraction of a year prior to age 60. The employer payment is 20% of the base salary for each year or fraction of a year prior to age 60. These one-time payments do not increase the amount of service credit, but merely eliminates the 1/2 of 1% reduction for retiring before age 60 with less than 35 years of service.

The number of members using this provision may be limited, at the option of the employer, to no less than 15% of those eligible during any year. The right to participate is allocated among those applying on the basis of seniority in the service of the employer.

4. Automatic Increases

Retirement benefits are increased annually after retirement by 3% of the original retirement annuity. Note that the increase is not compounded and does not apply to survivor's or disability benefits. The first automatic annual increase in retirement annuity is paid on the January 1 nearest the annuitant's 61st birthday or the January 1 nearest the first anniversary of retirement, whichever is later.

5. Disability Retirement Allowance

If a member's disability benefits (see E1) are discontinued due to the 50% of total earnings limitation, the member is entitled to a disability retirement allowance of 35% of the basic compensation which was payable at the time the disability began, provided at least 2 licensed and practicing physicians appointed by the Board certify that the member has a medically determined physical or mental impairment which would prevent him/her from engaging in any substantial gainful activity, and which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than 12 months.

The disability retirement allowance is payable for life unless the member is able to accept substantial gainful employment, or elects to receive a retirement annuity.

If the member continues to accept a disability retirement allowance after attainment of age 60, he/she shall forfeit the right to receive a retirement annuity.

E. Disability Benefits

Members with 2 years of covered service who are unable to perform their duties because of illness or any amount of covered service if because of an accident, are eligible for disability benefits after 60 days of disability.

The amount of the disability benefit is as follows:

Notes to the Financial Statements 1983

- 1) 50% of basic compensation at disability or 50% of average earnings for the 24 months preceding disability, whichever is greater, payable until the total benefits paid equal 50% of the total earnings in covered service, but in no event after September 1 following the employee's 70th birthday.
- 2) After cessation of the benefit in (1), members who had 8 years of covered service will receive the normal retirement benefit commencing at or after age 55 (with no reduction for early retirement), if the member continues to be disabled.

The disability benefit will cease upon death or recovery.

F. Death Benefits

1. Before Retirement

Upon death of an active member with 1-1/2 years of covered service, or of a former member with 10 years of covered service, the following amounts are paid to the member's survivors:

- a) A death benefit equal to the retirement contributions (7%) and interest, plus
- b) A lump sum payment of \$1,000, plus
- c) A monthly survivors annuity equal to the greater of 50% of the member's accrued normal retirement benefit or the following amounts if greater:
 - i) 30% of average earnings to a spouse, child or parent, up to \$400 monthly.
 - ii) 60% of average earnings to a spouse and 1 child, up to \$600 monthly.
 - iii) 80% of average earnings to a spouse and 2 or more children, up to \$600 monthly.

Survivor's benefits are payable until children attain age 18, to a spouse after age 50 and a dependent parent after age 55. The spouse's benefit is payable at any age while children are under 18 and living with the spouse. If death occurs after termination of employment, the monthly survivors annuity may not exceed 80 percent of the earned retirement annuity.

If there are no dependent survivors, the member did not have necessary service or if the dependent survivors so elect in lieu of any other benefits, the following amounts will be paid.

- a) A death benefit equal to all contributions and interest, and
- b) If death occurred in active service, a lump sum payment of \$2,500 or, if the beneficiary is a dependent, an amount equal to the member's average annual earnings up to \$5,000.

Notes to the Financial Statements 1983

2. After Retirement

A lump sum survivors benefit of \$1,000 is payable to the member's spouse, children or dependent parent. In addition, a survivor's annuity as outlined above is payable. If no survivor annuity is payable, a minimum death benefit of \$1,000 or an amount equal to the excess of the member's contributions and interest to retirement over the benefits paid is payable.

G. Termination of Service

A lump sum refund of all member contributions and interest (at 4-1/2%) will be made. If a member has 5 years of covered service and does not apply for a refund, a normal retirement benefit will be payable at age 62.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the State Universities Retirement System. The System has applied Statement of Accounting Principles Board #8 on a consistent basis.

A. Fund Accounting

The accounts of the System are organized into two funds, each of which is considered a separate accounting entity. The operation of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses.

1. Retirement Fund

This fund records the income and expenses of the Retirement System. Purchases of furniture and fixtures are recorded as administrative expense to the System and set up as an asset in the Building Fund.

2. Building Fund

This fund records the revenues and expenses associated with the operation of the building. The assets include the Building, furniture and fixtures, land and land improvements.

The System completed construction of a building in 1971 on land donated by the University of Illinois. The cost of the office building was financed through a loan from the Retirement Fund. That loan is to be repaid in 30 equal annual installments of \$41,586, including interest at 6%. As of August 31, 1983, 18 installments remain to be paid.

B. Accrual Basis

SURS records revenues and expenses on the accrual basis of accounting.

Notes to the Financial Statements 1983

C. Investments

Investments in fixed income and equities are carried at acquisition cost. Gains or losses on equities and fixed income are recognized using the completed transaction method. Dividend income is recognized based on dividends declared and interest income is recognized on the accrual basis as earned.

D. Deferred Income

Deferred income consists of prepaid employee and employer unit contributions.

E. Rental Income

The Building Fund has an unwritten agreement with the Retirement Fund whereby it rents the west half of the building based on a per square footage charge varying from \$5.79 to \$6.99. Rental income to the Building Fund was \$58,600 for the fiscal year ending August 31, 1982.

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 \$5.79 to \$6.99 per square foot. Rental income received from this agreement during the fiscal year ending August 31, 1982 was \$43,404.

F. Depreciation

The assets of the Building Fund are carried at cost, except for the land which is carried at the fair market value on the date it was received by gift.

Depreciation has been computed on the straight-line method over the estimated useful lives of the building and improvements. Depreciation is not recorded with respect to furniture and fixtures, which are acquired by the Retirement Fund as an administrative expense.

III. FUNDING POLICY

A. Statutory Requirement & Actual Appropriation

The law governing the System requires that the State shall make contributions to the System, which with employee contributions, investment income and other income of the System

...will be sufficient to meet the requirements of this Article in accordance with actuarial determinations. In no event shall the contributions of employers from State appropriations for any fiscal year be less than an amount which when added to contributions from other sources and investment income for that year is sufficient to meet (a) the total accruing normal costs plus interest at the prescribed rate on the unfunded accrued liabilities or (b) the accruing requirements necessary to retain qualified status under Section 401(a)

Notes to the Financial Statements 1983

of the United States Internal Revenue Code, or any similar provision as successor thereof.

The law defines normal cost as:

...the liability for pensions and other benefits which accrues to the system because of the credits earned for service rendered by the participants during the fiscal year and expenses of administering the system.

Section 401(a) of the Internal Revenue Code would require essentially the same contribution as required under (a) above.

<u>Basis</u>	<u>Required Appropriation</u>	<u>Actual Appropriation</u>
Normal Cost and Interest	\$196,562,192	\$44,778,854

B. Actuarial Cost Method and Assumptions

Employer contribution rates are determined using the entry age normal method. This method produces an employer contributions rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year) and (2) an amount for amortization of the unfunded actuarial accrued liability over a period of 40 years. Employers other than the State of Illinois pay employer contributions equal to (1) above.

The following significant assumptions were used in the actuarial valuations as of August 31, 1982 and August 31, 1983: (1) a rate of return on the investment of present and future assets of 8% per year compounded annually; (2) projected salary increases of 4.75% per year compounded annually, attributable to inflation; (3) additional projected salary increases of 3.25% per year, attributable to seniority and merit; (4) pre- and post-mortality life expectancies of participants based on the 1986 Projected Experience Table; and (5) rates of withdrawal from active service before retirement for reasons other than death, rates of disability and expected retirement ages developed on the basis of an investigation of actual plan experience.

C. Fund Balance Accounts

SURS maintains reserve accounts which reflect the assignment of assets to participants' and benefits accounts. The Participants' Contribution reserve records the pension assets contributed by each participant. The Benefits from Employee and Employer Contributions reserve records the assets available for annuities in force and available for future retirement, death and disability benefits and the undistributed investment income. Interest at the prescribed rate (8%) is credited to the opening balances in each reserve.

D. Actuarial Evaluation

The System must annually have an actuarial determination of its liabilities and reserves, and the amount and distribution of the required employer contributions.

Notes to the Financial Statements 1983

The unfunded accrued liability represents the actuarial liability resulting from the difference between the total net assets of the System and the actuarial requirement to fund the System's benefits. Illinois statutes provide that any potential unfunded liability be an obligation of the State of Illinois.

The unfunded accrued liability increased from \$1,561,445,267 at August 31, 1982 to \$1,640,020,356 at August 31, 1983. The Wyatt Company was the System's consulting actuary for each year.

No material changes were made in the actuarial assumptions used between August 31, 1982 and August 31, 1983. The primary reason for the increase in the unfunded accrued liability was underfunding by the State of Illinois.

IV. INVESTMENTS

Investments as of August 31, 1983 and 1982 are as follows:

	August 31, 1983		August 31, 1982	
	Acquisition Cost	Market Value	Acquisition Cost	Market Value
U.S. Government & Federal obligations	\$ 407,681,888	\$ 392,411,002	\$ 270,373,301	\$ 269,379,008
Canadian Government obligations	14,678,211	15,044,231	9,648,907	8,420,091
Common & preferred stocks	538,491,459	607,216,670	391,254,452	396,435,040
Other corporate securities	354,949,852	330,279,428	520,313,959	409,002,868
Collective Funds	<u>72,086,299</u>	<u>84,088,684</u>	<u>22,302,273</u>	<u>21,797,135</u>
	<u>\$1,387,887,709</u>	<u>\$1,429,040,015</u>	<u>\$1,213,892,892</u>	<u>\$1,105,034,142</u>

The State Universities Retirement System retains a master trustee, three equity investment managers, two fixed income investment managers, one balanced investment manager, one commingled fund investment manager and two small-capitalization fund investment managers. The System's investment authority is defined by the Prudent Person Rule.

V. ACTUARIAL STATEMENTS

The results of the basic calculations prepared for the System by its actuary are presented in Section III of this report. The actuarial statements contained in Section III should be referred to in assessing the System's present and future ability to pay benefits when due.

VI. PLAN TERMINATION

The State Universities Retirement System is administered in accordance with the "Illinois Pension Code", Chapter 108½, Article 15 of the Illinois Revised Statutes. The Code does not provide for plan termination under any circumstances.

Notes to the Financial Statements 1983

VII. COMPENSATED ABSENCES

The System is obligated to pay employees, at termination, for unused earned vacation time. During the current fiscal year the System adopted the policy of recording the liability for compensated absences. At August 31, 1983 the liability was \$52,279. The net increase in the liability for the year ended August 31, 1982 was \$11,816 and for the year ended August 31, 1983 was \$10,785. The increase in liability is reflected in the financials as an increase in salary expense. The prior year financial statements have been restated to reflect this change.

