

# Component unit financial report / SERS, State Employees' Retirement System of Illinois.

State Employees' Retirement System of Illinois.  
Springfield, Ill. : SERS,

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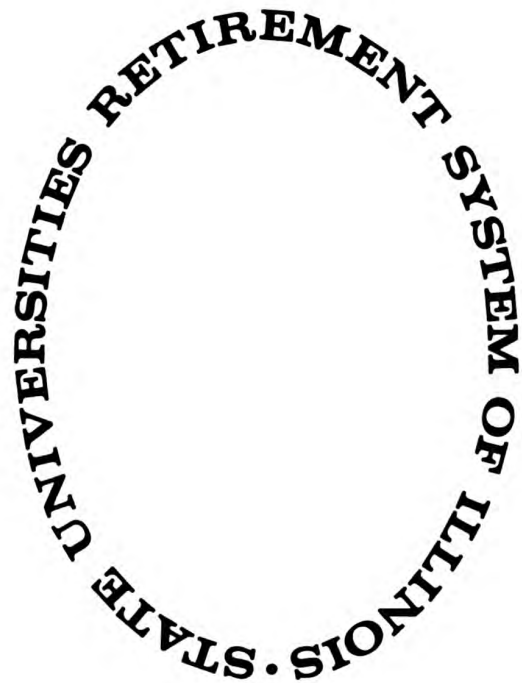


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# MPONENT UNIT FINANCIAL REPORT for the Fiscal Year Ended August 31, 1984





# COMPONENT UNIT FINANCIAL REPORT for the Fiscal Year Ended August 31, 1984

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University of Illinois  
at Urbana-Champaign



Prepared by: The Accounting Department

50 Gerty Drive · Champaign, Illinois · Telephone (217) 333-3860

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UNIVERSITY OF ILLINOIS AT  
URBANA-CHAMPAIGN



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# INTRODUCTORY SECTION





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

January 10, 1985

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, 1984, 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, and reports and tables concerning investment authority, guidelines and performance.

#### 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 1984 totaled \$227.8 million which is a decrease of 11.1% over income for 1983. Employee contributions accounted for 37.5% of the total income as compared to 30.6% for the preceding fiscal year. Employer contributions provided 30.8% of the total income as opposed to 20.4% for FY 83. Investment income accounted for 31.7% of the total income as compared to 49.0% for FY 83. 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 1984 were \$107.2 million, an increase of 16.0% over fiscal year 1983. Contribution refunds for the same period increased 18.7%. This increase is mainly because of higher participant

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State Universities Retirement System of Illinois 57

turnover due to immediate participation which became effective January 1, 1984. Benefit payments for the year increased 15.8% due to growth in the number of annuitants and higher average benefit amounts. Administrative expenses in FY 84 increased 7.5%. This increase reflects the higher cost of providing services to a growing number of annuitants and participants. The cost of administering the System amounted to less than seven-tenths of one percent of income generated. This means that out of every dollar that was received by the System 99.3 cents were available for the payment of benefits. Income exceeded expenses by \$120.6 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 \$109.3 million which represented 31.7% of total revenues. This exceeded the 30.8% of total revenue contributed through employer contributions. Changes in the makeup of the total portfolio during the year are reflected in the supporting schedule on page 33. The income rate of return on book value was 7.8%.

#### FUNDING

The actuarial liability of the System at August 31, 1984, amounted to \$3.37 billion. The reserve balances for participants' contributions and benefits from employee and employer contributions amounted to \$1.5 billion as of the same date. The amount by which the liability exceeds the reserves is called the "unfunded accrued liability". The unfunded accrued liability amounts to \$1.85 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 83 the employer contributions for FY 84 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 J. Ruiz was appointed by the Board of Governors of State Colleges and Universities for a one-year term.

Governor Thompson will be appointing two new members to the Board of Trustees effective September 1, 1985. Both will be participants who are at least 60 years old and each will serve a six-year term.

## Legislation

There was no new legislation affecting the State Universities Retirement System passed during 1984; however, the Legislative Audit Commission adopted Resolution Number 61 on November 30, 1982, stipulating that the Auditor General conduct a management and program audit of the Illinois State Board of Investments and the five State-administered retirement systems, including the State Universities Retirement System of Illinois.

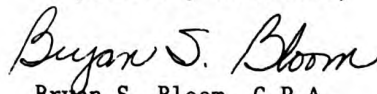
Currently, the five State funded retirement systems are funded at the rate of 60% of annual benefit payout. The audit report points out that this method will increase the State's unfunded liability to over \$12 billion by FY 99, which is more than double the 1982 level. The audit report also explored the advantages and disadvantages of three other methods of funding, including 100% of annual gross payout, normal cost plus interest on the unfunded liability, and a phased-in approach which would increase the State contribution from 1984 levels to 100% of annual gross benefit payout with a maximum cost limited to normal cost plus interest on the unfunded. The advantages of these three methods range from decreasing the unfunded liability between one-third to one-half by FY 99 and increasing the funded ratio to between 78% to 90% by FY 99. The disadvantages all deal with the cost to the State of up to 9.2% of their overall budget in various years through FY 99.

## 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 Consultants, and to the many people who worked so effectively to assure the successful operation of this System.

Respectively submitted,



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

# Board of Trustees

FROM THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS  
WILLIAM D. FORSYTH, JR., Springfield  
GEORGE W. HOWARD III, Mt. Vernon

FROM THE BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY  
WILLIAM R. NORWOOD, Elk Grove Village

FROM THE BOARD OF GOVERNORS OF THE STATE COLLEGES AND UNIVERSITIES  
ROBERT J. RUIZ, Chicago

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Chicago, Illinois



# Administrative Staff

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Associate Director

DENNIS D. SPICE, CSP  
Assistant Director

WILLIAM B. JACKSON, JR.  
Assistant Secretary

JEANNE VALCIK, CPA  
Pension & Investment Analyst

STEVEN L. HAYWARD, CPA  
Internal Auditor

BRYAN S. BLOOM, CPA  
Chief Accountant

JAMES S. BEEDIE  
Public Information Officer

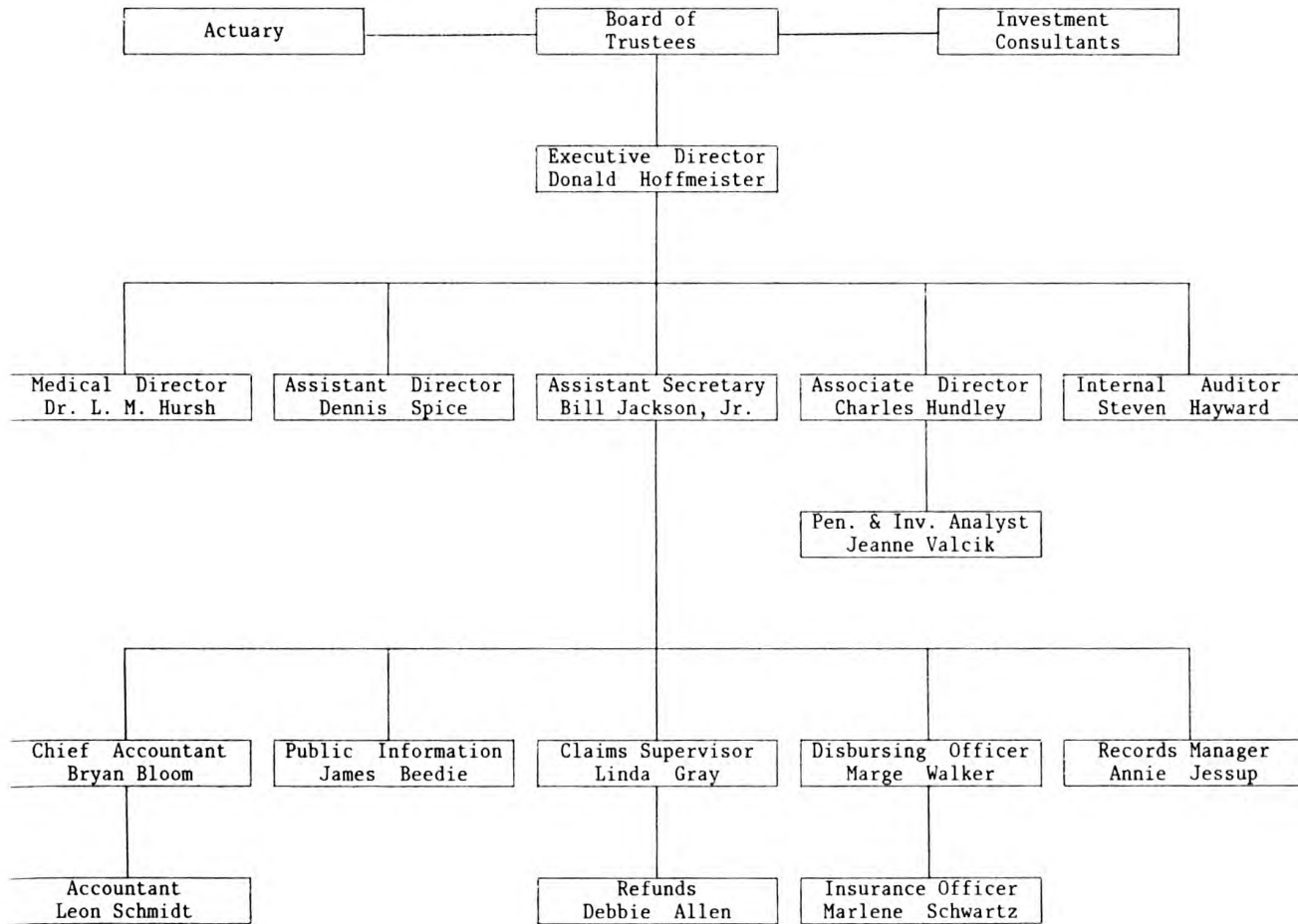
LINDA L. GRAY  
Claims Manager

MARGE J. WALKER  
Disbursing Officer

ANNIE L. JESSUP  
Records Manager

ANN F. SWARTZ  
Administrative Services Manager

# Organizational Chart



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# FINANCIAL SECTION



# Independent Auditor's Report

## 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

JOSEPH C. MERKLE, CPA  
KURT T. OLESON, CPA  
JOHN R. THOMSEN, CPA

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

Honorable Robert G. Cronson  
Auditor General  
Springfield, Illinois

We have examined the balance sheets of the State Universities Retirement System as of August 31, 1984 and 1983 and the related statements of revenue and expenses, changes in reserve balances and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and the standards for financial audits contained in the U.S. General Accounting Office's Standards for Audits of Governmental Organizations, Programs, Activities and Functions 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 State Universities Retirement System as of August 31, 1984 and 1983 and the results of operations, changes in reserve balances and changes in financial position for the years then ended, in conformity with generally accepted accounting principles, applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supporting schedules section of this report is presented for purposes of additional information and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Allsup, Vollbracht, Morris & Co.*  
*Professional Corporation*

ALLSUP, VOLLBRACHT, MORRIS & CO.  
PROFESSIONAL CORPORATION

November 19, 1984

MEMBERS

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

# Financial Statement 1984

BALANCE SHEET  
August 31, 1984 and 1983

ASSETS	Totals	
	1984	1983
Cash	\$	\$ 372,798
Contributions Receivable:		
Participants	4,334,303	4,144,427
Federal, trust funds & other	768,354	963,529
State of Illinois	75,633	1,630,500
	<u>5,178,290</u>	<u>6,738,456</u>
Prepaid Expenses	393,807	20,021
Accrued Investment Income Receivable	15,765,028	16,679,201
Investments (Note IV)	1,515,311,167	1,387,887,709
(Market value:		
\$1,554,073,252 @ 8/31/84		
\$1,429,040,015 @ 8/31/83)		
Property & Equipment (net)		
Land	70,000	70,000
Land improvements	7,288	7,712
Office building	412,504	423,697
Building improvements	26,569	33,174
Furniture & fixtures	174,147	230,579
	<u>690,508</u>	<u>765,162</u>
<b>TOTAL ASSETS</b>	<u>\$1,537,338,800</u>	<u>\$1,412,463,347</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 4,833,560	\$ 882,310
Benefits payable	483,868	290,283
Refunds payable	955,270	1,338,156
Deferred income (Note II C)	6,694,852	6,180,575
	<u>12,967,550</u>	<u>8,691,324</u>
Fund Balance (Reserved) (Note III C)		
Participants contributions	918,217,069	828,362,283
Benefits from employee & employer contributions	2,455,760,175	2,215,360,096
Land	70,000	70,000
	<u>3,374,047,244</u>	<u>3,043,792,379</u>
Less unfunded accrued liability	(1,849,675,994)	(1,640,020,356)
	<u>1,524,371,250</u>	<u>1,403,772,023</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$1,537,338,800</u>	<u>\$1,412,463,347</u>

The notes to the Financial Statements are an integral part of the General Purpose Financial Statements.

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# Financial Statement 1984

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCE  
August 31, 1984 and 1983

REVENUE	Totals	
	1984	1983
Contributions:		
Participants	\$ 85,489,034	\$ 78,358,894
Federal, trust funds and other	8,450,069	7,078,254
State of Illinois		
Employer units	56,464,580	42,558,271
Pension fund	4,882,734	2,220,683
Reciprocity	393,647	407,334
	<u>155,680,064</u>	<u>130,623,436</u>
Investment Income:		
Interest	89,369,194	88,244,729
Dividends	23,329,307	21,077,306
Other	398,984	221,370
	<u>113,097,485</u>	<u>109,543,405</u>
Less investment expense	3,773,475	2,425,990
	<u>109,324,010</u>	<u>107,117,415</u>
Gain (loss) on sale of investments	(37,237,847)	18,497,424
Total Revenue	<u>227,766,227</u>	<u>256,238,275</u>
EXPENSE		
Benefits:		
Age retirement	71,138,872	61,422,402
Disability retirement	219,784	142,915
Disability	7,050,685	6,787,871
Survivors	7,769,863	6,789,840
Death	4,675,492	3,306,214
Reversionary	220,778	218,099
Beneficiary	65,525	65,477
	<u>91,140,999</u>	<u>78,732,818</u>
Refunds	14,458,547	12,185,593
Administrative Expense	1,567,454	1,457,354
Total Expense	<u>107,167,000</u>	<u>92,375,765</u>
Excess revenue (expense)	120,599,227	163,862,510
Fund balance		
Beginning of year	<u>1,403,772,023</u>	<u>1,239,909,513</u>
End of year	<u>\$1,524,371,250</u>	<u>\$1,403,772,023</u>

The notes to the Financial Statements are an integral part of the General Purpose Financial Statements



# Financial Statement 1984

STATEMENT OF CHANGES  
IN FINANCIAL POSITION  
August 31, 1984 and 1983

	<u>Totals</u>	
	<u>1984</u>	<u>1983</u>
Sources of Working Capital:		
Operations:		
Net income (loss)	\$120,599,227	\$163,862,510
Add back items not requiring working capital -		
Depreciation	114,255	110,437
Total sources of working capital	<u>120,713,482</u>	<u>163,972,947</u>
Uses of working capital:		
Purchases of capital equipment	39,603	98,820
Total use of working capital	<u>39,603</u>	<u>98,820</u>
Net increase (decrease) in working capital	<u>\$120,673,879</u>	<u>\$163,874,127</u>
Elements of net increase (decrease) in working capital:		
Cash	\$ (372,798)	\$ 2,585,582
Investments	127,423,458	173,994,817
Accounts receivable	(2,474,339)	(8,611,185)
Prepaid expenses	373,786	(159,695)
Accounts payable	(3,951,250)	(92,895)
Benefits payable	189,300	493,238
Deferred income	<u>(514,278)</u>	<u>(4,335,735)</u>
Net increase (decrease) in working capital	<u>\$120,673,879</u>	<u>\$163,874,127</u>

The notes to the Financial Statements are an integral part of the General Purpose Financial Statements

# Notes to the Financial Statements 1984

## I. DESCRIPTION OF PLAN

The following is a summary of the provisions of the State Universities Retirement System as in effect on August 31, 1984, 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 required as a condition of employment.

The following employees are ineligible to participant if: 1) employed after age 68, 2) employed less than 50%, or 3) employed less than full-time and attending classes with an employer.

### 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, refund payments and leave 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. Police-men 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 1984

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

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

	General	Police & Firemen
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 retires before June 30, 1987.
- b) The member retires within 6 months of the last day of employment.

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# Notes to the Financial Statements 1984

- c) The member and the employer make one-time lump sum payments to the Retirement System based upon the member's highest 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, or each year short of 35 years of service credit, whichever is lower. 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.

#### E. Disability Benefits

Members with 2 years of covered service who are unable to perform their duties because of illness, or members with any amount of covered service, who are unable to perform their duties because of an accident

# Notes to the Financial Statements 1984

are eligible for disability benefits after 60 days of disability, or the last day paid whichever is later.

The amount of the disability benefit is as follows:

- 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

# Notes to the Financial Statements 1984

- 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.

## 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 National Council of Governmental Accounting Statement #1 on a consistent basis. The accounts of the System are organized in one fund and it records the System's assets, liabilities, fund equity, revenues and expenses.

### A. Accrual Basis

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

### B. Investments

Investments in fixed income, equities, and real estate are carried at acquisition cost. Gains or losses on investments 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.

### C. Deferred Income

Deferred income consists of prepaid employee and employer unit contributions.

### D. Rental Income

The System 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 \$6.52 to \$7.72 per square foot. Rental income received from this agreement during the fiscal year ending August 31, 1984 was \$44,190.

# Notes to the Financial Statements 1984

## E. Depreciation

The assets of the System 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, plus improvements, of 50 years and furniture and equipment of 5 or 10 years. The System has accounted for all assets, including fixed assets, in one fund for 1984, whereas in prior years fixed assets were presented as a separate "Building Fund". The Building Fund assets included the building, land, land improvements and furniture and equipment. The new method of accounting was adopted for better presentation of the activity of the Retirement Fund and its related use of the fixed assets in the administration of the System. The Building Fund assets, income and expense have been combined into the Retirement Fund, for 1984 and 1983. Depreciation of all exhaustible fixed assets has been charged as an expense of the Retirement Fund. Depreciation by the Retirement Fund will provide a better allocation of expenses to the period incurred. Previously all fixed assets were expensed by the Retirement Fund in the period purchased. The fixed assets were then transferred to the Building Fund where depreciation was taken on the building and improvements, but not on furniture and equipment.

The financial statements of prior years have been restated to apply the new method retroactively. The effect of the change on the combined statement of revenue and expense is:

	1984	1983
Capital expenditures previously expensed	(\$39,603)	(\$98,820)
Depreciation expense -		
Furniture and Equipment	<u>96,034</u>	<u>92,283</u>
Increase (decrease) in total expenditures	<u>\$56,431</u>	<u>(\$ 6,537)</u>

The balance of the Administrative Expense reserve has been adjusted for the effect of retroactively applying the new method of accounting and transferring the Building Fund balances into the Retirement Fund.

The cumulative restatement of the reserve balance at August 31, 1984 is \$234,767 and \$295,180 at August 31, 1983.

## 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

# Notes to the Financial Statements 1984

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) 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 FY84 Funding</u>	<u>Receipts From Employers</u>
Employer Normal Cost & Interest	\$208,615,428	\$70,191,030

## 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, 1983 and August 31, 1984: (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

The System maintains two reserve accounts which reflect the assignment of assets to participants' and benefits accounts.

1. The Participants' Contribution Reserve - records the pension assets contributed by each participant.



# Notes to the Financial Statements 1984

2. 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 Valuation

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

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 \$1,640,020,356 at August 31, 1983 to \$1,849,675,994 at August 31, 1984. 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, 1983 and August 31, 1984. 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, 1984 and 1983 are as follows:

	August 31, 1984		August 31, 1983	
	Book Value	Market Value	Book Value	Market Value
Short-term Investments	\$ 260,983,223	\$ 260,991,371	\$ 154,457,139	\$ 154,457,139
Bonds	551,656,465	542,797,475	622,852,812	583,277,522
Common & Preferred Stocks	467,860,563	499,622,689	538,491,459	607,216,670
Collective Funds	217,085,566	232,936,367	72,086,299	84,088,684
Real Estate	17,725,350	17,725,350	0	0
	<u>\$1,515,311,167</u>	<u>\$1,554,073,252</u>	<u>\$1,387,887,709</u>	<u>\$1,429,040,015</u>

The State Universities Retirement System retains a master trustee and nine investment managers. The System's investment authority is defined by the Prudent Person Rule. A detailed analysis of the System's investments are presented in Section V of this report.

## 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

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# Notes to the Financial Statements 1984

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 108 $\frac{1}{2}$ , Article 15 of the Illinois Revised Statutes. The Code does not provide for plan termination under any circumstances.

## VII. COMPENSATED ABSENCES

The System is obligated to pay employees, at termination, for unused vacation and sick time. The maximum time for which any individual may be paid is 448 hours of vacation and one-half of sick time earned since January 1, 1984. At August 31, 1984, the System had a liability of \$82,004 for compensated absences. At August 31, 1983, the liability was \$63,064. The increase in liability is reflected in the financials as an increase in salary expense.