Supporting Schedule 1983

SUMMARY SCHEDULE OF COMPENSATION OF
ADMINISTRATIVE OFFICIALS
FOR THE YEAR ENDED AUGUST 31, 1983

<u>Individual</u>	<u>Official Position</u>	<u>Salary Paid</u>
Donald Hoffmeister	Executive Director	\$50,000
Charles Hundley	Associate Director	40,000
Dennis Spice	Assistant Director	30,000

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED AUGUST 31, 1983

Cash Balance Beginning of Year		\$ (2,212,784)
Add Receipts:		
Member Contributions	\$ 73,943,558	
Employer Contributions	63,830,093	
Interest, Dividends and Miscellaneous Investment Income	115,629,298	
Investments Redeemed	<u>2,830,030,884</u>	
Total Cash Receipts		<u>3,083,433,833</u>
Less Disbursements:		
Benefit Payments	\$ 78,936,562	
Administrative Expenses	3,511,059	
Refunds	12,771,314	
Equipment Purchased	100,716	
Investments Purchased	<u>2,985,528,600</u>	
Total Cash Disbursements		<u>3,080,848,251</u>
Cash Balance End of Year		<u>\$ 372,798</u>

Supporting Schedule 1983

COMPARATIVE SCHEDULE OF ADMINISTRATIVE EXPENSE FOR THE YEARS ENDED AUGUST 31, 1982 and 1983

RETIREMENT FUND

	<u>1983</u>	<u>1982</u>
Salaries	\$ 651,431	\$ 623,113
Group health insurance	30,458	25,748
Retirement contribution	49,047	69,756
Postage, freight and expenses	53,070	33,362
Equipment repair and rental	38,578	33,382
Office rental	58,600	58,600
Investment and actuarial services	2,466,011	1,893,926
Other professional fees	252,808	96,421
EDP equipment, rental and supplies	148,341	60,376
Office furniture and equipment	8,721	1,246
Telephone	8,991	5,865
Travel	18,889	15,349
Printing and copying services	29,275	30,384
Dues and subscriptions	2,086	2,203
Office supplies and expense	20,180	12,643
Conference expenses	7,294	3,187
Employee tuition and fees	<u>6,100</u>	<u>0</u>
	<u>\$3,849,880</u>	<u>\$2,965,561</u>

BUILDING FUND

Building Operations	\$ 80,447	\$ 85,136
Depreciation	<u>18,154</u>	<u>18,143</u>
	<u>\$ 98,601</u>	<u>\$ 103,279</u>

Supporting Schedule 1983

SUMMARY SCHEDULE OF FEES AND COMMISSIONS FOR THE YEAR ENDED AUGUST 31, 1983

	<u>Fees Paid</u>
<u>Master Trustee & Custodian</u>	
Harris Trust	<u>\$ 342,223</u>
<u>Investment Manager Firm</u>	
Alliance Capital	\$ 420,376
American Fletcher	176,692
American National Bank	50,066
Batterymarch	50,188
Criterion	88,914
Dimensional	40,689
Fayez Sarofim	650,197
Lehman Management	97,927
Pacific Investment	385,575
	<u>\$1,960,624</u>
<u>Investment Measurement & Consultant</u>	
A. G. Becker (directed brokerage)	25,000
Ennis, Knupp & Gold (directed brokerage)	46,911
	<u>\$ 71,911</u>
<u>Actuary</u>	
The Wyatt Company	<u>\$ 39,864</u>
<u>Investment Brokerage Firm</u>	
Salomon Brothers	217,952
Bear Stearns & Company	180,831
Becker Securities	107,933
Goldman Sachs & Company	92,489
Merrill, Lynch, Pierce, Fenner & Smith	87,437
Morgan Stanley & Company	86,146
Kidder Peabody & Company, Inc.	54,217
First Boston	50,372
Drexel Burnham & Company, Inc.	49,960
Dean Witter & Company	48,543
All other brokerage firms	639,082
	<u>\$1,614,962</u>

Supporting Schedule 1983

INVESTMENT PORTFOLIO ACTIVITY Year Ended August 31, 1983

	Beginning Balance September 1	Acquisitions	Dispositions	Ending Balance August 31
Bonds				
Government Bonds:				
Federal	\$270,373,301	\$ 774,014,569	\$ 636,705,982	\$407,681,888
Canadian	9,648,907	12,687,410	7,658,106	14,678,211
Total	<u>\$280,022,208</u>	<u>\$ 786,701,979</u>	<u>\$ 644,364,088</u>	<u>\$422,360,099</u>
Corporate Obligations:				
Corporate Bonds	397,153,087	126,828,276	323,488,650	200,492,713
Short-Term Reserves	123,160,872	1,541,552,035	1,510,255,768	154,457,139
Total	<u>\$520,313,959</u>	<u>\$1,668,380,311</u>	<u>\$1,833,744,418</u>	<u>\$354,949,852</u>
Total Bonds	<u>\$800,336,167</u>	<u>\$2,455,082,290</u>	<u>\$2,478,108,506</u>	<u>\$777,309,951</u>
Stocks				
Common	391,151,239	472,231,794	331,848,865	531,534,168
Preferred	103,213	8,430,490	1,576,412	6,957,291
Equity Index Fund	22,302,273	49,784,026	0	72,086,299
Total	<u>\$413,556,725</u>	<u>\$ 530,446,310</u>	<u>\$ 333,425,277</u>	<u>\$610,577,758</u>

Supporting Schedule 1983

INVESTMENT PORTFOLIO SUMMARY

August 31, 1983

	<u>Number of Issues</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>% of Total Book Value</u>
Bonds					
Government Bonds:					
Federal	158	\$ 439,315,626	\$ 407,681,888	\$ 392,411,002	27.5%
Canadian	6	13,600,000	14,678,211	15,044,231	1.0
Total	164	\$ 452,915,626	\$ 422,360,099	\$ 407,455,233	28.5
Corporate Obligations:					
Corporate Bonds	81	185,065,473	183,461,428	158,644,019	11.2
Notes, Mortgages, Contracts	5	16,000,000	16,000,000	16,000,000	1.1
Convertible Issues	1	956,000	1,031,285	1,178,270	.0
Short-Term Reserves	3	154,506,000	154,457,139	154,457,139	10.8
Total	90	\$ 356,527,473	\$ 354,949,852	\$ 330,279,428	23.1
Total Bonds	254	\$ 809,443,099	\$ 777,309,951	\$ 737,734,661	51.6
Stocks					
Common	256		531,534,238	600,656,973	42.0
Preferred	4		6,957,221	6,559,698	.5
Common Trust Funds	6		72,086,299	84,088,683	5.9
Total	266		\$ 610,577,758	\$ 691,305,354	48.4
Total Portfolio	520		\$1,387,887,709	\$1,429,040,015	100.0%

ACTUARIAL SECTION

ATLANTA
 BOSTON
 CHICAGO
 CLEVELAND
 DALLAS-
 FORT WORTH
 DETROIT
 GRAND RAPIDS
 HONOLULU
 HOUSTON
 LOS ANGELES
 MEMPHIS
 MIAMI
 MINNEAPOLIS-
 ST. PAUL
 NEW YORK

THE *Wyatt* COMPANY

ORLANDO
 PHILADELPHIA
 PHOENIX
 PORTLAND
 SAN DIEGO
 SAN FRANCISCO
 SEATTLE
 STAMFORD
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ACTUARIES AND CONSULTANTS

PENSION EMPLOYEE COMPENSATION INTERNATIONAL EMPLOYEE RISK
 PLANS BENEFITS PROGRAMS BENEFITS COMMUNICATIONS MANAGEMENT

SUITE 5600 SEARS TOWER
 233 SOUTH WACKER DRIVE
 CHICAGO, ILLINOIS 60606

(312) 876-2000

ACTUARIAL CERTIFICATION


We have completed an actuarial valuation of the assets and liabilities of the State Universities Retirement System of Illinois as of August 31, 1983.

For purposes of determining contribution rates, assets have been valued at amortized Cost Value as reported in the Balance Sheet in the report prepared for the Auditor General. The liabilities have been valued based on employee data supplied by the administrative staff of the System and based on actuarial assumptions selected by the Board of Trustees based on our recommendation. A summary of the major actuarial assumptions follows.

In our opinion, the following schedule of valuation results fairly presents the financial condition of the State Universities Retirement System of Illinois as of August 31, 1983 and the schedule of contribution rates complies with the applicable law in force as of the valuation date.

THE WYATT COMPANY

By 
 Lloyd L. Nordstrom
 Fellow Of The Society of Actuaries

By 
 Robert L. Barnes
 Fellow Of The Society Of Actuaries

Chicago, Illinois
 January 10, 1983

Actuarial Report 1983

VALUATION RESULTS

1.	Actuarial Liability (Reserves)*	
	(a) For Members Receiving Annuities:	
	(i) Retirement Annuities	\$ 663,476,826
	(ii) Survivor Annuities	62,273,916
	(iii) Disability	54,921,732
	(iv) Total	<u>\$ 780,672,474</u>
	(b) For Inactive Members	139,751,512
	(c) For Active Members	2,123,003,213
	(d) Total	\$3,043,427,199
2.	Assets (Amortized Cost Value)	\$1,403,406,843
3.	Unfunded Actuarial Liability	\$1,640,020,356

CONTRIBUTION RATES

	<u>% Of Payroll*</u>	<u>Annual Contributions*</u>
1. State Normal Cost	9.027%	\$ 81,992,080
2. Normal Cost Plus 8% Interest on the Unfunded Actuarial Liability	22.968	208,615,428
3. Normal Cost Plus An Amount to Amortize the Unfunded Actuarial Liability Over A 40-year Period from September 1, 1980	23.826	216,409,731

*Based on covered pay of \$908,284,507 for Fiscal Year September 1, 1983 through August 31, 1984.

Actuarial Report 1983

CHANGES IN THE UNFUNDED ACCRUED LIABILITY

1.	Unfunded Actuarial Liability at August 31, 1982	\$1,561,445,267
2.	Increase due to prior year's contribution being less than the amount necessary to fund the normal cost and interest on the unfunded liability	144,297,650
3.	Actuarial (Gains) Losses:	
	(a) (Gain) from investment return greater than 8%	(27,419,193)
	(b) (Gain) from salary increases less than 8%	(35,878,907)
	(c) (Gain) from other sources	(2,424,461)
4.	Unfunded Actuarial Liability at August 31, 1983	\$1,640,020,356

ACTUARIAL COST METHOD

The Entry Age Normal method is used for both the retirement and ancillary benefits. This method determines annual contributions which are expected to remain a constant percentage of each employee's compensation for each year of service. These contributions, when combined with the employees' contributions, will be sufficient to fully provide for all employee benefits by the time they retire, based on the assumptions used. Any unfunded liability determined under this method, as well as any actuarial gains or losses, are amortized over a 40-year period commencing September 1, 1980.

EMPLOYEE DATA

Employee data is provided by the administrative staff of the State Universities Retirement System. Various tests are applied to check internal consistency as well as consistency from year-to-year. No calculations are made for employees not yet hired as of the valuation date.

Actuarial Report 1983

SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

Assumption:

- Mortality:** 1986 Projected Experience Table, a table based on experience underlying the 1971 Group Annuity Mortality Table, without margins, with a projection for mortality improvements to 1986, with a one year setback.
- Interest:** 8% per annum, compounded annually.
- Termination:** Illustrative rates of withdrawal from the plan are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
20	0.374	0.524
25	0.249	0.324
30	0.174	0.219
35	0.124	0.154
40	0.073	0.104
45	0.047	0.064
50	0.020	0.038
55	--	0.013

It is assumed that terminated employees will not be rehired.

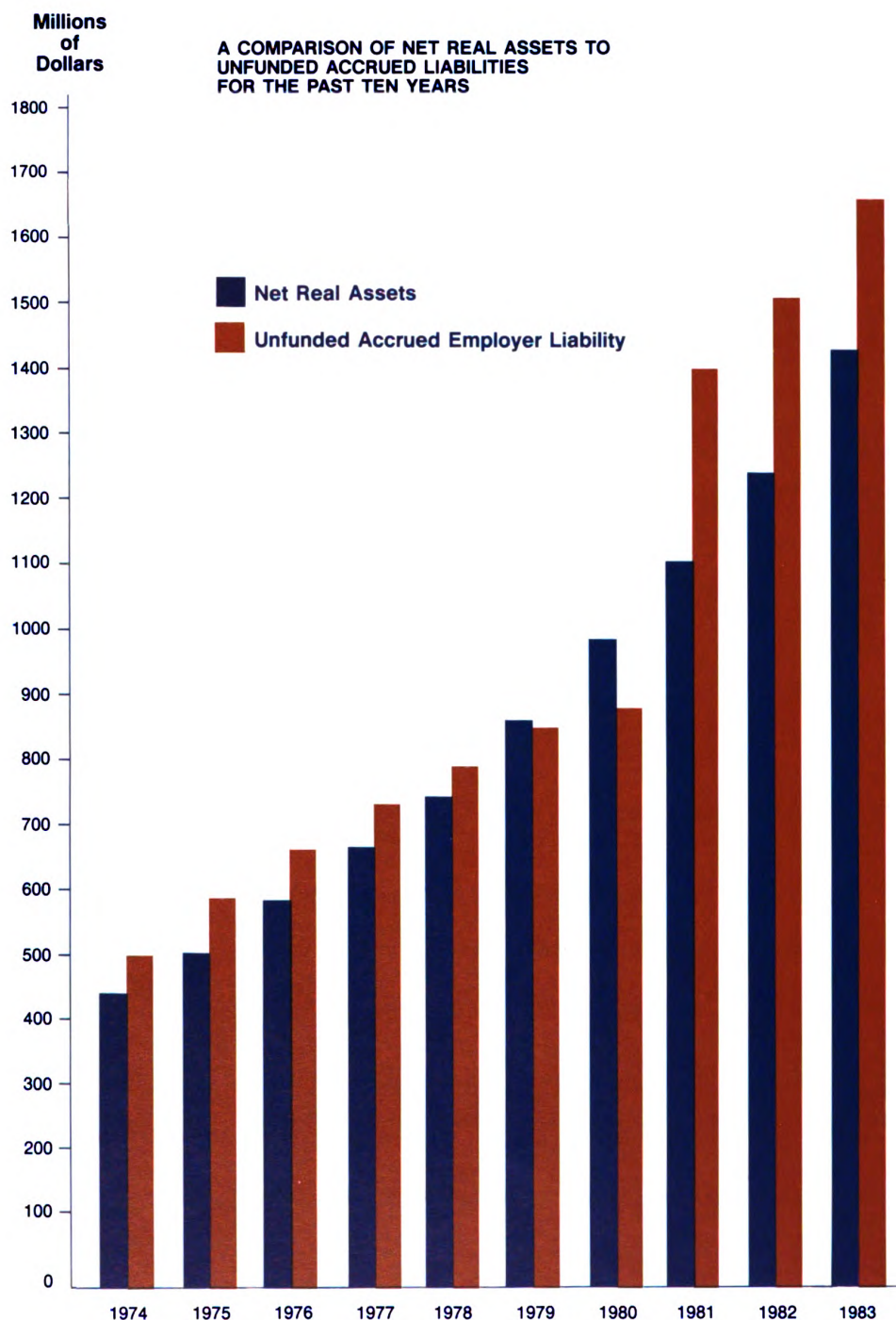
- Salary Increases:** 8% per annum, compounded annually.
- Retirement Rates:** Retirement was assumed to occur at age 62.
- Assets:** Assets available for benefits are used at book value.
- Expenses:** As estimated and advised by SURS staff, based on current expenses with an allowance for expected increases.
- Marital Status:** 85% of employees are assumed to be married.
- Spouse's Age:** The female spouse is assumed to be 3 years younger than the male spouse.