# Supporting Schedule 1984

## SUMMARY SCHEDULE OF COMPENSATION OF ADMINISTRATIVE OFFICIALS Year Ended August 31, 1984

<u>Individual</u>	<u>Official Position</u>	<u>Salary Paid</u>
Donald Hoffmeister	Executive Director	\$55,833
Charles Hundley	Associate Director	46,167
Dennis Spice	Assistant Director	35,667

## SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS Year Ended August 31, 1984

Cash Balance Beginning of Year		\$	372,798
Add Receipts:			
Member Contributions	\$	84,576,629	
Employer Contributions		73,795,026	
Interest, Dividends and Miscellaneous Investment Income		113,668,192	
Investments Redeemed		<u>3,894,674,626</u>	
Total Cash Receipts			<u>4,166,714,473</u>
Less Disbursements:			
Benefit Payments	\$	90,809,989	
Administrative Expenses		1,517,539	
Investment Expenses		3,950,882	
Refunds		14,865,751	
Equipment Purchased		38,916	
Investments Purchased		<u>4,055,904,194</u>	
Total Cash Disbursements			<u>4,167,087,271</u>
Cash Balance End of Year		\$	<u>0</u>

# Supporting Schedule 1984

## COMPARATIVE SCHEDULE OF ADMINISTRATIVE EXPENSES For The Years Ended August 31, 1984 and 1983

	1984	1983
Salaries	\$ 736,529	\$ 651,431
Group health insurance	32,591	30,458
Retirement contribution	80,145	49,047
Postage, freight & expenses	48,111	53,070
Equipment repair & rental	45,441	38,578
Actuarial services	30,226	40,021
Other professional fees	239,690	252,808
EDP equipment, rental & supplies	67,756	49,521
Office furniture & equipment	957	8,721
Telephone	10,252	8,991
Travel	17,252	18,889
Printing & copying services	46,196	29,275
Dues & subscriptions	3,256	2,086
Office supplies & expense	19,098	20,180
Conference expenses	3,705	7,294
Employee tuition & fees	6,100	6,100
Building operation expense	65,894	80,447
Depreciation	<u>114,255</u>	<u>110,437</u>
	<u>\$1,567,454</u>	<u>\$1,457,354</u>

# Supporting Schedule 1984

## SUMMARY SCHEDULE OF FEES AND COMMISSIONS Year Ended August 31, 1984

	<u>Fees Paid</u>
<u>Master Trustee &amp; Custodian</u>	
Harris Trust	<u>\$ 367,430</u>
<u>Investment Manager Firm</u>	
Alliance Capital	\$ 551,649
American National Bank	101,275
Batterymarch	306,795
Criterion	335,415
Dimensional	133,618
Fayez Sarofim	463,745
Lehman Management	408,019
Pacific Investment	478,904
Rosenberg Real Estate Equity Fund	526,667
	<u>\$3,306,087</u>
<u>Investment Consultant &amp; Measurement</u>	
Ennis, Knupp & Gold (directed brokerage)	\$ 58,000
SEI Financial Services Company (directed brokerage)	31,000
	<u>\$ 89,000</u>
<u>Actuary</u>	
The Wyatt Company	<u>\$ 30,226</u>
<u>Legal</u>	
Mayer, Brown & Platt	<u>\$ 10,958</u>
<u>Investment Brokerage Firm</u>	
Bear Stearns & Company	\$ 205,281
Becker Securities	33,246
First Boston	77,905
Goldman Sachs & Company	66,516
Jeffries & Company	60,279
Merrill, Lynch, Pierce, Fenner & Smith	123,228
Morgan Stanley & Company	41,023
Salomon Brothers	62,670
Shearson Loeb Rhodes	57,854
Smith Barney Harris Upham & Company	57,769
All Others	434,366
	<u>\$1,220,137</u>

# Supporting Schedule 1984

## INVESTMENT PORTFOLIO ACTIVITY AT BOOK VALUE Year Ended August 31, 1984

	Beginning Balance September 1	Acquisitions	Dispositions	Ending Balance August 31
Bonds	\$ 622,852,812	\$1,202,351,635	\$1,273,547,982	\$ 551,656,465
Equity Securities	538,491,459	341,071,867	411,702,763	467,860,563
Collective Funds	72,086,299	181,880,835	36,881,568	217,085,566
Real Estate	0	17,725,350	0	17,725,350
Short-Term Cash Equivalents	<u>154,457,139</u>	<u>2,330,103,146</u>	<u>2,223,577,062</u>	<u>260,983,223</u>
	<u>\$1,387,887,709</u>	<u>\$4,073,132,833</u>	<u>\$3,945,709,375</u>	<u>\$1,515,311,167</u>

## INVESTMENT PORTFOLIO SUMMARY August 31, 1984

	Market Value	% of Total Market Value	Book Value	% of Total Book Value
Bonds	\$ 542,797,475	34.93	\$ 551,656,465	36.41
Equity Securities	499,622,689	32.15	467,860,563	30.87
Collective Funds	232,936,367	14.99	217,085,566	14.33
Real Estate	17,725,350	1.14	17,725,350	1.17
Short-Term Cash Equivalents	<u>260,991,371</u>	<u>16.79</u>	<u>260,983,223</u>	<u>17.22</u>
	<u>\$1,554,073,252</u>	<u>100.00</u>	<u>\$1,515,311,167</u>	<u>100.00</u>



# ACTUARIAL SECTION



# Certification Letter

THE *Wyatt* COMPANY

ACTUARIES AND CONSULTANTS

EMPLOYEE BENEFITS  
COMPENSATION PROGRAMS  
EMPLOYEE COMMUNICATIONS  
ADMINISTRATIVE SYSTEMS  
RISK MANAGEMENT  
INTERNATIONAL SERVICES

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

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AROUND THE WORLD

## 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, 1984.

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, 1984 and the schedule of contribution rates complies with the applicable law in force as of the valuation date.

THE WYATT COMPANY

By S. Lynn Hill  
S. Lynn Hill  
Actuarial Assistant

By Lloyd L. Nordstrom  
Lloyd L. Nordstrom  
Fellow Of The Society Of Actuaries

By Robert L. Barnes  
Robert L. Barnes  
Fellow Of The Society Of Actuaries

Chicago, Illinois  
January 9, 1985

Original from  
UNIVERSITY OF ILLINOIS AT  
URBANA-CHAMPAIGN

# Actuarial Report 1984

## VALUATION RESULTS

1. Actuarial Liability (Reserves)*	
(a) For Members Receiving Annuities:	
(i) Retirement Annuities	\$ 737,663,241
(ii) Survivor Annuities	67,458,253
(iii) Disability	56,033,215
(iv) Total	<u>\$ 861,154,709</u>
(b) For Inactive Members	160,932,346
(c) For Active Members	2,351,960,189
(d) Total	\$3,374,047,244
2. Assets (Amortized Cost Value)	\$1,524,371,250
3. Unfunded Actuarial Liability	\$1,849,675,994

## CONTRIBUTION RATES

	<u>% Of</u> <u>Payroll*</u>	<u>Annual</u> <u>Contributions*</u>
1. State Normal Cost	8.785%	\$ 89,265,057
2. Normal Cost Plus 8% Interest on the Unfunded Actuarial Liability	22.839	232,077,587
3. Normal Cost Plus An Amount to Amortize the Unfunded Actuarial Liability Over A 40-year Period from September 1, 1980	23.778	241,618,527

\*Based on covered pay of \$1,016,162,269 for Fiscal Year September 1, 1984 through August 31, 1985.

# Actuarial Report 1984

## CHANGES IN THE UNFUNDED ACCRUED LIABILITY

1. Unfunded Actuarial Liability at August 31, 1983	\$1,640,020,356
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	129,305,092
3. Actuarial (Gains) Losses:	
(a) Loss from investment return less than 8%	37,797,102
(b) Loss from salary increases greater than 8%	45,387,342
(c) (Gain) from other sources	( 2,833,898)
4. Unfunded Actuarial Liability at August 31, 1984	\$1,849,675,994

## 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 1984

## 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.

# Actuarial Report 1984

## SCHEDULE OF REQUIRED EMPLOYER CONTRIBUTIONS VERSUS ACTUAL EMPLOYER CONTRIBUTIONS

Fiscal Year Ending August 31	Required Contribution*	Actual Contribution	Actual As A % Of Required
1975	\$ 76,067,242	\$30,298,625	39.8
1976	83,732,434	35,501,427	42.4
1977	94,000,452	41,275,044	43.9
1978	104,333,670	50,741,364	48.6
1979	116,693,682	61,595,360	52.8
1980	126,547,336	72,700,571	57.4
1981	133,853,047	74,395,430	55.6
1982	176,383,687	55,044,799	31.2
1983	196,562,192	52,264,542	26.6
1984	208,615,428	70,191,030	33.6

\*Normal cost plus interest on the unfunded liability.

## SCHEDULE OF INCREASES AND DECREASES OF BENEFIT RECIPIENTS

Fiscal Year Ending August 31	Beginning Balance	Additions	Subtractions	Ending Balance
1982	10,185	1,595	939	10,841
1983	10,841	1,537	765	11,613
1984	11,613	1,700	753	12,560

# Actuarial Report 1984

## SCHEDULE OF ACTIVE MEMBER DATA

<u>Fiscal Year Ending August 31</u>	<u>Actives Excluding Disability Recipients</u>	<u>Annual Covered Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase In Average Pay</u>
1975	34,163	\$ 472,502,268	\$13,830	--
1976	34,629	513,988,613	14,842	7.3
1977	35,496	542,763,712	15,291	3.0
1978	36,982	593,184,292	16,039	4.9
1979	37,331	644,162,007	17,255	7.6
1980	38,131	710,095,738	18,623	7.9
1981	39,636	784,733,956	19,799	6.3
1982	40,447	872,449,875	21,570	8.9
1983	40,775	908,284,507	22,275	3.3
1984	44,377	1,016,162,269	22,898	2.8

# Analysis of Funding 1984

## 10-Year Summary

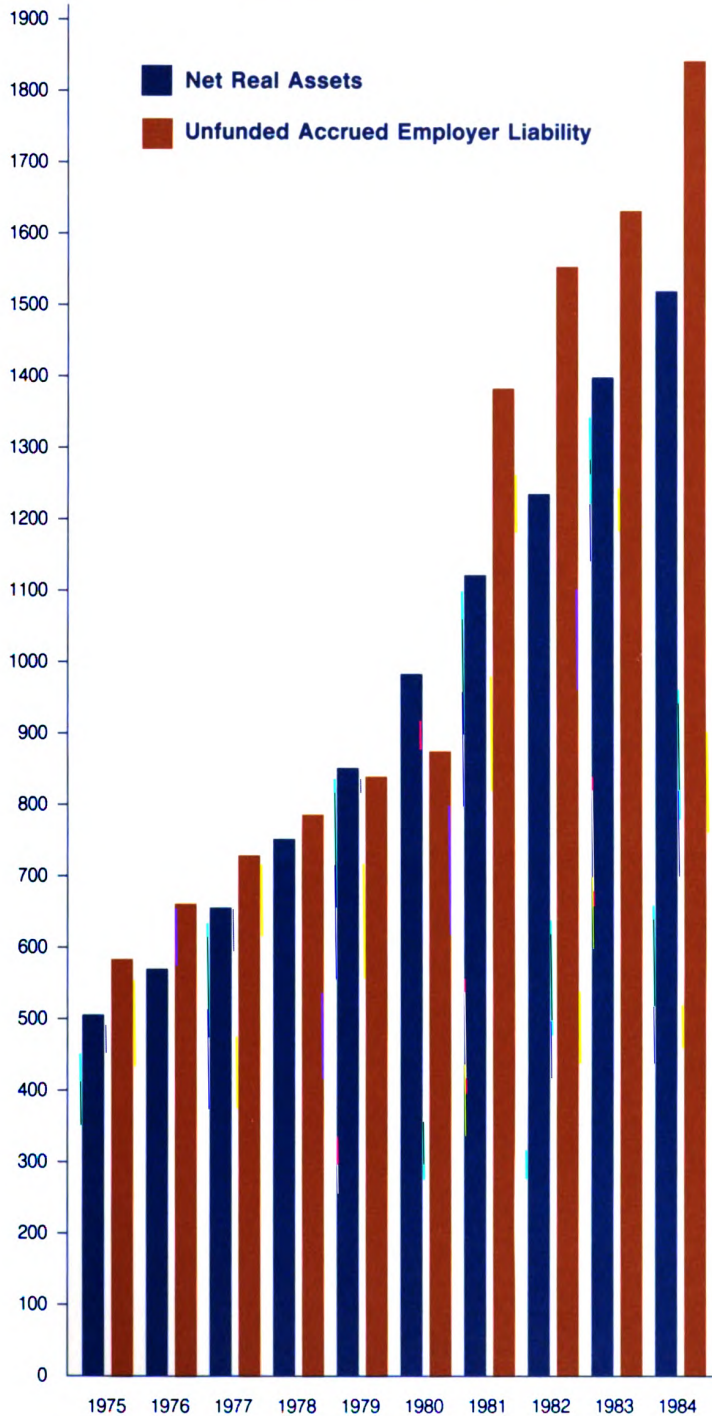
<u>Fiscal Year Ending August 31</u>	<u>Net Real Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Reserve Requirement</u>	<u>Funding</u>
1975	\$ 507,476,930	\$ 587,893,456	\$1,095,370,386	46.3%
1976	577,757,539	658,772,105	1,236,529,644	46.7
1977	657,455,395	730,570,416	1,388,025,811	47.3
1978	747,975,984	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
1984	1,524,371,250	1,849,675,994	3,374,047,244	45.2

# Analysis of Funding 1984

## 10-Year Summary

Millions of Dollars

A COMPARISON OF NET REAL ASSETS TO UNFUNDED ACCRUED LIABILITIES FOR THE PAST TEN YEARS



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# STATISTICAL SECTION

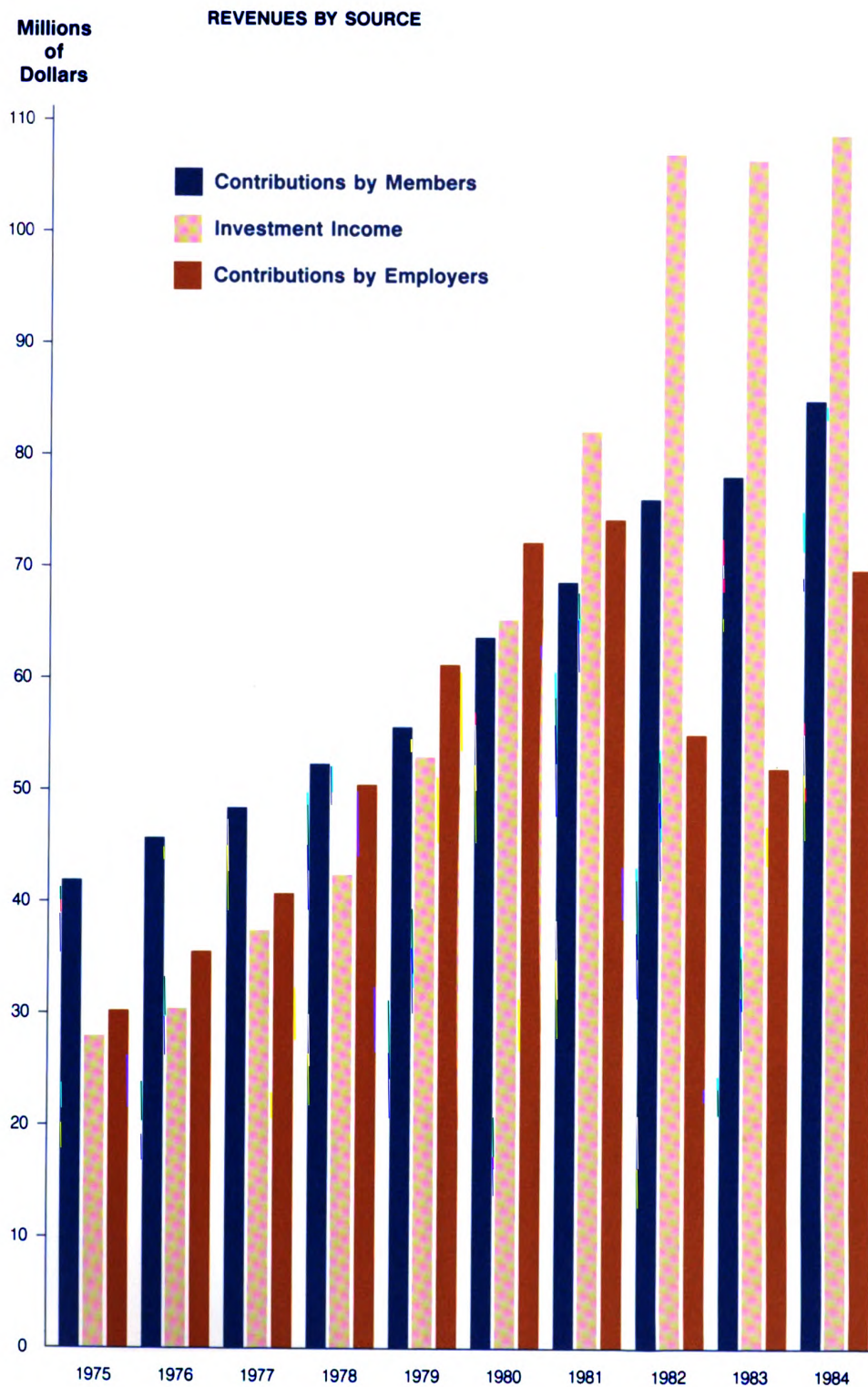
# Revenue by Source

## 10-Year Summary

<u>Fiscal Year Ending August 31</u>	<u>Contributions By Members</u>	<u>Investment Income</u>	<u>Contributions By Employers</u>	<u>Total</u>
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	107,117,415	52,264,542	237,740,851
1984	85,489,034	109,324,010	70,191,030	265,004,074

# Revenue by Source

## 10-Year Summary



# Benefit Recipients

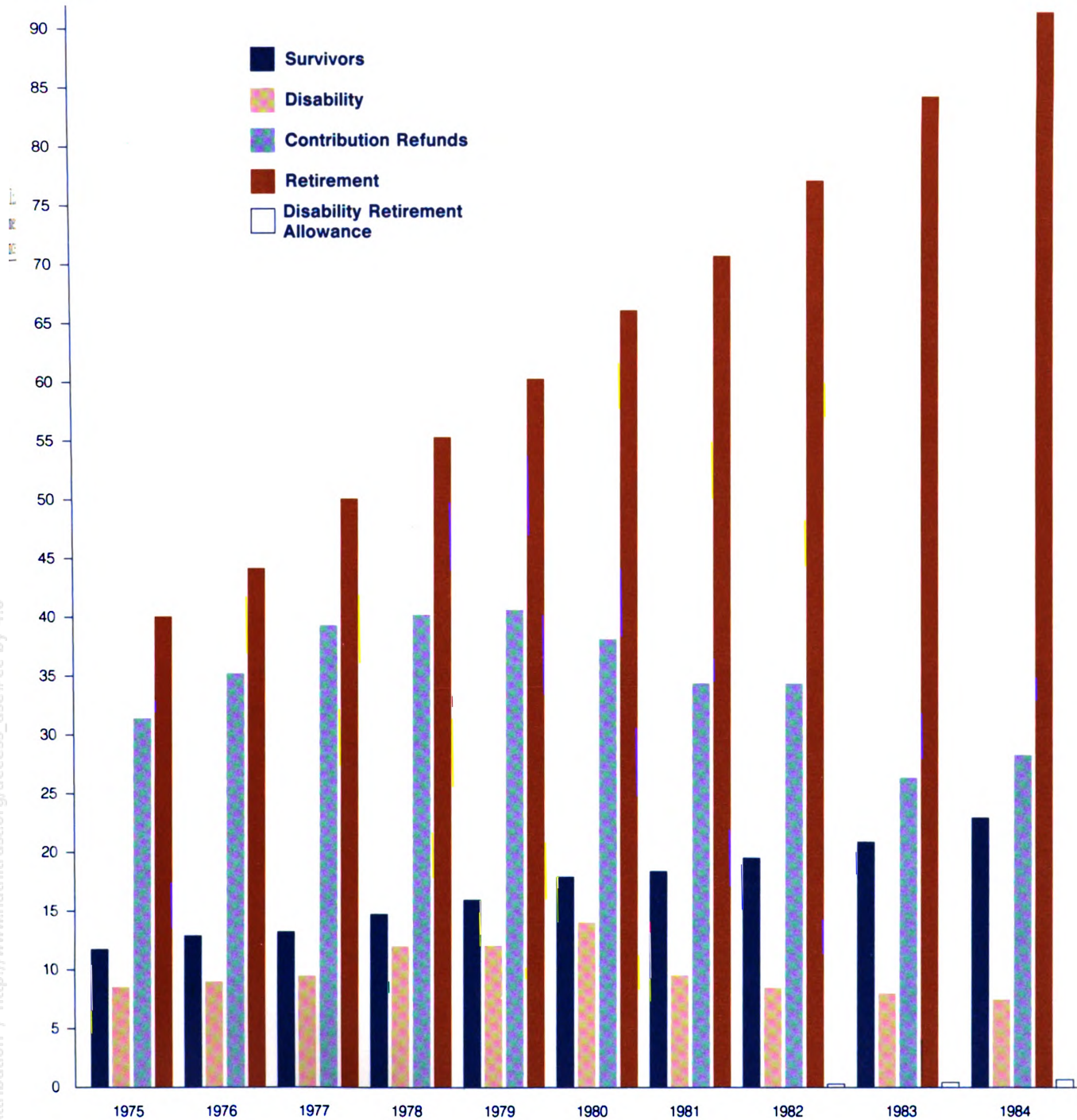
UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

<u>Fiscal Year Ending August 31</u>	<u>Survivors</u>	<u>Disability</u>	<u>Contribution Refunds</u>	<u>Retirement</u>	<u>Disability Retirement Allowance</u>
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
1984	2,321	750	2,832	9,217	71