In addition to the above, other assumptions used include disability incidence, recovery from disability, mortality of disabled lives, remarriage rates and ages, and numbers of children.

Analysis of Funding 1983

<u>Fiscal Year Ending August 31</u>	<u>Net Real Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Reserve Requirement</u>	<u>Funding</u>
1974	\$ 443,332,363	\$ 509,793,867	\$ 953,126,230	46.5%
1975	507,476,930	587,893,456	1,095,370,386	46.3
1976	577,757,539	658,772,105	1,236,529,644	46.7
1977	657,455,395	730,570,416	1,388,025,811	47.3
1978	747,975,984	792,374,137	1,540,350,121	48.5
1979	857,013,637	849,722,361	1,706,735,998	50.2
1980	987,304,732	879,136,019	1,866,440,751	52.8
1981	1,124,443,479	1,389,131,928	2,513,575,407	44.7
1982	1,239,531,590	1,561,445,267	2,800,976,857	44.3
1983	1,403,406,843	1,640,020,356	3,043,427,199	46.1

Analysis of Funding 1983

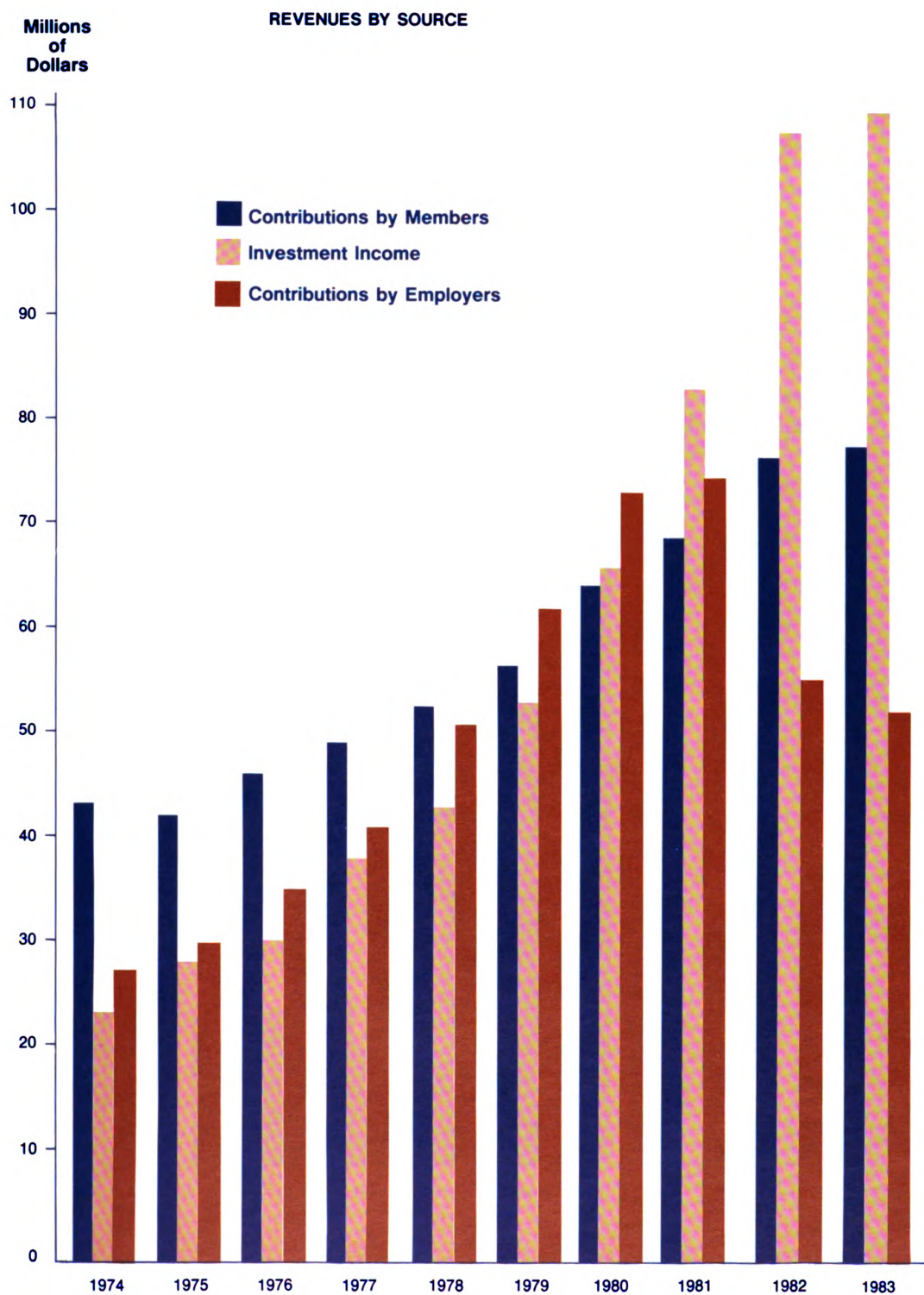


STATISTICAL SECTION

Revenue by Source 1983

<u>Fiscal Year</u> <u>Ending August 31</u>	<u>Contributions</u> <u>By Members</u>	<u>Investment</u> <u>Income</u>	<u>Contributions</u> <u>By Employers</u>	<u>Total</u>
1974	\$43,485,117	\$ 23,383,169	\$27,511,456	\$ 94,379,742
1975	42,171,952	28,428,446	30,298,625	100,899,023
1976	46,007,876	30,476,497	35,501,427	111,985,800
1977	48,869,685	37,862,667	41,275,044	128,007,396
1978	52,631,639	42,730,461	50,741,364	146,103,464
1979	56,503,802	53,364,829	61,595,360	171,463,991
1980	63,997,390	65,693,373	72,700,571	202,391,334
1981	68,822,427	82,762,201	74,395,430	225,980,058
1982	76,715,608	107,755,176	55,044,799	239,515,583
1983	78,358,894	109,522,684	52,264,542	240,146,120

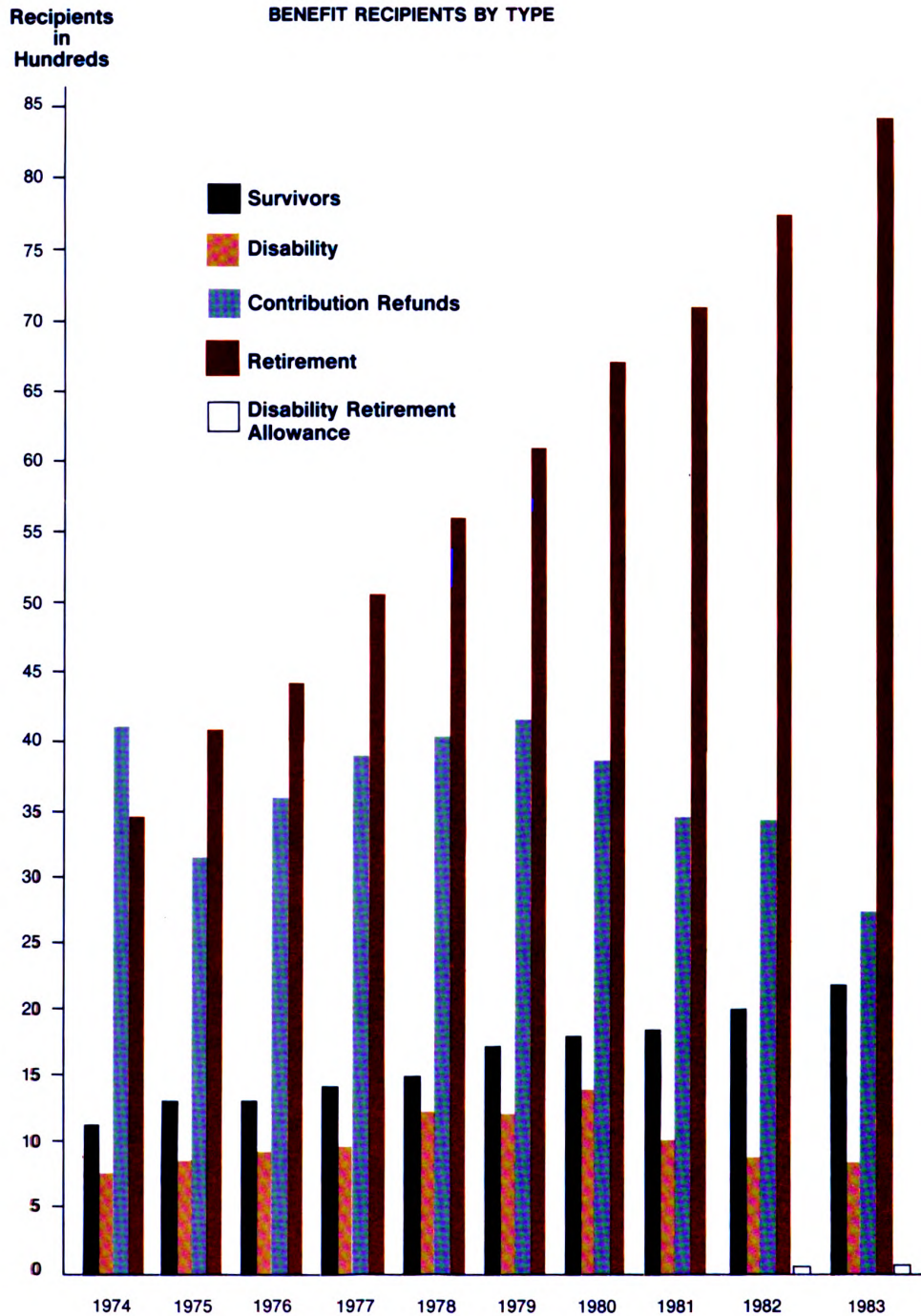
Revenue by Source 1983



Benefit Recipients 1983

<u>Fiscal Year</u> <u>Ending August 31</u>	<u>Survivors</u>	<u>Disability</u>	<u>Contribution</u> <u>Refunds</u>	<u>Retirement</u>	<u>Disability</u> <u>Retirement</u> <u>Allowance</u>
1974	1,092	767	4,105	3,475	---
1975	1,178	844	3,159	4,007	---
1976	1,301	915	3,573	4,453	---
1977	1,370	972	3,892	5,075	---
1978	1,491	1,240	4,088	5,612	---
1979	1,726	1,222	4,160	6,119	---
1980	1,808	1,420	3,852	6,677	---
1981	1,847	988	3,476	7,127	---
1982	1,995	872	3,461	7,737	35
1983	2,117	814	2,657	8,432	50