# Benefit Recipients 10-Year Summary

Recipients  
in  
Hundreds

BENEFIT RECIPIENTS BY TYPE



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# Benefit Expenses

## 10-Year Summary

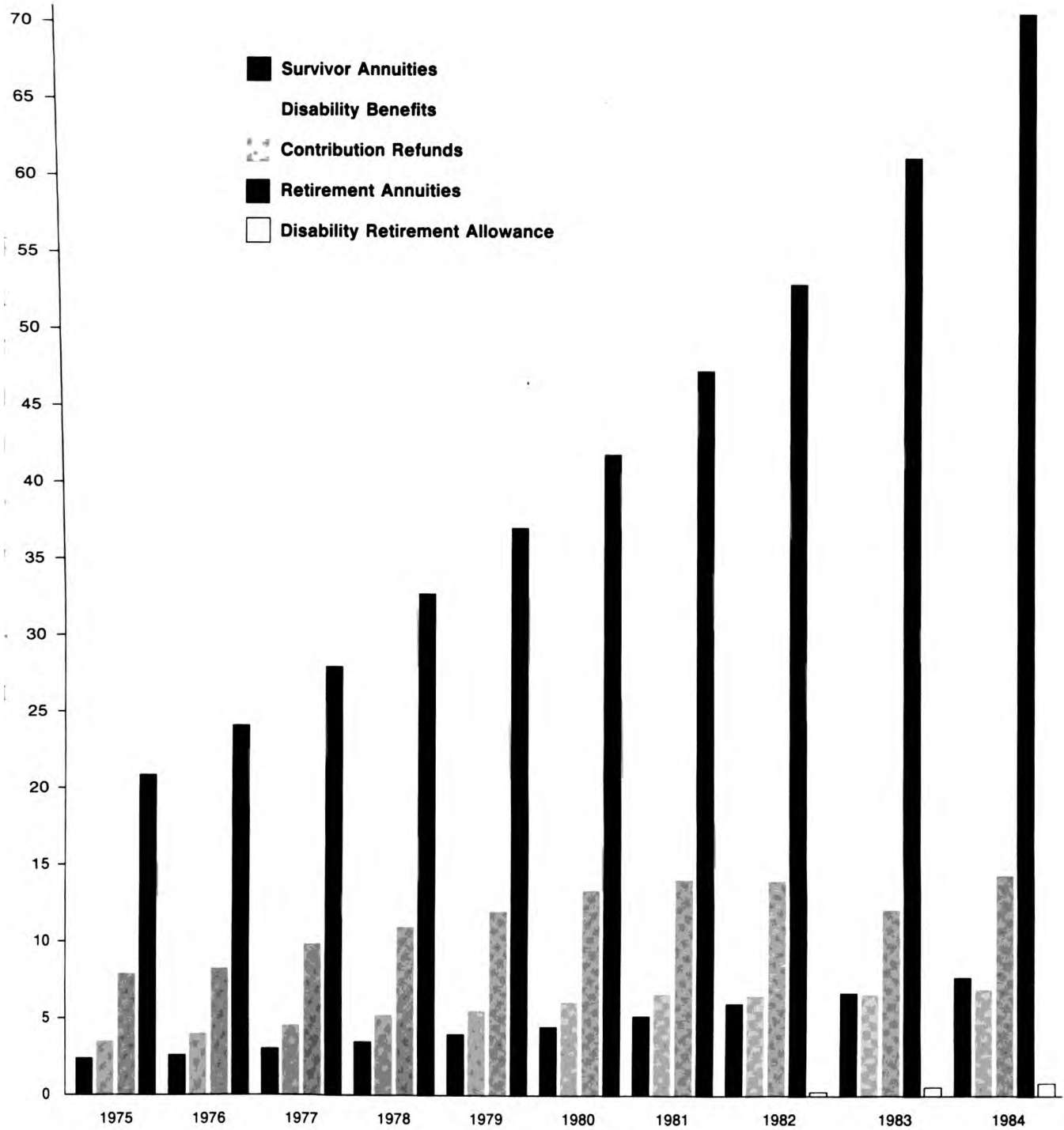
Fiscal Year Ending August 31	Survivors Annuities	Disability Benefits	Disability Retirement Allowance	Retirement Annuities	Lump Sum Death Benefits	Total
1975	\$2,325,858	\$3,589,230	\$ ---	\$20,965,566	\$1,295,154	\$28,175,808
1976	2,660,769	4,113,883	---	24,287,646	1,483,132	32,545,430
1977	3,089,241	4,680,790	---	28,097,278	1,645,252	37,512,361
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
1984	7,769,863	7,050,685	219,784	71,425,175	4,675,492	91,140,999

# Benefit Expenses

## 10-Year Summary

Millions  
of  
Dollars

BENEFIT EXPENSES BY TYPE



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# Total Expenses

## 10-Year Summary

<u>Fiscal Year</u> <u>Ending August 31</u>	<u>Benefits</u>	<u>Contribution</u> <u>Refunds</u>	<u>Administrative</u> <u>Expenses</u>	<u>Total</u>
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	1,457,354	92,375,765
1984	91,140,999	14,458,547	1,567,454	107,167,000

# Assets and Liabilities

## 10-Year Summary

### ASSETS

<u>Fiscal Year Ending August 31</u>	<u>Cash</u>	<u>Receivables</u>	<u>Investments</u>	<u>Total</u>
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	1,388,652,871	1,412,463,347
1984	0	21,337,125	1,516,001,675	1,537,338,800

### LIABILITIES

<u>Fiscal Year Ending August 31</u>	<u>Accounts Payable</u>	<u>Deferred Income</u>	<u>Fund Balances</u>	<u>Total</u>
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	2,510,749	6,180,575	1,403,772,023	1,412,463,347
1984	6,272,698	6,694,852	1,524,371,250	1,537,338,800

# Active and Inactive Participants

## 10-Year Summary

Fiscal Year Ending August 31	Total Actives	Average Age	Average Length of Service for Actives	Total Inactive	Combined Total of Active & Inactive Participants
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
1984	44,527	43.1	8.9	4,939	49,466

# Participating Employers 1984

Belleville Area College	Oakton Community College
Black Hawk College	Parkland College
Board of Governors	Prairie State College
Board of Governors Cooperative Computer Center	Rend Lake College
Board of Regents	Richland College
Chicago State University	Rock Valley College
City Colleges of Chicago	Carl Sandburg College
College of DuPage	Sangamon State University
College of Lake County	Sauk Valley College
Danville Area Community College	Shawnee College
Division of Services for Crippled Children	Southeastern Illinois College
Eastern Illinois University	Southern Illinois University - Carbondale
Elgin Community College	Southern Illinois University - Edwardsville
Governors State University	Southern Illinois University Foundation - Carbondale
William Rainey Harper College	Southern Illinois University Foundation - Edwardsville
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 Association	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 - Athletic Association
Lake Land College	University of Illinois - Foundation
Lewis & Clark Community College	University of Illinois Chicago - Health Sciences Center
Lincoln Land Community College	University of Illinois Chicago - University Center
John A. Logan College	University of Illinois - Urbana
Moraine Valley Community College	Waubonsee Community College
Morton College	Western Illinois University
McHenry College	John Wood Community College
Northeastern Illinois University	
Northern Illinois University	



# INVESTMENT SECTION



# Certification Letter

Harris Trust and  
Savings Bank

111 West Monroe Street  
PO Box 755  
Chicago, Illinois 60690

Telephone (312) 461-2121

**Trust Department**



## Master Trustees Comments on the Services Provided

To the Board of Trustees and the Executive Director:

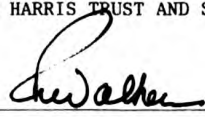
The Harris Trust and Savings Bank as Master Trustee has provided detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Fund for the 12 month period ending August 31, 1983. Also, a statement of assets together 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.
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

Wholly owned subsidiary of Harris Bankcorp. Inc

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# Investment Summary 1984

## INVESTMENT OVERVIEW

September 1, 1981 marked an important event for the State Universities Retirement System's investment portfolio. On that date, reorganization was completed to change management of the portfolio from a bank trust department to a team of active investment managers (two equity and two fixed, joining a passive equity manager hired in August 1980). As of August 31, 1984, with the market value of the fund having subsequently increased 68%, the System's assets were invested through nine managers: two fixed, three equity, one balanced, three passive and one real estate. By using the multiple manager concept the System has achieved diversification through selection of investment management firms with varying investment philosophies, styles and expertise.

### 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 Board of Trustees of the State Universities Retirement System 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 Illinois Revised Statutes, Chapter 108 1/2, the investment policy and each manager's respective guidelines, but are to use full discretion within the policy and guidelines.

The investment policy provides for the following permissible limits:

	Percent of Market Value	
	Maximum	Minimum
Equity	50	15
Active Management	--	75
Passive Management	25	--
Real Estate	15	--

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.

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# Investment Summary 1984

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 Shearson Lehman Government/Corporate Bond Index. Comparisons of total fund performance are also to be 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 Shearson Lehman 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 active investment 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 within 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 Shearson 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.

## RECENT RESTRUCTURING

The Board of Trustees made several important changes in the investment portfolio structure this year. First, the Board selected Rosenberg Real Estate Equity Funds (RREEF) to become the first real estate manager. Approximately \$60 million will be invested annually in real estate over the next three years. The second change was a move to increase the portion of the fund managed passively. The Trustees reduced Alliance Capital Management's portfolio by \$110 million and invested the funds in American National Bank's S&P 500 Index Fund and Market Expansion Fund, in such a manner as to replicate an investment in the Wilshire 5000 Stock Index. At August 31, 1984, 34% of SURS' equities were managed passively. A third change in the investment management structure occurred when the Board of Trustees increased the assets managed by Batterymarch. The additional funding of Batterymarch resulted from the Trustees' desire to increase Batterymarch's assets under management to approximately the same size as SURS' other active equity managers.

# Investment Summary 1984

## Current Portfolio Structure

As of August 31, 1984, the structure of the State Universities Retirement System's investment accounts including accrued income and accounts payable for pending trades was as follows:

### Investment Manager Structure August 31, 1984

	Market Value	
	Amount	%
Short-term Investments	\$ 109,442,671	7.0
Pacific Investment Management	366,013,443	23.4
Lehman Management	216,558,845	13.8
Guaranteed Insurance Contracts	18,328,145	1.2
Total Fixed-Income Managers	710,343,104	45.3
Alliance Capital Management	110,111,015	7.0
Fayez Sarofim & Company	203,100,067	13.0
American National Bank		
- Index Fund (Passive)	131,978,294	8.4
- Market Expansion Fund (Passive)	58,017,242	3.7
Dimensional Fund Advisors		
Small Company Fund (Passive)	37,047,270	2.4
Batterymarch	126,236,435	8.1
Total Equity Managers	666,490,323	42.5
Criterion Investment Management	171,889,397	11.0
Total Balanced Fund	171,889,397	11.0
Rosenberg Real Estate Fund	17,725,350	1.1
Total Real Estate Managers	17,725,350	1.1
<b>TOTAL FUND</b>	<b>\$1,566,448,174</b>	<b>100.0</b>

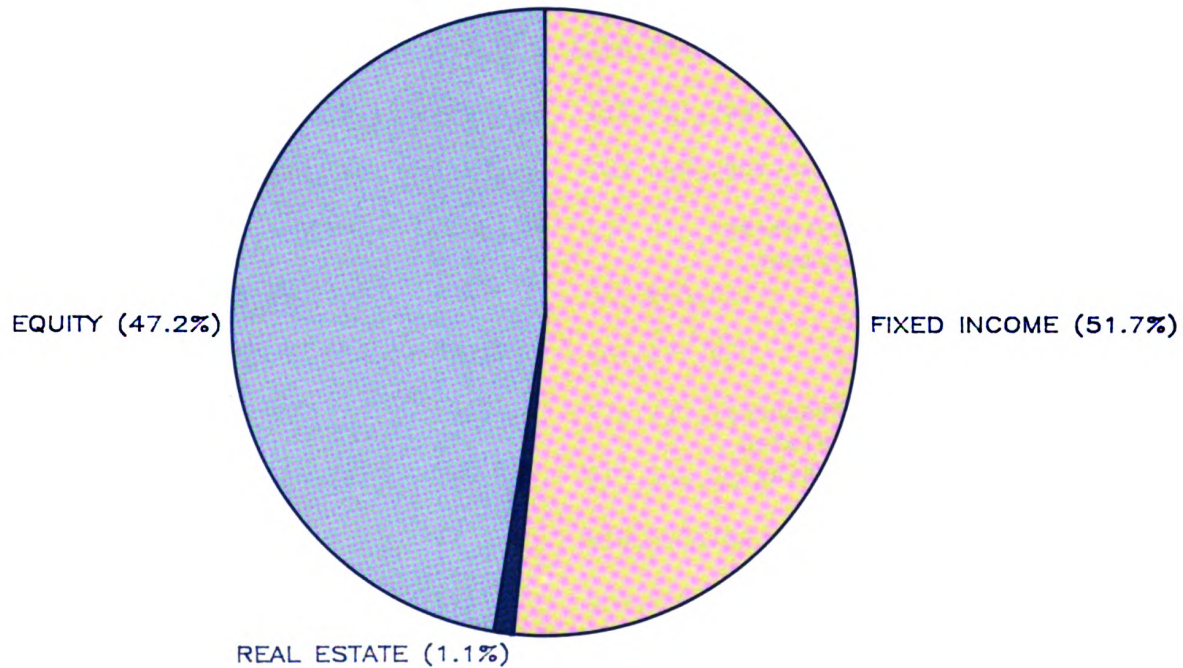
### DIVERSIFICATION SUMMARY

The Board of Trustees, through its investment policy has established that the funds of the System be invested in a portfolio of diversified securities to reduce the impact of large losses on individual investments. Diversification is achieved by investing in different asset classes; stocks, bonds and real estate and by the selection of the individual securities within each asset class.

The establishment of asset class allocations is considered by many to be the most important decision in the pension investment management process. Large institutional portfolios, such as the System's, tend to be well diversified within the asset classes utilized. Therefore, although most investment managers of specific asset classes focus on security selection, specific securities held will not have nearly as much impact on total performance as will the overall level of a particular asset class.

# Investment Summary 1984

COMPOSITION OF INVESTMENTS  
(At Market Value)



## Bonds Analysis

Diversification Schedule		Quality Schedule	
Government	69.2	AAA	81.0
Federal Agency	11.6	AA	1.2
Industrial	5.0	A	3.5
Telephone	.4	BAA	2.9
Utility	4.2	BA AND UNDER	.7
Finance	7.6	NOT RATED	10.7
Foreign	2.0		
<b>TOTAL</b>	<b>100.0</b>	<b>TOTAL</b>	<b>100.0</b>

# Investment Summary 1984

Common Stock By Industry Sector		
	% of SURS' Common Stock	% of S&P 500 Index
Aerospace & Defense	2.6	2.4
Automobiles & Auto Parts	4.5	4.5
Banking & Finance	2.3	3.4
Beverages	2.7	2.0
Chemicals & Synthetic Fibers	4.1	3.7
Construction	1.1	1.0
Electrical & Electronic	10.2	8.1
Food, Soap & Tobacco	3.9	6.1
Health Care & Cosmetics	5.7	7.0
Insurance	2.0	2.3
Leisure & Entertainment	3.3	2.5
Machinery & Equipment	2.4	1.7
Mining & Metals	3.4	2.0
Office Equipment	4.6	8.9
Oil & Gas	11.8	14.4
Oil Support	1.6	2.1
Paper & Forest Products	3.1	2.4
Photographic & Related	.8	1.1
Printing & Publishing	2.9	2.0
Retail Trade	5.1	5.1
Textiles & Apparel	.9	.7
Transportation	3.6	2.7
Utilities	7.2	11.1
Conglomerates & Miscellaneous	10.2	2.8
TOTAL	<u>100.0</u>	<u>100.0</u>

## INVESTMENT RESULTS

During the fiscal year, the market value of investments increased by \$122 million to \$1.55 billion. The overall fund generated a total return (a measurement of price changes and income as a percent of market value) of 4.8% for the year ended August 31, 1984. Between September 30, 1981 and August 31, 1984, the period since the inception of the active management structure, the SURS' fund earned a cumulative annualized return of 15.1%. The fund's 15.1% return is 3.5% percentage points less than the return of the performance objective as determined by the policy portfolio (combining 50% of the S&P 500 stock index and 50% of the Shearson Lehman Government/Corporate Bond Index). SURS since inception return however does rank near median in a universe of funds with comparable investment policies, as the majority of investment managers have underperformed both the stock and bond indexes during the last year-and-a-half. For the past five years the fund has returned an annualized total return of 8.6%.

An income rate of return 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 sale of securities. The income rate of return and corresponding book values for the last ten years were:

# Investment Summary 1984

## 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>
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
1984	830,365,038	11.17	684,946,129	3.60	7.79

# Investment Portfolio 1984

## EQUITIES

COMPANY	Shares	Book Value	Market Value
<b>PREFERRED STOCKS</b>			
American General Corporation.....	27,322	\$ 1,400,252	\$ 1,775,930
American Savings & Loan Association.....	150,000	3,532,500	2,325,000
Cigna Corporation.....	7,110	103,213	176,861
<b>COMMON STOCKS</b>			
Aerospace Defense			
Boeing Company.....	143,300	6,639,683	7,666,550
E Systems Incorporated.....	34,600	1,276,125	895,275
Lockheed Corporation.....	51,100	1,932,420	2,337,825
Raytheon Company.....	30,000	1,481,154	1,293,750
Sanders Associates.....	18,200	807,200	855,400
Automobiles & Auto Parts			
Chrysler Corporation.....	70,000	1,650,066	2,030,000
Eaton Corporation.....	30,800	1,232,616	1,547,700
Firestone Tire & Rubber Company.....	47,500	973,130	855,000
Ford Motor Company.....	57,300	2,477,404	2,456,738
Fruehauf Corporation.....	80,000	2,448,792	2,850,000
General Motors Corporation.....	84,200	6,162,112	6,188,700
Goodrich B F Company.....	7,700	282,167	222,337
Goodyear Tire & Rubber Company.....	134,166	4,126,298	3,656,025
TRW Incorporated.....	29,000	1,247,493	2,109,750
Wynn International Incorporated.....	15,600	275,262	274,950
Banking & Finance			
American Express Company.....	129,496	3,129,997	4,240,994
Bankamerica Corporation.....	70,700	1,459,364	1,184,225
Beneficial Corporation.....	17,200	570,094	490,200
Chase Manhattan Corporation.....	9,200	457,884	388,700
Chemical New York Corporation.....	28,650	973,622	787,875
First Pennsylvania Corporation.....	53,600	387,927	314,900
Great Western Financial Corporation.....	54,100	1,258,907	1,095,525
Imperial Corporation of America.....	70,900	745,868	478,575
Manufacturers Hanover Corporation.....	29,300	1,311,560	794,763
Southwest Bancshares Incorporated.....	32,800	1,014,474	754,400
Texas Commerce Bancshares.....	20,937	774,624	884,587
Beverages			
Anheuser Busch Companies Incorporated.....	56,000	3,649,722	3,815,000
Coca Cola Company.....	90,000	4,891,086	5,568,750
National Distillers & Chemical Corporation.....	24,400	667,438	616,100
Pepsico Incorporated.....	75,000	2,786,902	3,262,500

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# Investment Portfolio 1984

## EQUITIES

COMPANY	Shares	Book Value	Market Value
<b>COMMON STOCKS</b>			
<b>Chemical &amp; Synthetic Fibers</b>			
Allied Corporation.....	95,400	\$ 3,280,782	\$ 3,243,600
Celanese Corporation.....	12,000	854,240	876,000
Diamond Shamrock Corporation.....	208,600	3,963,525	3,989,475
Dow Chemical Company.....	26,700	892,696	834,375
DuPont E I DeNemours & Company.....	80,100	3,846,090	4,005,000
Ethyl Corporation.....	13,400	309,843	340,025
Grace W R & Company.....	15,300	750,835	644,513
Hercules Incorporated.....	25,300	940,531	869,687
Imperial Chemical Industries PLC.....	70,000	2,490,740	2,292,500
International Minerals & Chemical Corporation.....	600	25,587	24,150
Koppers Company Incorporated.....	48,800	879,488	1,024,800
P P G Industries Incorporated.....	32,800	995,328	1,098,800
Reichhold Chemicals Incorporated.....	8,900	258,255	282,575
Union Carbide Corporation.....	14,400	995,616	786,600
<b>Construction</b>			
Ceco Industries Incorporated.....	10,000	231,450	206,250
Centex Corporation.....	120,000	3,236,185	3,045,000
Ideal Basic Industries Incorporated.....	7,600	138,852	142,500
Mohasco Corporation.....	1,000	22,520	19,250
Overhead Door Corporation.....	45,000	871,875	849,375
Raychem Corporation.....	16,500	1,014,238	992,062
<b>Electrical &amp; Electronic</b>			
AVX Corporation.....	100,000	2,576,461	2,550,000
American Ecology Corporation.....	5,000	25,503	38,125
AMP Incorporated Endorsed Shares.....	70,000	2,480,725	2,546,250
Anvet Incorporated.....	58,400	2,419,328	2,248,400
Black & Decker Manufacturing Company.....	100,000	2,552,580	2,062,500
Corning Glass Works.....	13,500	1,008,895	950,063
Digital Switch Corporation.....	130,000	4,271,472	3,851,250
EG & G Incorporated.....	30,000	897,330	1,020,000
General Electric Company.....	158,000	4,023,658	8,946,750
Harris Corporation Del.....	70,000	2,650,018	2,126,250
Hewlett Packard Company.....	60,000	2,585,908	2,355,000
Intel Corporation.....	90,100	3,305,255	3,243,600
Northern Telecom Ltd.....	39,500	1,480,531	1,614,562
Paradyne Corporation.....	188,600	4,270,194	2,734,700
Philips NV.....	60,500	566,875	941,531
R C A Corporation.....	89,000	2,928,705	3,192,875
Tie Communications Incorporated.....	150,000	2,873,529	1,950,000
Teradyne Incorporated.....	100,000	3,459,458	3,200,000
Texas Instruments Incorporated.....	12,000	1,729,056	1,732,500
Tracor Incorporated.....	50,000	1,443,709	1,312,500
Varian Associates Incorporated.....	40,000	1,699,769	1,750,000

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# Investment Portfolio 1984

## EQUITIES

COMPANY	Shares	Book Value	Market Value
<b>COMMON STOCKS</b>			
Food, Soap & Tobacco			
Dart & Kraft Incorporated.....	28,000	\$ 2,091,685	\$ 2,177,000
Philip Morris Incorporated.....	103,000	3,912,479	7,840,875
Procter & Gamble Company.....	80,000	4,253,007	4,480,000
R J Reynolds Industries Incorporated.....	50,000	2,861,250	3,118,750
Sysco Corporation.....	45,000	1,604,810	1,541,250
Health Care & Cosmetics			
American Home Products Corporation.....	75,000	3,182,838	3,965,625
Baxter Travenol Laboratories Incorporated.....	94,000	1,788,489	1,574,500
Hospital Corporation of America.....	40,400	1,877,228	1,873,550
Humana Incorporated.....	87,900	2,574,396	2,735,887
Lilly Eli & Company.....	10,000	500,865	580,000
Merck & Company Incorporated.....	45,000	3,499,059	3,774,375
Pfizer Incorporated.....	228,000	7,440,259	8,179,500
Revlon Incorporated.....	47,500	1,368,633	1,775,312
Sterling Drug Incorporated.....	59,000	1,476,185	1,534,000
Tambrands Incorporated.....	40,000	2,019,500	2,175,000
Insurance			
Aetna Life & Casualty Company.....	70,000	2,765,994	2,432,500
Alexander & Alexander Services Incorporated.....	67,500	1,458,337	1,383,750
American General Corporation.....	101,000	2,356,583	2,272,500
Cigna Corporation.....	66,403	2,805,796	2,423,710
Seibels Bruce Group Incorporated.....	50,000	1,331,547	1,412,500
Leisure & Entertainment			
CBS Incorporated.....	44,000	2,730,177	3,635,500
Capital Cities Communications Incorporated.....	14,000	2,005,180	2,376,500
Churchs Fried Chicken Incorporated.....	42,800	1,135,740	1,155,600
Golden Nugget Incorporated.....	80,000	1,214,566	720,000
Holiday Inns Incorporated.....	30,000	1,322,787	1,155,000
MCA Incorporated.....	50,000	1,088,817	2,106,250
MGM UA Home Entertainment Group Incorporated.....	90,000	2,203,355	1,890,000
Marriott Corporation.....	16,800	1,208,136	1,268,400
McDonalds Corporation.....	25,000	1,955,537	1,903,125
Machinery & Equipment			
Allis-Chalmers Corporation.....	26,600	427,957	312,550
American Hoist & Derrick Company.....	22,100	323,667	226,525
Butler Manufacturing Company Del.....	1,800	49,950	42,750
Caterpillar Tractor Company.....	89,300	3,897,798	3,471,538
Chicago Pneumatic Tool Company.....	17,000	301,590	412,250
Colt Industries Incorporated.....	23,000	942,460	1,092,500
Deere & Company.....	131,000	3,524,572	3,668,000