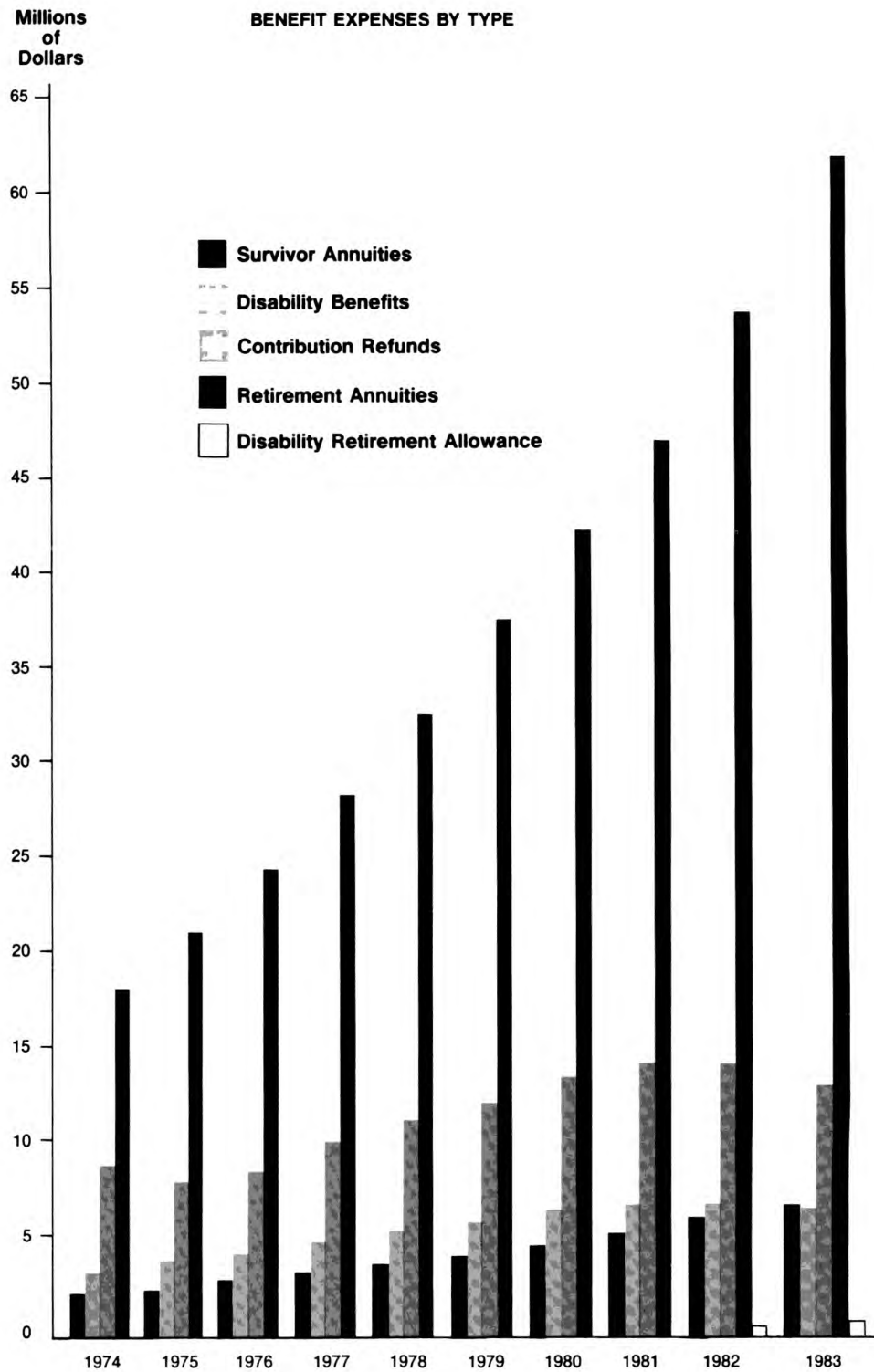
Benefit Recipients 1983



Benefit Expenses 1983

<u>Fiscal Year Ending August 31</u>	<u>Survivors Annuities</u>	<u>Disability Benefits</u>	<u>Disability Retirement Allowance</u>	<u>Retirement Annuities</u>	<u>Lump Sum Death Benefits</u>	<u>Total</u>
1974	\$2,036,059	\$3,134,952	\$ ---	\$17,776,422	\$1,308,366	\$24,255,799
1975	2,325,858	3,589,230	---	20,965,566	1,295,154	28,175,808
1976	2,660,769	4,113,883	---	24,287,646	1,483,132	32,545,430
1977	3,089,241	4,680,790	---	28,097,278	1,645,252	37,512,561
1978	3,476,991	5,324,788	---	32,982,948	1,772,479	43,557,206
1979	3,998,473	5,708,948	---	37,220,681	2,299,323	49,227,425
1980	4,451,890	6,165,988	---	42,047,692	1,960,455	54,626,025
1981	5,144,058	6,739,832	---	46,795,065	3,165,542	61,844,497
1982	6,034,706	6,668,410	65,465	53,391,815	3,847,120	70,007,516
1983	6,789,840	6,787,871	142,915	61,705,978	3,306,214	78,732,818

Benefit Expenses 1983



Total Expenses 1983

<u>Fiscal Year Ending August 31</u>	<u>Benefits</u>	<u>Contribution Refunds</u>	<u>Administrative Expenses</u>	<u>Total</u>
1974	\$24,255,799	\$ 8,620,893	\$ 636,616	\$33,513,308
1975	28,175,808	7,932,634	691,373	36,799,815
1976	32,545,430	8,302,803	811,599	41,659,832
1977	37,512,561	9,897,031	899,948	48,309,540
1978	42,557,206	11,008,076	1,017,592	55,582,874
1979	49,227,425	12,021,454	1,177,459	62,426,338
1980	54,626,025	13,396,491	1,580,083	69,602,599
1981	61,844,497	14,099,953	1,541,001	77,485,451
1982	70,007,516	14,040,075	2,965,561	87,013,152
1983	78,732,818	12,185,593	3,849,880	94,768,291

Assets and Liabilities 1983

ASSETS

<u>Fiscal Year Ending August 31</u>	<u>Cash</u>	<u>Receivables</u>	<u>Investments</u>	<u>Total</u>
1974	\$ 544,339	\$10,068,274	\$ 433,499,519	\$ 444,112,132
1975	(123,636)	10,626,711	497,812,710	508,315,785
1976	191,459	13,982,576	565,001,597	579,175,632
1977	286,695	12,673,603	648,599,405	661,559,703
1978	(139,985)	14,873,963	736,335,382	751,069,360
1979	(754,708)	16,523,670	846,618,134	862,387,096
1980	1,857,931	25,925,331	962,917,983	990,701,245
1981	9,720,413	25,220,315	1,094,802,660	1,129,743,388
1982	(2,212,784)	32,208,558	1,214,354,158	1,244,349,932
1983	372,798	23,437,678	1,388,335,066	1,412,145,542

LIABILITIES

<u>Fiscal Year Ending August 31</u>	<u>Accounts Payable</u>	<u>Deferred Income</u>	<u>Fund Balances</u>	<u>Total</u>
1974	\$ 601,029	\$ 178,740	\$ 443,332,363	\$ 444,112,132
1975	744,212	140,002	507,431,571	508,315,785
1976	1,013,385	404,708	577,757,539	579,175,632
1977	1,293,207	2,811,101	657,455,395	661,559,703
1978	1,307,701	1,785,675	747,975,984	751,069,360
1979	993,674	4,379,785	857,013,637	862,387,096
1980	1,219,101	2,177,412	987,304,732	990,701,245
1981	2,050,444	3,249,465	1,124,443,479	1,129,743,388
1982	2,973,502	1,844,840	1,239,531,590	1,244,349,932
1983	2,558,124	6,180,575	1,403,406,843	1,412,145,542

Active and Inactive Participants 1983

<u>Fiscal Year Ending August 31</u>	<u>Total Actives</u>	<u>Average Age</u>	<u>Average Length of Service for Actives</u>	<u>Total Inactive</u>	<u>Combined Total of Active & Inactive Participants</u>
1974	35,183	43.6	7.4	3,975	39,158
1975	35,007	43.2	7.7	5,280	40,287
1976	35,544	43.3	8.0	5,565	41,109
1977	36,468	43.3	8.1	5,576	42,044
1978	38,222	43.1	8.3	4,845	43,067
1979	38,553	43.3	8.4	5,061	43,614
1980	39,551	43.1	8.7	5,049	44,600
1981	40,624	42.7	8.8	5,185	45,809
1982	41,319	43.5	9.0	4,775	46,094
1983	41,589	43.3	9.7	4,862	46,451

Participating Employers 1983

Belleville Area College	Northern Illinois University
Black Hawk College	Oakton Community College
Board of Governors	Parkland College
Board of Governors Coop. Computer Center	Prairie State College
Board of Regents	Rend Lake College
Chicago State University	Richland College
City Colleges of Chicago	Rock Valley College
College of DuPage	Carl Sandburg College
College of Lake County	Sangamon State University
Danville Area Community College	Sauk Valley College
Division of Services for Crippled Children	Shawnee College
Eastern Illinois University	Southeastern Illinois College
Elgin Community College	Southern Illinois University/Carbondale
Governors State University	Southern Illinois University/Edwardsville
William Rainey Harper College	Southern Illinois University/Foundation
Highland Community College	Southern Illinois University/School of Medicine
Illinois Board of Higher Education	Spoon River College
Illinois Central College	State Community College of East St. Louis
Illinois Community College Board	State Geological Survey
Illinois Community College Trustees Assoc.	State Natural History Survey
Illinois Eastern Community Colleges	State Universities Civil Service System
Illinois State University	State Universities Retirement System
Illinois Valley Community College	State Water Survey
Joliet Junior College	Thornton Community College
Kankakee Community College	Triton College
Kaskaskia College	University of Illinois/Alumni Association
Kishwaukee College	University of Illinois/Association
Lake Land College	University of Illinois/Foundation
Lewis and Clark Community College	University of Illinois/Chicago Health Sci. Center
Lincoln Land Community College	University of Illinois/Chicago University Center
John A. Logan College	University of Illinois/Urbana
Moraine Valley Community College	Wabash Valley College
Morton College	Waubensee Community College
McHenry College	Western Illinois University
Northeastern Illinois University	John Wood Community College

INVESTMENT SECTION

Trust Department



Master Trustees Comments on the Services Provided

To the Board of Trustees and the Executive Director:

The Harris Trust and Savings Bank as Master Trustee has provided detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Fund for the 12 month period ending August 31, 1983. Also, a statement of assets together with their fair market value was provided, showing the properties held as of August 31, 1983. The Harris Trust and Savings Bank certifies that the statements contained therein are fairly presented and are true and accurate.

In addition to the Custody of the assets, the Harris Trust and Savings Bank provided and will continue to provide the following services as Master Trustee:

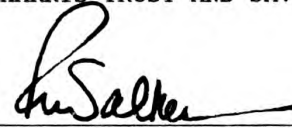
1. Receive and hold all amounts paid to the Trust Fund by the Board of Trustees.
2. Accept and deliver securities in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons.
5. Securities Lending.
6. Begin, maintain or defer any litigation necessary in connection with the investment, reinvestment of the Trust Fund and the administration of the Master Trust.
7. Invest cash balances held from time to time in the individual investment management accounts in short term - cash equivalent securities.
8. Exercise rights of ownership in accordance within pre-described jurisdiction and direction of proxy voting, stock subscriptions and conversion rights.

Harris Trust and
Savings Bank

9. Hold securities in the name of the Master Trust or nominee form.
10. Use the Federal Book Entry Account System for deposit of Treasury securities and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of securities.
11. Employ agents with the consent of the Board of Trustees.
12. Provide disbursement and security fail float income.

THE HARRIS TRUST AND SAVINGS BANK

By: _____



Richard L. Walker
Vice President

Investment Performance Summary 1983

INCOME RATE OF RETURN ON INVESTMENTS*

<u>Fiscal Year Ending August 31</u>	<u>Fixed Income Securities</u>	<u>Fixed Income Rate of Return</u>	<u>Equity Securities</u>	<u>Equity Rate of Return</u>	<u>Total Invest- ment Portfolio Rate of Return</u>
1974	\$279,887,756	7.06%	\$153,064,120	3.38%	5.80%
1975	306,868,585	7.00	190,405,210	3.59	5.74
1976	349,416,152	7.18	215,055,780	4.36	6.10
1977	405,624,316	7.27	242,455,230	4.10	6.08
1978	456,805,536	7.34	279,020,381	4.52	6.28
1979	525,456,666	7.76	320,663,021	4.99	6.71
1980	600,653,754	8.37	361,777,460	5.43	7.26
1981	717,605,153	9.59	376,723,119	5.29	8.04
1982	800,336,167	11.28	413,556,725	5.60	9.34
1983	777,309,951	11.15	610,577,758	4.10	8.40

*The schedule above reflects only the earnings on the average balance of securities held each year and does not reflect the net gain or loss resulting from the sales of securities. The marketable securities balance is book value as of the fiscal year end.