# Investment Portfolio 1984

## EQUITIES

COMPANY	Shares	Book Value	Market Value
<b>COMMON STOCKS</b>			
Machinery & Equipment - continued			
Gearhart Industries Incorporated.....	19,500	\$ 431,887	\$ 336,375
Katy Industries Incorporated.....	8,000	130,450	232,000
Omark Industries Incorporated.....	24,900	657,121	641,175
Parker-Hannifin Corporation.....	50,000	1,697,018	1,662,500
Mining - Metals			
Aluminum Company of America.....	101,900	3,463,025	3,642,925
Amax Incorporated.....	34,000	936,893	756,500
Armco Incorporated.....	149,700	2,918,669	1,796,400
Chromalloy American Corporation.....	25,000	294,250	334,375
Copperweld Corporation.....	8,600	155,797	160,175
Homestake Mining Company.....	19,900	697,495	519,888
Inland Steel Company.....	21,200	657,539	484,950
Newmont Mining Corporation.....	52,400	2,712,338	2,017,400
North American Coal Corporation.....	2,100	76,485	97,125
Phibro Salomon Incorporated.....	175,000	6,009,453	5,403,125
Reynolds Metals Company.....	20,800	669,404	618,800
United States Steel Corporation.....	26,500	646,617	655,875
Wheeling-Pittsburgh Steel Corporation.....	13,400	389,256	294,800
Office Equipment			
Dataproducts Corporation.....	120,000	1,686,375	2,775,000
Diebold Incorporated.....	30,000	2,527,725	2,550,000
Digital Equipment Corporation.....	12,000	1,232,750	1,158,000
International Business Machines Corporation.....	115,000	7,827,495	14,231,250
Monolithic Memories Incorporated.....	100,000	2,320,833	2,200,000
Oil & Gas			
Amerada Hess Corporation.....	40,000	1,058,533	1,125,000
Atlantic Richfield Company.....	126,400	3,863,925	6,256,800
Cabot Corporation.....	23,500	684,810	622,750
Chevron Corporation.....	194,000	8,364,131	7,032,500
Kerr McGee Corporation.....	90,700	3,567,416	2,913,738
Louisiana Land & Exploration Company.....	11,600	351,070	326,250
Mitchell Energy & Development Corporation.....	27,600	817,816	538,200
Mobil Corporation.....	257,600	3,602,531	7,631,400
Murphy Oil Corporation.....	143,500	4,541,051	4,466,437
Ocean Drilling & Exploration Company.....	7,800	210,756	221,325
Pennzoil Company.....	179,400	7,353,710	6,391,125
Phillips Petroleum Company.....	71,000	2,746,858	2,804,500
Royal Dutch Petroleum Company.....	70,000	3,564,662	3,517,500
Standard Oil Company of Indiana.....	182,900	4,828,648	10,425,300
Standard Oil Company of Ohio.....	7,000	367,150	330,750
Sun Company Incorporated.....	8,600	354,535	437,525

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# Investment Portfolio 1984

## EQUITIES

COMPANY	Shares	Book Value	Market Value
COMMON STOCKS			
Oil & Gas - continued			
Unocal Corporation.....	64,000	\$ 2,502,592	\$ 2,496,000
Zapata Corporation.....	50,000	1,256,363	993,750
Oil Support Services			
Baker International Corporation.....	5,000	111,975	90,000
Dresser Industries Incorporated.....	26,900	555,361	544,725
Halliburton Company.....	52,700	2,368,590	1,739,100
Helmerich & Payne Incorporated.....	24,800	490,296	545,600
Hughes Tool Company.....	129,200	2,106,752	2,115,650
Schlumberger Limited.....	25,000	1,388,756	1,206,250
Sedco Incorporated.....	29,000	1,141,083	1,025,875
Tidewater Incorporated.....	22,000	612,835	528,000
Paper & Forest Products			
Boise Cascade Corporation.....	93,200	3,373,459	3,797,900
Champion International Corporation.....	38,600	1,005,389	776,825
Chesapeake Corporation.....	8,400	278,050	316,050
Crown Zellerbach Corporation.....	21,100	623,908	709,488
Georgia Pacific Corporation.....	31,500	799,430	704,812
International Paper Company.....	19,000	891,718	1,064,000
James River Corporation of Virginia.....	40,000	1,090,000	1,350,000
Louisiana Pacific Corporation.....	33,269	1,009,481	636,270
Potlatch Corporation.....	21,400	784,528	663,400
Westvaco Corporation.....	29,400	919,338	1,187,025
Weyerhaeuser Company.....	123,300	3,794,253	3,560,287
Willamette Industries Incorporated.....	22,800	932,661	706,800
Photographic & Related			
Eastman Kodak Company.....	53,000	4,059,837	3,981,625
Printing & Publishing			
Dun & Bradstreet Corporation.....	40,000	2,487,620	2,565,000
Gannett Company Incorporated.....	96,200	4,049,148	4,292,925
McGraw-Hill Incorporated.....	110,000	3,021,313	5,101,250
Time Incorporated.....	59,000	1,770,404	2,492,750
Retail Trade			
Associated Dry Goods Corporation.....	30,000	1,679,250	1,758,750
Best Products Company.....	150,000	2,080,515	2,025,000
Dayton-Hudson Corporation.....	60,000	2,143,075	2,070,000
Federated Department Stores Incorporated.....	85,000	3,122,316	4,409,375
K Mart Corporation.....	130,000	3,306,144	4,338,750

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# Investment Portfolio 1984

## EQUITIES

COMPANY	Shares	Book Value	Market Value
<b>COMMON STOCKS</b>			
Retail Trade - continued			
Penney J C Company.....	40,000	\$ 2,039,642	\$ 2,030,000
Southland Corporation.....	51,200	2,017,889	1,600,000
Super Valu Stores Incorporated.....	70,000	1,930,472	2,152,500
Toys R Us.....	40,000	1,569,910	2,050,000
Vornado Incorporated.....	11,500	292,342	378,063
Wal-Mart Stores Incorporated.....	30,000	1,220,669	1,323,750
Walgreen Company.....	35,000	1,149,392	1,365,000
Textiles & Apparel			
Scoa Industries Incorporated.....	120,000	3,185,439	2,850,000
Stevens J P & Company Incorporated.....	91,100	1,675,785	1,571,475
Transportation - Air			
Cessna Aircraft Company.....	120,000	2,666,168	2,610,000
Northwest Airlines Incorporated.....	85,000	3,448,112	3,346,875
PSA Incorporated.....	28,800	600,914	468,000
Transportation - Excluding Air			
Overseas Shipholding Group Incorporated.....	200,000	3,626,317	3,375,000
Ryder System Incorporated.....	111,912	5,431,065	5,735,490
Soo Line Railroad Company.....	23,000	726,430	572,125
Union Pacific Corporation.....	50,000	2,733,818	2,068,750
Utilities			
American Information Technologies Corporation.....	12,916	810,090	944,483
American Telephone & Telegraph Company.....	144,945	2,504,980	2,772,073
Arkla Incorporated.....	59,000	1,027,936	1,121,000
Atlanta Gas Light Company.....	35,000	655,903	826,875
Bell Atlantic Corporation.....	13,414	857,665	1,009,404
Bellsouth Corporation.....	38,987	1,067,868	1,213,470
Brooklyn Union Gas Company.....	500	15,010	15,188
Carolina Power & Light Company.....	65,600	1,394,925	1,451,400
Central Hudson Gas & Electric Corporation.....	11,500	192,855	234,313
Columbia Gas System Incorporated.....	41,200	1,348,049	1,194,800
Consolidated Edison Company of New York Incorporated	55,800	1,204,904	1,499,625
Consumers Power Company.....	49,300	994,240	258,825
Continental Telecom Incorporated.....	44,400	937,996	888,000
GTE Corporation.....	30,400	1,377,668	1,227,400
Houston Natural Gas Corporation.....	16,900	851,951	823,875
ITT Corporation.....	100,000	4,289,472	2,700,000
Internorth Incorporated.....	2,100	79,842	77,963
Kansas City Power & Light Company.....	27,900	424,623	481,275
Laclede Gas Company.....	3,500	60,445	60,812

# Investment Portfolio 1984

## EQUITIES

COMPANY	Shares	Book Value	Market Value
<b>COMMON STOCKS</b>			
Utilities - continued			
Middle South Utilities Incorporated.....	157,200	\$ 2,139,519	\$ 1,965,000
New York State Electric & Gas Corporation.....	21,400	452,503	382,525
Niagara Mohawk Power Corporation.....	69,600	904,704	1,000,500
Northern States Power Company.....	40,600	1,342,974	1,639,225
Nynex Corporation.....	12,916	771,495	884,746
Pacific Telesis Group.....	13,429	726,064	834,276
Panhandle Eastern Corporation.....	13,800	490,935	465,750
Peoples Energy Corporation.....	21,900	219,438	243,637
Southern New England Telephone Company.....	29,600	991,970	980,500
Southwestern Bell Corporation.....	12,916	743,816	820,166
Tenneco Incorporated.....	43,300	1,705,641	1,694,112
Texas Eastern Corporation.....	70,000	1,780,317	2,161,250
U G I Corporation.....	2,700	52,704	47,250
U S West Incorporated.....	13,414	731,117	818,254
United Telecommunications Incorporated Kansas.....	58,200	1,390,689	1,083,975
Washington Gas Light Company.....	9,600	304,992	309,600
Wisconsin Power & Light Company.....	51,800	1,412,586	1,443,925
Conglomerates & Miscellaneous			
Automatic Data Processing Incorporated.....	70,000	2,722,024	2,703,750
Big Three Industries Incorporated.....	100,000	2,496,572	2,237,500
Coastal Corporation.....	13,000	341,258	391,625
Community Psychiatric Centers.....	53,700	1,192,481	1,550,588
Computer Sciences Corporation.....	200,000	2,670,887	2,850,000
Devry Incorporated.....	165,000	2,115,000	1,815,000
Gulf & Western Industries Incorporated.....	46,500	1,227,368	1,389,188
Justin Industries Incorporated.....	15,150	220,938	208,312
Keycon Industries Incorporated.....	13,200	66,462	117,150
LTV Corporation.....	48,600	493,047	583,200
Levitz Furniture Corporation.....	150,000	3,176,705	5,025,000
Litton Industries Incorporated.....	66,400	4,739,092	4,755,900
McQuay Incorporated.....	4,500	57,465	80,437
Parsons Corporation & RMP International Ltd.....	65,200	1,388,550	1,687,050
Pogo Producing Company.....	13,700	330,345	239,750
Richardson Vicks Incorporated.....	44,000	1,228,676	1,270,500
Santa Fe Southern Pacific Corporation.....	85,172	1,627,652	2,150,593
Service Corporation International.....	30,000	1,225,687	1,335,000
Service Merchandise Incorporated.....	70,000	889,481	1,102,500
Signal Companies Incorporated.....	70,000	2,006,670	2,240,000
Stanadyne Incorporated.....	18,000	688,190	859,500
Teledyne Incorporated.....	22,000	3,596,011	6,107,750
Temple Inland Incorporated.....	21,240	476,302	730,125
Tyler Corporation.....	50,000	984,914	1,400,000
United Cable Television Corporation.....	90,000	2,466,789	2,306,250
Univar Corporation.....	39,100	846,432	684,250
Waste Management Incorporated.....	90,000	4,184,570	3,678,750