Investment Portfolio 1983

FIXED INCOME SECURITIES

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
U.S. Government						
Farrell Lines Inc.....	AAA	8.050%	04/01/88	\$ 370,000	\$ 370,000	\$ 321,941
Fed. Home Loan Banks...	AAA	11.100	08/26/91	3,000,000	3,011,250	2,865,000
Fed. Home Loan Banks...	AAA	11.100	11/25/92	7,000,000	7,000,000	6,632,500
U.S. Treasury Bonds....	AAA	8.375	08/15/00	5,000,000	5,004,743	3,725,000
U.S. Treasury Bonds....	AAA	8.750	11/15/08	8,750,000	8,560,563	6,606,250
U.S. Treasury Bonds....	AAA	11.500	11/15/95	7,000,000	7,205,625	6,807,500
U.S. Treasury Bonds....	AAA	11.625	11/15/02	7,000,000	7,202,812	6,728,750
U.S. Treasury Bonds....	AAA	12.000	08/15/13	11,200,000	11,369,801	11,256,336
U.S. Treasury Bonds....	AAA	13.125	05/15/01	9,000,000	9,525,080	9,630,000
U.S. Treasury Bonds....	AAA	13.375	08/15/01	6,000,000	718,110	759,300
U.S. Treasury Bonds....	AAA	13.875	05/15/11	1,000,000	1,151,875	1,133,120
U.S. Treasury Bonds....	AAA	14.000	11/15/11	830,000	973,175	950,864
U.S. Treasury Notes....	AAA	9.875	02/15/86	7,500,000	7,479,812	7,279,650
U.S. Treasury Notes....	AAA	10.125	02/15/88	16,500,000	16,113,281	15,592,500
U.S. Treasury Notes....	AAA	10.500	08/15/88	7,000,000	7,003,125	6,674,080
U.S. Treasury Notes....	AAA	10.500	01/15/90	2,500,000	2,394,531	2,346,875
U.S. Treasury Notes....	AAA	10.500	04/15/90	10,500,000	10,447,144	9,830,625
U.S. Treasury Notes....	AAA	10.750	07/15/90	7,000,000	7,032,970	6,625,920
U.S. Treasury Notes....	AAA	11.375	08/15/86	7,000,000	7,002,590	6,997,830
U.S. Treasury Notes....	AAA	11.875	10/15/89	7,750,000	7,779,207	7,730,625
U.S. Treasury Notes....	AAA	11.875	08/15/93	10,729,000	10,729,240	10,702,915
U.S. Treasury Notes....	AAA	13.000	11/15/90	8,000,000	8,761,719	8,360,000
U.S. Treasury Notes....	AAA	13.750	05/15/92	31,000,000	20,046,667	19,097,800
U.S. Treasury Notes....	AAA	14.375	04/15/89	7,000,000	7,990,938	7,660,590
U.S. Treasury Notes....	AAA	14.500	07/15/89	8,000,000	8,975,000	8,820,000
Total U.S. Government				196,650,000	183,849,258	175,135,971
Government Agency						
Fed. Housing Auth.....	AAA	7.430	10/01/22	25,989,874	17,862,982	16,601,032
Fed. Home Mort. Corp...	AAA	8.000	03/01/07	938,053	752,201	694,159
Fed. Home Mort. Corp...	AAA	8.000	04/01/08	568,826	381,114	420,932
Fed. Home Mort. Corp...	AAA	8.000	12/01/08	1,908,700	1,530,539	1,412,438
Fed. Home Mort. Corp...	AAA	8.000	01/01/09	975,813	637,938	722,101
Fed. Home Mort. Corp...	AAA	8.000	04/01/09	2,112,408	1,469,616	1,563,182
Fed. Home Mort. Corp...	AAA	8.000	09/01/10	2,867,066	2,299,028	2,121,629
Fed. Home Mort. Corp...	AAA	8.000	01/01/11	3,853,644	3,090,141	2,851,697
Fed. Home Mort. Corp...	AAA	8.750	04/01/08	1,408,897	1,125,356	1,081,328
Fed. Home Mort. Corp...	AAA	9.400	09/15/08	3,537,000	2,511,270	2,988,765
Fed. Home Mort. Corp...	AAA	10.000	04/01/09	1,729,714	1,224,853	1,420,527
Fed. Home Mort. Corp...	AAA	10.000	06/01/10	961,835	673,313	789,907
Fed. Home Mort. Corp...	AAA	10.000	10/01/10	4,531,308	4,010,208	3,721,337
Fed. Home Mort. Corp...	AAA	10.000	03/01/11	1,376,447	1,000,075	1,130,407
Fed. Home Mort. Corp...	AAA	10.250	09/01/09	889,692	638,910	739,557
Fed. Home Mort. Corp...	AAA	15.500	11/01/11	2,381,452	2,458,849	2,447,251
Fed. Home Mort. Corp...	AAA	16.250	11/01/11	5,518,809	5,753,359	5,725,765
				35,559,664	29,556,770	29,830,982

Investment Portfolio 1983

FIXED INCOME SECURITIES - continued

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
Government Agency - continued						
Fed. Natl. Mort. Assn..	AAA	6.200%	08/12/88	\$ 4,000,000	\$ 4,005,611	\$ 3,170,000
Fed. Natl. Mort. Assn..	AAA	8.500	02/01/08	1,958,833	1,601,346	1,486,265
Fed. Natl. Mort. Assn..	AAA	8.500	09/01/08	1,931,194	1,525,644	1,465,294
Fed. Natl. Mort. Assn..	AAA	8.500	06/01/09	949,061	749,758	720,100
Fed. Natl. Mort. Assn..	AAA	8.500	09/01/09	932,706	736,838	707,691
Fed. Natl. Mort. Assn..	AAA	8.500	02/01/10	6,677,142	5,257,206	5,066,282
Fed. Natl. Mort. Assn..	AAA	8.500	03/01/10	187,962	148,490	142,616
Fed. Natl. Mort. Assn..	AAA	8.500	09/01/10	1,494,976	1,181,031	1,134,313
Fed. Natl. Mort. Assn..	AAA	8.500	08/01/11	1,062,870	839,668	806,453
Fed. Natl. Mort. Assn..	AAA	10.000	08/01/10	2,741,044	2,361,581	2,251,082
Fed. Natl. Mort. Assn..	AAA	11.000	05/01/12	968,691	911,780	841,550
Fed. Natl. Mort. Assn..	AAA	12.000	05/01/13	2,017,326	2,013,544	1,855,940
Fed. Natl. Mort. Assn..	AAA	12.000	06/01/13	1,000,588	998,712	920,541
Fed. Natl. Mort. Assn..	AAA	13.000	01/01/13	1,861,516	1,884,203	1,805,670
Fed. Natl. Mort. Assn..	AAA	15.500	12/01/12	5,037,160	5,309,347	5,226,054
Fed. Natl. Mort. Assn..	AAA	15.750	12/01/11	6,521,965	6,856,216	6,774,691
Fed. Natl. Mort. Assn..	AAA	16.000	09/01/12	18,507,315	19,637,907	19,247,608
				57,850,349	56,018,882	53,622,150
Gov. Natl. Mort. Assn..	AAA	5.500	08/15/98	782,894	555,366	506,924
Gov. Natl. Mort. Assn..	AAA	7.250	05/15/05	733,409	536,764	515,220
Gov. Natl. Mort. Assn..	AAA	7.500	08/15/05	774,181	568,055	552,571
Gov. Natl. Mort. Assn..	AAA	7.500	01/15/07	834,745	611,973	595,800
Gov. Natl. Mort. Assn..	AAA	7.500	04/15/07	834,085	611,489	595,328
Gov. Natl. Mort. Assn..	AAA	7.500	05/15/07	359,061	331,530	256,280
Gov. Natl. Mort. Assn..	AAA	7.500	07/15/07	421,954	309,345	301,169
Gov. Natl. Mort. Assn..	AAA	7.500	09/15/07	394,621	364,554	281,661
Gov. Natl. Mort. Assn..	AAA	7.998	01/15/08	184	146	135
Gov. Natl. Mort. Assn..	AAA	7.999	12/15/07	4,322	3,436	3,171
Gov. Natl. Mort. Assn..	AAA	7.999	03/15/08	820	652	602
Gov. Natl. Mort. Assn..	AAA	8.000	10/15/06	1,130,034	1,145,019	829,162
Gov. Natl. Mort. Assn..	AAA	8.000	12/15/06	716,417	726,955	525,671
Gov. Natl. Mort. Assn..	AAA	8.000	03/15/08	10,090	8,021	7,403
Gov. Natl. Mort. Assn..	AAA	8.499	05/15/06	47,183	39,310	35,564
Gov. Natl. Mort. Assn..	AAA	8.499	07/15/08	153,257	109,135	115,518
Gov. Natl. Mort. Assn..	AAA	8.499	07/15/09	106,472	88,704	80,253
Gov. Natl. Mort. Assn..	AAA	8.500	12/15/05	221,962	186,830	167,304
Gov. Natl. Mort. Assn..	AAA	8.500	02/15/07	291,151	245,067	219,455
Gov. Natl. Mort. Assn..	AAA	8.500	07/15/08	5,725,619	4,582,589	4,315,684
Gov. Natl. Mort. Assn..	AAA	8.500	08/15/08	3,365,209	2,824,781	2,536,527
Gov. Natl. Mort. Assn..	AAA	8.500	10/15/08	888,675	740,378	669,839
Gov. Natl. Mort. Assn..	AAA	8.500	12/15/08	3,947,355	3,322,563	2,975,319
Gov. Natl. Mort. Assn..	AAA	8.968	02/15/09	30	26	24
Gov. Natl. Mort. Assn..	AAA	8.984	03/15/09	52	45	41
Gov. Natl. Mort. Assn..	AAA	8.995	09/15/08	35	30	28
Gov. Natl. Mort. Assn..	AAA	8.997	11/15/08	87	74	68
Gov. Natl. Mort. Assn..	AAA	8.998	01/15/09	694	597	544
Gov. Natl. Mort. Assn..	AAA	8.998	03/15/09	470	405	369

Investment Portfolio 1983

FIXED INCOME SECURITIES - continued

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
Government Agency - continued						
Gov. Natl. Mort. Assn..	AAA	8.998%	06/15/09	\$ 720	\$ 612	\$ 564
Gov. Natl. Mort. Assn..	AAA	8.999	11/15/08	3,224	2,772	2,526
Gov. Natl. Mort. Assn..	AAA	8.999	12/15/08	752	647	589
Gov. Natl. Mort. Assn..	AAA	8.999	01/15/09	1,537	1,322	1,205
Gov. Natl. Mort. Assn..	AAA	8.999	02/15/09	72	62	56
Gov. Natl. Mort. Assn..	AAA	8.999	03/15/09	716	616	561
Gov. Natl. Mort. Assn..	AAA	8.999	04/15/09	1,705	1,466	1,336
Gov. Natl. Mort. Assn..	AAA	8.999	09/15/09	48,698	35,032	39,628
Gov. Natl. Mort. Assn..	AAA	9.000	02/15/09	909,318	868,092	712,678
Gov. Natl. Mort. Assn..	AAA	9.000	03/15/09	903,454	862,544	708,082
Gov. Natl. Mort. Assn..	AAA	9.000	04/15/09	763	656	598
Gov. Natl. Mort. Assn..	AAA	9.000	05/15/09	5,419,515	5,172,309	4,247,545
Gov. Natl. Mort. Assn..	AAA	9.500	06/15/09	467,715	349,691	380,603
Gov. Natl. Mort. Assn..	AAA	9.500	08/15/09	959,990	841,818	781,191
Gov. Natl. Mort. Assn..	AAA	9.500	09/15/09	1,428,443	1,126,734	1,162,396
Gov. Natl. Mort. Assn..	AAA	9.500	10/15/09	4,685,462	4,012,667	3,812,794
Gov. Natl. Mort. Assn..	AAA	11.000	11/15/10	1,042,339	771,567	918,561
Gov. Natl. Mort. Assn..	AAA	11.499	02/15/13	233	226	211
Gov. Natl. Mort. Assn..	AAA	11.499	05/15/13	482,078	473,677	435,678
Gov. Natl. Mort. Assn..	AAA	11.500	05/15/11	1,059,630	1,024,529	957,640
Gov. Natl. Mort. Assn..	AAA	11.500	03/15/13	571,831	561,134	516,792
Gov. Natl. Mort. Assn..	AAA	11.500	04/15/13	5,028,130	4,896,461	4,544,173
Gov. Natl. Mort. Assn..	AAA	11.500	05/15/13	3,004,085	2,951,726	2,714,942
Gov. Natl. Mort. Assn..	AAA	11.500	07/15/13	1,001,356	919,533	904,976
Gov. Natl. Mort. Assn..	AAA	12.000	03/15/11	1,004,738	737,396	934,929
Gov. Natl. Mort. Assn..	AAA	12.000	08/15/11	260,201	218,639	242,123
Gov. Natl. Mort. Assn..	AAA	12.000	11/15/12	210,462	208,273	195,839
Gov. Natl. Mort. Assn..	AAA	12.000	12/15/12	1,932,925	1,891,192	1,798,626
Gov. Natl. Mort. Assn..	AAA	12.000	01/15/13	405,025	400,812	376,884
Gov. Natl. Mort. Assn..	AAA	12.500	11/15/10	925,270	780,118	887,103
Gov. Natl. Mort. Assn..	AAA	13.000	02/15/11	2,198,264	1,893,021	2,159,794
Gov. Natl. Mort. Assn..	AAA	13.000	04/15/11	452,954	401,431	445,027
Gov. Natl. Mort. Assn..	AAA	13.500	04/15/11	918,971	731,823	924,714
Gov. Natl. Mort. Assn..	AAA	13.500	07/15/12	1,053,015	936,499	1,059,597
Gov. Natl. Mort. Assn..	AAA	13.500	10/15/12	3,063,516	3,099,804	3,082,662
Gov. Natl. Mort. Assn..	AAA	13.500	11/15/12	511,157	514,282	514,351
Gov. Natl. Mort. Assn..	AAA	14.000	06/15/11	419,260	390,960	429,741
Gov. Natl. Mort. Assn..	AAA	14.000	03/15/12	314,201	293,582	322,056
Gov. Natl. Mort. Assn..	AAA	14.000	05/15/12	879,993	820,594	901,993
Gov. Natl. Mort. Assn..	AAA	14.750	10/15/96	1,335,440	1,447,284	1,383,851
Gov. Natl. Mort. Assn..	AAA	14.750	05/15/97	184,208	199,636	190,886
Gov. Natl. Mort. Assn..	AAA	14.750	06/15/97	1,818,882	1,971,213	1,884,816
Gov. Natl. Mort. Assn..	AAA	14.750	07/15/97	435,946	472,457	451,749
Gov. Natl. Mort. Assn..	AAA	14.999	05/15/12	47,961	51,128	50,659
Gov. Natl. Mort. Assn..	AAA	14.999	08/15/12	17,867	19,048	18,872
Gov. Natl. Mort. Assn..	AAA	15.000	04/15/12	798,776	849,250	843,708
Gov. Natl. Mort. Assn..	AAA	15.000	05/15/12	2,116,931	2,206,429	2,236,007
Gov. Natl. Mort. Assn..	AAA	15.000	06/15/12	1,682,222	1,777,099	1,776,846

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URBANA-CHAMPAIGN

Investment Portfolio 1983

FIXED INCOME SECURITIES - continued

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
Government Agency - continued						
Gov. Natl. Mort. Assn..	AAA	15.000%	07/15/12	\$ 6,208,073	\$ 6,560,291	\$ 6,557,277
Gov. Natl. Mort. Assn..	AAA	15.000	08/15/12	1,178,137	1,256,587	1,244,408
Gov. Natl. Mort. Assn..	AAA	15.000	09/15/12	3,244,991	3,466,318	3,427,522
Gov. Natl. Mort. Assn..	AAA	15.748	12/15/96	566	540	597
Gov. Natl. Mort. Assn..	AAA	15.749	01/15/97	38	38	40
Gov. Natl. Mort. Assn..	AAA	15.999	10/15/11	282,237	303,714	303,405
Gov. Natl. Mort. Assn..	AAA	15.999	11/15/11	126,232	135,838	135,700
Gov. Natl. Mort. Assn..	AAA	15.999	03/15/12	23,581	25,376	25,350
Gov. Natl. Mort. Assn..	AAA	16.000	10/15/11	121,658	130,915	130,782
Gov. Natl. Mort. Assn..	AAA	16.000	11/15/11	554,037	596,196	595,590
Gov. Natl. Mort. Assn..	AAA	16.000	12/15/11	3,655,054	3,933,179	3,929,182
Gov. Natl. Mort. Assn..	AAA	16.000	01/15/12	386,089	415,468	415,046
Gov. Natl. Mort. Assn..	AAA	16.000	03/15/12	1,246,772	1,341,643	1,340,280
Gov. Natl. Mort. Assn..	AAA	16.000	04/15/12	1,964,722	2,114,224	2,112,075
Gov. Natl. Mort. Assn..	AAA	16.000	06/15/12	878,613	945,470	944,509
Gov. Natl. Mort. Assn..	AAA	16.999	10/15/11	16,450	17,817	17,848
Gov. Natl. Mort. Assn..	AAA	16.999	12/15/11	19,287	20,890	20,926
Gov. Natl. Mort. Assn..	AAA	17.000	11/15/11	18,794,594	20,356,894	20,392,134
Gov. Natl. Mort. Assn..	AAA	17.000	12/15/11	7,687,675	8,326,713	8,341,127
Gov. Natl. Mort. Assn..	AAA	17.000	01/15/12	2,133,539	2,310,889	2,314,890
Gov. Natl. Mort. Assn..	AAA	17.000	02/15/12	488,375	528,971	529,887
				<u>120,765,739</u>	<u>117,889,673</u>	<u>114,824,367</u>
Inter-Am. Develop. Bk...	AAA	8.250	01/15/85	<u>2,500,000</u>	<u>2,504,323</u>	<u>2,396,500</u>
Total Government Agency				242,665,626	223,832,630	217,275,031
Canadian						
Brit. Col. Hy. & Power	AAA	15.500	07/15/11	1,000,000	1,100,510	1,124,940
Gulf Canada Ltd.....	NR	15.500	07/01/11	5,200,000	5,730,400	5,829,044
Hydro Quebec.....	NR	14.625	08/15/92	1,500,000	1,518,750	1,643,460
Hydro Quebec.....	NR	17.375	09/01/91	2,000,000	1,997,600	2,394,040
Ontario Province.....	A-1	8.375	09/01/99	1,000,000	989,451	712,150
Ontario Province.....	AAA	15.750	03/15/12	<u>2,900,000</u>	<u>3,341,500</u>	<u>3,340,597</u>
Total Canadian Bonds				13,600,000	14,678,211	15,044,231
Total All Government Obligations				<u>\$452,915,626</u>	<u>\$422,360,099</u>	<u>\$407,455,233</u>
CORPORATE OBLIGATIONS						
Public Utility						
Arkansas Power & Light	BAA-3	13.375%	12/01/12	\$ 1,500,000	\$ 1,485,000	\$ 1,469,355
California Water Serv.	NR	4.850	11/01/95	778,000	778,000	398,585
Carolina Power & Light	A-2	11.625	12/01/92	6,000,000	5,887,500	5,639,340

Investment Portfolio 1983

FIXED INCOME SECURITIES - continued

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
CORPORATE OBLIGATIONS						
Public Utility - continued						
Central Marine Pow. Co.	BAA-2	12.250%	05/01/13	\$ 1,000,000	\$ 995,000	\$ 899,480
Conn. Light & Power....	BAA-2	17.750	10/01/91	1,000,000	978,750	1,118,910
Con. Edison of New York	AA-2	5.900	12/15/96	1,000,000	1,000,000	590,640
Consumers Power.....	BAA-3	3.250	02/01/90	100,000	100,627	60,308
Duke Power.....	AA-3	14.500	08/01/12	1,000,000	1,107,980	1,051,890
Duke Power.....	AA-3	14.875	03/01/10	1,127,000	1,273,510	1,208,009
Duke Power.....	NR	4.500	02/01/95	650,000	651,463	331,981
Enserch.....	A-1	4.875	09/01/90	500,000	477,605	340,845
Florida Power Corp....	A-1	13.300	11/01/90	4,000,000	4,000,000	4,099,520
Georgia Power.....	BAA-1	13.250	02/01/13	5,500,000	5,510,750	5,323,010
Georgia Power.....	BAA-1	16.250	07/01/12	2,891,000	3,126,617	3,169,634
Houston Light & Power..	A-1	12.000	06/01/10	3,500,000	3,385,791	3,192,245
Louisiana Power & Lt...	BAA-3	5.750	03/01/96	900,000	868,960	505,710
Louisville Gas & Elec..	AA-2	7.500	07/01/02	1,500,000	1,515,060	957,390
New Jersey Power & Lt..	BA-3	4.875	07/01/90	170,000	170,601	105,045
N. Ind. Public Ser....	A-3	11.200	05/01/93	1,000,000	1,000,000	933,470
Pacific Gas & Electric.	A-1	7.750	06/01/05	1,500,000	1,491,599	948,030
Philadelphia Electric..	NR	17.625	07/01/11	2,411,000	2,793,746	2,705,600
Philadelphia Electric..	NR	18.750	09/15/09	2,194,000	2,632,800	2,615,138
Pub. Ser. Co. Indiana..	A-3	12.875	12/01/12	3,250,000	3,101,250	3,096,080
Southern Calif. Edison.	AA-2	15.125	04/01/05	1,080,000	1,196,100	1,169,154
Southern Calif. Water..	NR	4.650	07/01/95	664,000	664,000	336,084
United Gas Pipeline....	BAA-2	15.500	06/01/91	1,300,000	1,452,750	1,447,745
Virginia Elec. & Power.	A-2	7.750	06/01/99	500,000	502,235	329,465
West Penn. Power.....	AA-3	3.000	04/01/84	115,000	114,945	110,454
Wisconsin Elec. Power..	AA-1	6.875	11/15/97	1,000,000	957,102	642,270
Wisconsin Power & Lt...	AA-1	3.250	10/01/84	150,000	142,233	139,629
Total Public Utilities				48,280,000	49,361,974	44,935,016
Industrial and Miscellaneous						
Ashland Oil Inc.....	A-3	8.800	02/15/00	1,500,000	1,500,000	1,046,010
Atlantic Richfield....	AAA	7.750	12/15/03	2,000,000	2,000,000	1,325,840
Beneficial Corp.....	NR	15.875	02/09/87	1,000,000	1,000,000	1,088,750
Beneficial Corp.....	NR	16.000	01/15/85	3,000,000	3,000,000	3,123,750
Bethlehem Steel.....	BAA-2	5.400	01/15/92	485,000	489,184	302,034
Borg Warner Corp.....	A-1	5.500	03/01/92	1,000,000	964,987	669,620
Continental Group....	A-3	8.850	05/01/08	6,000,000	5,991,953	4,285,080
Deere & Co.....	A-2	8.000	11/15/02	4,500,000	4,466,353	3,026,025
Geico Corp.....	M1G-3	13.750	06/15/99	4,000,000	4,145,000	4,060,000
Gen. Motors Accept....	A-1	8.150	08/15/86	750,000	571,200	679,890
Gen. Motors Accept....	NR	16.250	11/03/86	2,000,000	2,070,000	2,188,860
Gulf Oil Corp.....	AA-2	8.500	11/15/95	2,000,000	1,994,283	1,589,540
Marathon Oil Company..	A-3	12.500	03/01/94	6,000,000	5,163,345	5,706,660
Owens-Illinois Inc....	A-3	7.625	04/01/01	2,000,000	1,993,426	1,292,500
Penney, J.C. Co.....	A-1	10.750	06/15/90	4,000,000	4,000,000	3,702,920
Scott Paper Company...	A-2	8.875	06/01/00	1,660,000	1,657,404	1,228,101
Shell Oil Company.....	AA-1	8.000	04/15/07	5,000,000	5,000,000	3,342,700

Original from

Investment Portfolio 1983

FIXED INCOME SECURITIES - continued

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
CORPORATE OBLIGATIONS						
Industrial and Miscellaneous - continued						
Standard Oil of Ohio..	A-1	7.600%	07/01/99	\$ 1,000,000	\$ 1,000,000	\$ 673,060
Standard Oil of Ohio..	A-1	8.500	01/01/00	1,500,000	1,497,692	1,078,245
Swift & Company.....	NR	4.750	10/01/83	19,000	19,000	18,894
Texas Instruments....	AA-3	12.700	02/01/05	7,500,000	7,500,000	7,333,275
Union Oil Co. of Cal..	AA-1	6.625	06/01/98	1,500,000	1,489,480	937,650
Weyerhaeuser Co.....	AA-3	8.625	10/01/00	1,828,000	1,828,000	1,327,768
Total Industrial & Miscellaneous				60,242,000	59,341,307	50,027,172
Finance						
Bank of America.....	NR	9.500	12/01/08	993,230	669,810	774,342
Bank of America.....	AAA	11.875	07/01/10	955,243	747,179	851,064
Bankamerica Corp.....	AA-2	7.875	12/01/03	2,500,000	2,484,180	1,609,825
CIT Financial Corp....	AA-3	11.500	06/15/05	6,000,000	5,813,820	5,352,180
John Deere Credit Co..	A-2	7.500	04/30/98	2,000,000	1,993,267	1,320,540
Ford Motor Credit Co..	BAA-2	7.500	10/15/92	2,000,000	2,000,000	1,434,660
Gen. Motors Acc. Corp.	AA-3	7.750	10/01/94	3,000,000	2,858,116	2,150,310
Gen. Motors Acc. Corp.	AA-3	7.850	11/01/98	2,000,000	2,000,000	1,364,200
Household Finance....	AA-3	7.500	10/01/97	2,500,000	2,481,782	1,681,300
Household Finance....	AA-3	12.000	04/15/87	4,000,000	4,000,000	4,014,960
Total Finance				25,948,473	25,048,154	20,553,381
Demand Notes - Common Papers						
Beneficial Corp.....	NR	16.250	12/10/86	4,500,000	4,500,000	4,905,000
Gen. Motors Acc. Corp.	NR	16.000	03/02/87	2,000,000	2,000,000	2,141,680
Gen. Motors Acc. Corp.	NR	16.000	03/05/87	3,000,000	3,000,000	3,212,940
Total Demand Notes - Common Papers				9,500,000	9,500,000	10,259,620
Telephone						
Central Tel. Co. of IL	NR	6.375	10/01/92	850,000	850,000	723,189
Chesapeake & Potomac..	A-2	12.375	09/01/17	8,000,000	7,910,669	7,591,840
Gen. Tel. Co. of CA...	BAA-1	5.000	12/01/95	495,000	424,933	264,251
Illinois Bell Tel. Co.	AA-3	8.000	06/01/05	500,000	506,636	331,565
Michigan Bell Tel. Co.	A-3	4.625	08/01/96	900,000	816,733	464,076
New Jersey Bell Tel...	AA-1	4.625	06/01/05	850,000	856,979	360,774
Pacific Tel. & Tel....	A-3	6.000	11/01/02	3,000,000	2,677,613	1,579,650
South Central Bell Tel	A-1	12.875	10/01/20	5,500,000	5,405,732	5,381,970
Southern Bell T. & T..	A-1	6.000	10/01/04	2,000,000	1,785,604	1,045,060
Southern Bell T. & T..	A-1	8.250	04/15/16	5,000,000	4,978,307	3,305,850
Southern Bell T. & T..	A-1	11.750	04/19/23	1,000,000	988,750	907,980
Southern Bell T. & T..	A-1	12.875	10/05/20	3,500,000	3,571,072	3,427,445
SW Bell T. & T.....	A-2	6.875	02/01/11	2,000,000	1,828,800	1,118,580
Total Telephone				33,595,000	32,601,828	26,502,230

Investment Portfolio 1983

FIXED INCOME SECURITIES - continued

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
CORPORATE OBLIGATIONS						
Pipeline						
Exxon Pipeline Co.....	AAA	8.875%	10/15/00	\$ 6,000,000	\$ 6,126,165	\$ 4,597,320
Transcon. Gas Pipeline	BAA-2	17.250	10/01/91	1,500,000	1,482,000	1,769,280
Total Pipeline				7,500,000	7,608,165	6,366,600
Total Corporate Bonds				185,065,473	183,461,428	158,644,019
Notes, Mortgages and Contracts						
CT Gen. Gu. Inv. Co....	NR	13.000	08/15/92	3,000,000	3,000,000	3,000,000
N.Y. Life Gu. Inv. Co..	NR	14.570	07/31/88	5,000,000	5,000,000	5,000,000
Pacific Mutual G.I.C...	NR	12.780	08/15/86	2,000,000	2,000,000	2,000,000
Penn. Mutual G.I.C.....	NR	14.430	08/31/86	4,000,000	4,000,000	4,000,000
Union Central Gu. Inv..	NR	13.400	08/15/87	2,000,000	2,000,000	2,000,000
Total Notes, Mortgages and Contracts				16,000,000	16,000,000	16,000,000
Convertible Issues						
American General Corp.	NR	11.000	11/04/08	956,000	1,031,285	1,178,270
Total Convertible Issues				956,000	1,031,285	1,178,270
Short Term Reserves						
Harris Bank Inv. Fund.	NR	*	*	148,506,000	148,506,000	148,506,000
Manitoba Hydro Elec...	NR	9.700	09/09/83	5,000,000	4,959,583	4,959,583
Mobil Oil Credit Co...	NR	9.500	09/09/83	1,000,000	991,556	991,556
Total Short Term Reserves				154,506,000	154,457,139	154,457,139
Total All Corporate Obligations				\$356,527,473	\$354,949,852	\$330,279,428
Total Bonds and Corporate Notes				\$809,443,099	\$777,309,951	\$737,734,661

*The Harris Bank Investment Reserve Fund provides a vehicle for investment of liquid reserves on a daily basis. The fund, available to employee benefit plans only, had an annualized yield at August 31, 1983 of 9.58%.

Investment Portfolio 1983

EQUITIES

COMPANY	Shares	Book Value	Market Value
PREFERRED STOCKS			
American General Corporation.....	27,322	\$ 1,400,252	\$ 1,591,507
American Savings & Loan Association.....	160,000	3,905,000	3,240,000
Bell & Howell Company.....	3,000	1,548,756	1,530,000
Cigna Corporation.....	7,110	\$ 103,213	\$ 198,191
COMMON STOCKS			
Aerospace Defense			
Boeing Company.....	33,300	1,339,641	1,261,238
Grumman Corporation.....	100,000	3,148,285	2,662,500
Lockheed Corporation.....	8,000	899,185	864,000
Automobiles & Auto Parts			
American Motors Corporation.....	61,500	526,458	507,375
Chrysler Corporation.....	150,000	2,549,850	4,162,500
Eaton Corporation.....	22,800	906,456	934,800
Firestone Tire & Rubber Company.....	47,500	973,130	920,312
Ford Motor Company.....	8,200	464,464	467,400
Fruehauf Corporation.....	100,000	3,060,991	4,225,000
General Motors Corporation.....	104,200	6,569,909	7,320,050
Goodrich B. F. Company.....	150,000	5,374,044	5,475,000
Goodyear Tire & Rubber Company.....	125,000	3,879,890	3,812,500
Mack Trucks, Incorporated.....	98,000	1,482,949	1,617,000
TRW Incorporated.....	50,000	2,150,850	3,437,500
Banking & Finance			
American Express Company.....	346,792	8,051,096	14,738,660
Bankamerica Corporation.....	21,700	483,259	477,400
Chase Manhattan Corporation.....	9,200	457,884	437,000
Chemical New York Corporation.....	19,100	973,623	900,087
First Pennsylvania Corporation.....	48,500	352,763	321,312
Interfirst Corporation.....	70,000	1,939,164	1,435,000
Manufacturers Hanover Corporation.....	22,200	1,030,080	885,225
Merrill Lynch & Company Incorporated.....	110,000	1,940,956	4,730,000
Southwest Bancshares Incorporated.....	62,800	1,942,346	1,632,800
Texas Commerce Bancshares.....	55,000	2,027,434	2,275,625
Beverages			
Anheuser Busch Companies Incorporated.....	53,000	3,471,126	3,445,000
Coca Cola Company.....	90,000	4,891,085	4,635,000
Heileman G. Brewing Company Incorporated.....	15,500	423,312	546,375
National Distillers & Chemical Corporation.....	24,400	667,438	643,550
Pepsico Incorporated.....	75,000	1,809,228	2,568,750

Investment Portfolio 1983

EQUITIES - continued

COMPANY	Shares	Book Value	Market Value
COMMON STOCKS			
Chemical & Synthetic Fibers			
Allied Corporation.....	13,900	\$ 690,713	\$ 748,862
Celanese Corporation.....	12,000	854,240	892,500
Diamond Shamrock Corporation.....	20,500	454,775	499,688
Dow Chemical Company.....	26,700	892,696	987,900
DuPont E I De Nemours & Company.....	20,100	939,772	1,055,250
Ethyl Corporation.....	13,400	309,843	353,425
Faberge Incorporated.....	15,600	352,182	331,500
Grace W. R. & Company.....	15,300	750,835	680,850
Hercules Incorporated.....	25,300	940,531	961,400
International Minerals & Chemical Corporation.....	600	25,587	28,800
Koppers Company Incorporated.....	48,800	879,488	841,800
P P G Industries Incorporated.....	16,400	995,328	1,045,500
Reichhold Chemicals Incorporated.....	8,900	258,255	289,250
Union Carbide Corporation.....	14,400	995,616	1,013,400
Construction			
Centex Corporation.....	200,500	5,407,125	5,363,375
Overhead Door Corporation.....	45,000	871,875	804,375
Owens-Corning Fiberglas Corporation.....	100,000	3,683,000	3,437,500
H H Robertson Company.....	10,000	344,750	375,000
Walter Jim Corporation.....	100,000	3,408,000	3,587,500
Electrical & Electronic			
AVX Corporation.....	150,000	4,125,531	3,918,750
Avnet Incorporated.....	50,000	2,109,814	2,012,500
Corning Glass Works.....	12,500	936,187	909,375
Digital Switch Corporation.....	160,000	6,052,510	4,120,000
EG & G Incorporated.....	30,000	897,330	1,042,500
Electronic Data System Incorporated.....	26,200	884,421	972,675
General Electric Company.....	170,000	4,329,252	8,691,250
General Instrument Corporation.....	35,000	1,933,122	1,347,500
Genrad Incorporated.....	12,100	448,789	488,538
Hewlett Packard Company.....	44,000	1,900,798	1,914,000
Intel Corporation.....	25,000	1,062,148	1,025,000
M C I Communications Corporation.....	100,000	2,379,986	1,487,500
Motorola Incorporated.....	15,000	1,934,300	1,953,750
National Presto Industries Incorporated.....	36,000	1,019,322	931,500
Northern Telecom Ltd.....	40,000	1,588,047	1,615,000
Paradyne Corporation.....	220,000	5,347,661	3,575,000
Philips NV.....	55,000	566,875	910,937
Sony Corporation American Depository Receipt.....	200,000	3,177,362	2,700,000
Teradyne Incorporated.....	30,000	860,715	960,000
Tracor Incorporated.....	60,000	1,784,229	1,440,000

Investment Portfolio 1983

EQUITIES - continued

COMPANY	Shares	Book Value	Market Value
COMMON STOCKS			
Electrical & Electronic (continued)			
Viacom International Incorporated.....	150,000	\$ 4,356,210	\$ 5,193,750
Xonics Incorporated.....	185,000	1,634,375	1,005,938
Food, Soap & Tobacco			
American Maize Products Company.....	4,500	74,038	69,188
Amstar Corporation.....	34,200	1,097,957	1,111,500
Lancaster Colony Corporation.....	18,200	353,990	359,450
Philip Morris Incorporated.....	203,000	8,512,508	12,662,125
Procter & Gamble Company.....	75,000	4,016,257	4,012,500
Sysco.....	45,000	1,604,810	1,485,000
Health Care & Cosmetics			
American Home Products Corporation.....	62,000	2,496,878	2,813,250
CR Bard Incorporated.....	30,000	1,222,050	1,260,000
Baxter Travenol Laboratories Incorporated.....	89,000	3,535,983	5,173,125
Hospital Corporation of America.....	40,000	1,935,730	1,860,000
Humana Incorporated.....	60,000	2,225,125	1,995,000
Johnson & Johnson.....	50,000	2,305,500	2,056,250
Lifemark Corporation.....	35,000	1,068,025	953,750
Lilly Eli & Company.....	59,000	2,955,102	3,584,250
Merck & Company Incorporated.....	31,000	2,044,585	2,987,625
National Medical Enterprises Incorporated.....	60,000	1,708,610	1,567,500
Pfizer Incorporated.....	220,000	7,153,403	8,415,000
Revlon Incorporated.....	59,000	1,699,987	1,888,000
Schering Plough Corporation.....	40,000	1,283,919	1,690,000
Sterling Drug Incorporated.....	209,000	5,203,915	5,407,875
Tampax Incorporated.....	45,000	2,274,375	2,317,500
Insurance			
Aetna Life & Casualty Company.....	111,000	4,386,076	3,968,250
Cigna Corporation.....	66,403	2,805,796	2,788,926
Leisure & Entertainment			
CBS Incorporated.....	44,000	2,730,177	2,953,500
Capital Cities Communications Incorporated.....	10,000	1,431,200	1,417,500
Walt Disney Productions.....	70,000	4,677,221	4,121,250
Golden Nugget Incorporated.....	34,000	464,638	522,750
MCA Incorporated.....	82,000	1,785,660	2,829,000
MGM UA Home Entertainment Group Incorporated.....	120,000	2,937,807	3,090,000
Outboard Marine Corporation.....	100,000	2,424,489	4,325,000
Warner Communications Incorporated.....	39,103	1,866,807	826,051

Investment Portfolio 1983

EQUITIES - continued

COMPANY	Shares	Book Value	Market Value
COMMON STOCKS			
Machinery & Equipment			
Browning Ferris Industries Incorporated.....	70,000	\$ 1,498,854	\$ 2,721,250
Butler Manufacturing Company Del.....	1,800	49,950	49,050
Caterpillar Tractor Company.....	21,100	958,884	828,175
Colt Industries Incorporated.....	23,000	942,460	966,000
Deere & Company.....	18,300	676,642	711,412
Ex Cell O Corporation.....	23,200	850,772	881,600
Gearhart Industries Incorporated.....	19,500	431,888	429,000
Harnischfeger Corporation.....	39,900	381,133	339,150
Katy Industries Incorporated.....	8,000	130,450	175,000
Omark Industries Incorporated.....	24,900	657,121	606,938
Mining - Metals			
Aluminum Company of America.....	20,000	789,400	945,000
Amax Incorporated.....	34,000	936,893	913,750
Armco Incorporated.....	52,400	946,398	1,008,700
Copperweld Corporation.....	5,400	88,533	92,475
Homestake Mining Company.....	19,900	697,495	721,375
Inland Steel Company.....	21,200	657,539	696,950
Newmont Mining Corporation.....	11,800	676,376	700,625
North American Coal Corporation.....	2,100	76,485	77,700
Phibro Salomon Corporation.....	180,000	6,412,500	5,467,500
Reynolds Metals Company.....	20,800	669,404	832,000
United States Steel Corporation.....	26,500	646,617	735,375
Office Equipment			
Apple Computer Incorporated.....	20,000	992,500	745,000
Dataproducts Corporation.....	180,000	2,529,562	4,815,000
Diebold Incorporated.....	30,000	2,527,725	2,553,750
Digital Equipment Corporation.....	88,000	9,982,245	9,086,000
International Business Machines Corporation.....	142,000	9,502,330	16,969,000
Monolithic Memories Incorporated.....	100,000	2,425,000	2,550,000
NCR Corporation.....	50,000	2,802,462	6,031,250
Prime Computer Incorporated.....	150,000	3,286,922	2,437,500
Tandem Computers Incorporated.....	100,000	2,506,326	3,050,000
Wang Laboratories Incorporated.....	100,000	1,441,327	3,162,500
Oil & Gas			
Atlantic Richfield Company.....	135,000	4,099,732	6,631,875
Cabot Corporation.....	23,500	684,810	593,375
Conquest Exploration Company.....	200,000	935,000	1,900,000
Getty Oil Company.....	89,000	5,706,913	6,141,000
Gulf Oil Corporation.....	10,000	370,750	413,750

Investment Portfolio 1983

EQUITIES - continued

COMPANY	Shares	Book Value	Market Value
COMMON STOCKS			
Oil & Gas (continued)			
Kerr McGee Corporation.....	89,000	\$ 3,514,258	\$ 3,081,625
Louisiana Land & Exploration Company.....	11,600	351,070	334,950
Mitchell Energy & Development Corporation.....	27,600	817,816	790,050
Mobil Corporation.....	256,000	3,204,876	8,352,000
Murphy Oil Corporation.....	120,000	3,811,097	4,335,000
Pennzoil Company.....	179,400	7,353,710	6,862,050
Petrolane Incorporated.....	45,500	711,225	728,000
Shell Oil Company.....	65,000	3,011,177	2,990,000
Standard Oil Company of California.....	173,000	7,569,971	6,379,375
Standard Oil Company of Indiana.....	185,000	4,287,756	9,596,875
Standard Oil Company of Ohio.....	7,000	367,150	403,375
Sun Company Incorporated.....	8,600	354,535	369,800
Superior Oil Company.....	18,800	671,060	721,450
Unocal Corporation.....	64,000	2,502,592	2,104,000
Zapata Corporation.....	50,000	1,256,363	1,056,250
Oil Support Services			
Dresser Industries Incorporated.....	16,500	347,152	383,625
Halliburton Company.....	28,000	1,522,121	1,228,500
Hughes Tool Company.....	33,700	666,417	834,075
Schlumberger Limited.....	14,200	822,890	814,725
Sedco Incorporated.....	29,000	1,141,083	1,297,750
Tidewater Incorporated.....	22,000	612,835	605,000
Paper & Forest Products			
Boise Cascade Corporation.....	173,200	6,292,553	6,538,300
Champion International Corporation.....	288,600	4,957,889	6,782,100
Chesapeake Corporation VA.....	8,400	278,050	261,450
Crown Zellerbach Corporation.....	21,100	623,908	598,713
Georgia Pacific Corporation.....	31,500	799,430	736,313
International Paper Company.....	19,000	891,718	1,026,000
Louisiana Pacific Corporation.....	30,300	955,941	791,587
Mead Corporation.....	33,400	996,289	1,093,850
Nashua Corporation.....	15,400	330,198	377,300
Pacific Lumber Company.....	36,900	1,014,322	857,925
Potlatch Corporation.....	21,400	784,528	732,950
St Regis Corporation.....	31,900	956,388	996,875
Stone Container Corporation.....	100,000	2,575,000	2,925,000
Westvaco Corporation.....	29,400	919,338	929,775
Weyerhaeuser Company.....	26,500	936,717	914,250
Willamette Industries Incorporated.....	22,800	932,661	769,500

Investment Portfolio 1983

EQUITIES - continued

COMPANY	Shares	Book Value	Market Value
COMMON STOCKS			
Photographic & Related			
Bell & Howell Company.....	60,000	\$ 1,604,351	\$ 1,515,000
Eastman Kodak Company.....	90,000	6,894,064	6,018,750
Printing & Publishing			
Donnelley R R & Sons.....	120,000	2,160,976	5,175,000
Dun & Bradstreet Corporation.....	30,000	1,877,100	1,845,000
Gannett Company Incorporated.....	80,000	5,274,216	4,900,000
McGraw-Hill Incorporated.....	110,000	2,626,491	4,867,500
New York Times Company.....	24,000	1,613,872	1,896,000
Time Incorporated.....	100,000	3,807,976	6,337,500
Retail Trade			
Best Products Company.....	100,000	1,556,100	3,487,500
Dayton-Hudson Corporation.....	35,000	1,293,350	1,168,125
Eckerd Jack Corporation.....	185,100	5,045,383	4,534,950
Federated Department Stores Incorporated.....	125,000	4,376,540	6,968,750
Great Atlantic & Pacific Tea Company.....	30,900	356,150	393,975
K Mart Corporation.....	141,000	3,585,895	4,846,875
Lucky Stores Incorporated.....	53,600	1,227,922	1,212,700
Payless Cashways Incorporated.....	50,000	1,454,193	1,287,500
Petrie Stores Corporation.....	5,500	186,422	181,500
Super Valu Stores Incorporated.....	41,000	1,109,955	1,250,500
Tandy Corporation.....	190,000	8,975,393	8,051,250
Vornado Incorporated.....	11,500	292,342	304,750
Walgreen Company.....	30,000	946,260	1,005,000
Textiles & Apparel			
Nike Incorporated.....	120,000	2,325,000	2,040,000
Scoa Industries Incorporated.....	50,000	1,397,250	1,431,250
United States Shoe Corporation.....	23,000	1,030,113	934,375
Transportation - Air			
AMR Corporation Del.....	70,000	1,121,400	2,170,000
Alaska Airlines Incorporated.....	19,000	295,355	280,250
Cessna Aircraft Company.....	165,200	3,663,935	4,708,200
Delta Air Lines Incorporated.....	20,000	897,763	677,500
Federal Express Corporation.....	25,000	1,909,895	1,828,125
KLM Royal Dutch Airlines.....	144,400	7,415,964	7,003,400
Northwest Airlines Incorporated.....	120,000	4,867,924	4,785,000
Pan American World Airways Incorporated.....	59,100	466,594	450,637
Piedmont Aviation Incorporated.....	40,000	1,445,690	1,265,000

Investment Portfolio 1983

EQUITIES - continued

COMPANY	Shares	Book Value	Market Value
COMMON STOCKS			
Transportation - Air (continued)			
Republic Airlines Incorporated.....	90,000	\$ 569,761	\$ 382,500
U S Air Group Incorporated.....	50,000	1,949,360	1,550,000
Transportation Excluding Air			
Overseas Shipholding Group Incorporated.....	260,000	4,714,212	5,200,000
Ryder System Incorporated.....	143,000	7,025,282	7,507,500
Santa Fe Industries Incorporated.....	70,800	1,627,660	2,106,300
Soo Line Railroad Company.....	23,000	726,430	644,000
Union Pacific Corporation.....	40,000	2,308,943	2,255,000
Utilities			
American Telephone & Telegraph Company.....	96,237	5,651,619	6,303,523
Arkla Incorporated.....	100,000	1,742,264	2,700,000
Atlanta Gas Light Company.....	35,000	655,903	665,000
Consolidated Edison Company of NY Incorporated.....	55,800	1,204,903	1,206,675
Consumers Power Company.....	49,300	994,240	912,050
Continental Telecom Incorporated.....	21,600	481,540	477,900
GTE Corporation.....	12,000	514,800	513,000
General Public Utilities Corporation.....	51,700	468,522	452,375
Kansas City Power & Light Company.....	1,000	31,395	28,875
New York State Electric & Gas Corporation.....	175,000	3,696,875	3,521,875
Northern States Power Company.....	30,400	974,320	1,033,600
Northwest Energy Company.....	52,900	1,073,275	1,600,225
Panhandle Eastern Corporation.....	13,800	490,935	493,350
Southern New England Telephone Company.....	14,800	991,970	1,050,800
Texas Eastern Corporation.....	40,000	2,034,648	2,440,000
Conglomerates & Miscellaneous			
Advanced Micro Devices Incorporated.....	34,400	868,880	1,092,200
American Carriers Incorporated.....	2,500	36,913	85,313
Automatic Data Processing Incorporated.....	60,000	2,343,088	2,145,000
Big Three Industries Incorporated.....	60,000	1,679,232	1,612,500
Coastal Corporation.....	12,000	307,238	391,500
Color Tile Incorporated.....	375,000	8,495,813	5,203,125
Computer Sciences Corporation.....	250,000	3,338,609	4,218,750
Kelly Services Incorporated.....	7,500	334,500	324,375
Keystone Consolidated Industries.....	18,700	269,011	247,775
Levitz Furniture Corporation.....	140,000	2,356,741	4,970,000
Parsons Corporation.....	34,800	667,243	709,050
Pioneer Hi Bred International Incorporated.....	80,000	2,632,500	2,480,000
Pogo Producing Company.....	13,700	330,345	357,913
Pulte Home Corporation.....	200,000	5,017,100	4,875,000

Investment Portfolio 1983

EQUITIES - continued

COMPANY	Shares	Book Value	Market Value
COMMON STOCKS			
Conglomerates & Miscellaneous (continued)			
Richardson Vicks Incorporated.....	44,000	\$ 1,228,676	\$ 1,094,500
Rockcor Incorporated.....	11,200	175,340	152,600
SCA Services Incorporated.....	300,000	3,408,525	4,912,500
Service Merchandise Incorporated.....	170,000	2,318,531	3,272,500
Stanadyne Incorporated.....	18,000	688,190	738,000
Talley Industries Incorporated.....	8,900	101,416	102,350
Teledyne Incorporated.....	30,000	4,922,118	4,710,000
Tyler Corporation.....	50,000	984,914	1,356,250
Tymshare Incorporated.....	75,000	1,624,200	1,762,500
Verbatim Corporation.....	40,000	1,042,724	1,170,000
Waste Management Incorporated.....	180,000	8,590,036	8,685,000
Webb Del E Corporation.....	2,500	47,050	41,250
Wily Corporation.....	10,500	130,023	137,812
COMMON TRUST FUNDS			
Alliance F G A Fund Incorporated.....	13,562	2,999,914	2,999,914
Alliance International Fund Incorporated.....	338,747	3,499,989	3,861,716
Alliance Technology Fund Incorporated.....	211,162	4,500,007	4,696,243
American National Bank & Trust Company.....	914,202	23,584,769	31,314,801
American National Bank Market Expansion Fund.....	955,636	18,941,787	20,194,691
DFA Small Company Fund Incorporated.....	118,798	18,559,833	21,021,318
Total Common & Preferred Stocks		<u>\$610,577,758</u>	<u>\$691,305,354</u>

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