# Investment Portfolio 1984

## EQUITIES

COMPANY	Shares	Book Value	Market Value
<b>COMMON STOCKS</b>			
Conglomerates & Miscellaneous - continued			
Webb Del E Corporation.....	2,900	\$ 54,508	\$ 52,200
Xicor Incorporated.....	60,000	725,100	780,000
<b>COMMON TRUST FUNDS</b>			
Alliance F G A Fund Incorporated.....	20,000	3,545,585	2,903,000
Alliance International Fund Incorporated.....	300,000	3,245,773	3,093,000
American National Bank & Trust Company.....	2,627,131	115,828,291	131,923,832
American National Bank Market Expansion Fund.....	2,824,600	57,528,960	57,969,266
DFA Small Company Trust.....	71,763	12,684,000	13,168,871
DFA Small Company Fund Incorporated.....	147,207	24,252,957	23,878,399
Total Common & Preferred Stocks		<u>\$684,946,129</u>	<u>\$732,559,056</u>

## FIXED INCOME SECURITIES

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>GOVERNMENT OBLIGATIONS</b>						
U.S. Government						
Cert. Accrl. Treas. Sec	AAA	12.375%	05/15/86	\$ 8,930,000	\$ 7,016,658	\$ 7,238,479
Cert. Accrl. Treas. Sec	AAA	12.500	08/15/94	10,000,000	2,987,300	2,907,800
Cert. Accrl. Treas. Sec	AAA	13.875	05/15/86	7,600,000	5,983,784	6,160,408
Cert. Accrl. Treas. Sec	AAA	12.375	05/15/86	1,361,250	1,070,119	1,103,402
Cert. Accrl. Treas. Sec	AAA	13.875	05/15/86	901,875	706,312	731,042
Farrell Lines Inc.....	AAA	8.050	04/01/88	111,000	111,000	99,234
Fed. Home Loan Banks...	AAA	11.100	08/26/91	3,000,000	3,011,250	2,741,250
Fed. Home Loan Banks...	AAA	11.100	11/25/92	7,000,000	7,000,000	6,313,090
U.S. Treasury Bonds....	AAA	10.420	11/23/84	850,000	805,223	830,025
U.S. Treasury Bonds....	AAA	10.570	01/10/85	200,000	189,404	192,558
U.S. Treasury Bonds....	AAA	10.620	11/29/84	10,000,000	9,479,844	9,747,500
U.S. Treasury Bonds....	AAA	10.750	02/15/03	10,000,000	1,031,500	1,048,700
U.S. Treasury Bonds....	AAA	11.875	11/15/03	3,384,375	2,650,507	2,743,307
U.S. Treasury Bonds....	AAA	12.000	08/15/13	9,465,000	9,002,206	8,973,956
U.S. Treasury Bonds....	AAA	12.500	08/15/14	111,665,000	111,511,611	111,525,419
U.S. Treasury Bonds....	AAA	12.750	11/15/10	15,880,000	16,510,444	15,939,550
U.S. Treasury Notes....	AAA	10.625	08/31/85	7,000,000	6,954,062	6,908,090
U.S. Treasury Notes....	AAA	10.750	07/15/90	8,500,000	8,460,079	7,804,020
U.S. Treasury Notes....	AAA	10.875	12/31/85	14,000,000	13,999,860	13,776,840
U.S. Treasury Notes....	AAA	11.750	04/30/86	1,000,000	998,610	989,690
U.S. Treasury Notes....	AAA	11.750	11/15/88	9,000,000	9,021,094	8,718,750
U.S. Treasury Notes....	AAA	12.000	03/31/88	4,000,000	3,938,125	3,928,760
U.S. Treasury Notes....	AAA	12.375	08/15/87	11,000,000	10,980,090	10,948,410

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# Investment Portfolio 1984

## FIXED INCOME SECURITIES

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
U.S. Government - continued						
U.S. Treasury Notes....	AAA	12.375%	04/15/91	\$ 9,000,000	\$ 8,457,188	\$ 8,831,250
U.S. Treasury Notes....	AAA	12.625	05/31/86	17,025,000	16,921,602	17,051,559
U.S. Treasury Notes....	AAA	12.625	07/31/86	11,500,000	11,548,516	11,517,940
U.S. Treasury Notes....	AAA	13.000	06/30/86	17,000,000	17,012,031	17,132,770
U.S. Treasury Notes....	AAA	13.125	05/15/94	10,000,000	9,640,625	10,156,200
U.S. Treasury Notes....	AAA	13.625	06/30/88	6,000,000	6,004,500	6,155,640
U.S. Treasury Notes....	AAA	13.750	05/15/92	23,000,000	18,175,692	17,388,510
U.S. Treasury Notes....	AAA	13.875	08/15/89	10,000,000	10,059,375	10,365,600
U.S. Treasury Notes....	AAA	14.000	05/15/87	4,000,000	4,290,000	4,126,240
U.S. Treasury Notes....	AAA	14.500	07/15/89	8,000,000	8,975,000	8,470,000
U.S. Gov. Guar. Ship Financing.....	AAA	11.270	03/27/85	5,500,000	5,498,405	5,500,000
Total U.S. Government				375,873,500	350,002,016	348,065,989
Government Agency						
Fed. Home Mort. Corp...	AAA	8.750	04/01/08	1,289,816	1,030,241	983,485
Fed. Home Mort. Corp...	AAA	9.400	09/15/08	3,078,000	2,185,380	2,566,283
Fed. Home Mort. Corp...	AAA	9.500	10/01/08	3,936,662	3,208,379	3,119,804
Fed. Home Mort. Corp...	AAA	16.250	11/01/11	3,418,389	3,563,671	3,521,727
Fed. Natl. Mort. Assn..	AAA	7.750	10/01/08	452,449	346,123	329,835
Fed. Natl. Mort. Assn..	AAA	15.500	12/01/12	838,230	883,524	861,189
Fed. Natl. Mort. Assn..	AAA	15.750	12/01/11	4,831,545	5,079,162	4,970,452
Fed. Natl. Mort. Assn..	AAA	16.000	09/01/12	9,906,980	10,512,812	10,204,190
Gov. Natl. Mort. Assn..	AAA	5.500	08/15/98	710,238	503,825	462,542
Gov. Natl. Mort. Assn..	AAA	7.250	03/15/05	1,257,852	904,084	852,195
Gov. Natl. Mort. Assn..	AAA	7.250	05/15/05	708,236	518,340	479,830
Gov. Natl. Mort. Assn..	AAA	7.250	06/15/05	1,312,935	943,671	889,513
Gov. Natl. Mort. Assn..	AAA	7.250	09/15/05	709,342	509,840	480,579
Gov. Natl. Mort. Assn..	AAA	7.500	08/15/05	743,630	545,638	510,316
Gov. Natl. Mort. Assn..	AAA	7.500	12/15/06	715,439	533,449	490,970
Gov. Natl. Mort. Assn..	AAA	7.500	01/15/07	810,914	594,501	556,490
Gov. Natl. Mort. Assn..	AAA	7.500	04/15/07	797,107	584,379	547,015
Gov. Natl. Mort. Assn..	AAA	7.500	05/15/07	332,105	306,641	227,907
Gov. Natl. Mort. Assn..	AAA	7.500	07/15/07	406,364	297,916	278,868
Gov. Natl. Mort. Assn..	AAA	7.500	09/15/07	377,682	348,906	259,184
Gov. Natl. Mort. Assn..	AAA	8.000	09/15/06	719,010	492,747	507,801
Gov. Natl. Mort. Assn..	AAA	8.000	12/15/06	647,434	656,958	457,250
Gov. Natl. Mort. Assn..	AAA	8.000	10/15/07	4,288,908	2,943,263	3,029,041
Gov. Natl. Mort. Assn..	AAA	8.000	11/15/07	1,091,397	792,627	770,799
Gov. Natl. Mort. Assn..	AAA	8.000	01/15/08	1,573,444	1,079,776	1,111,245
Gov. Natl. Mort. Assn..	AAA	8.000	02/15/08	802,927	551,008	567,067
Gov. Natl. Mort. Assn..	AAA	8.499	07/15/08	193,649	161,334	142,090
Gov. Natl. Mort. Assn..	AAA	8.499	07/15/09	105,372	87,788	77,316
Gov. Natl. Mort. Assn..	AAA	8.500	12/15/05	218,629	184,024	160,419
Gov. Natl. Mort. Assn..	AAA	8.500	05/15/06	45,724	38,094	33,550
Gov. Natl. Mort. Assn..	AAA	8.500	02/15/07	271,417	228,457	199,152

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## FIXED INCOME SECURITIES

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>GOVERNMENT OBLIGATIONS</b>						
Government Agency - continued						
Gov. Natl. Mort. Assn..	AAA	8.500%	07/15/08	\$ 4,571,713	\$ 3,808,808	\$ 3,354,494
Gov. Natl. Mort. Assn..	AAA	8.500	08/15/08	894,896	745,560	656,630
Gov. Natl. Mort. Assn..	AAA	8.500	10/15/08	855,684	712,892	627,858
Gov. Natl. Mort. Assn..	AAA	9.000	10/15/08	1,761,229	1,274,690	1,314,317
Gov. Natl. Mort. Assn..	AAA	9.000	02/15/09	892,308	851,853	665,885
Gov. Natl. Mort. Assn..	AAA	9.000	03/15/09	813,627	776,785	607,170
Gov. Natl. Mort. Assn..	AAA	9.500	09/15/09	427,675	375,024	329,845
Gov. Natl. Mort. Assn..	AAA	9.500	10/15/09	2,656,542	2,237,219	2,048,858
Gov. Natl. Mort. Assn..	AAA	11.499	08/15/13	2,334	2,005	2,063
Gov. Natl. Mort. Assn..	AAA	14.000	05/15/12	733,851	684,316	745,777
Gov. Natl. Mort. Assn..	AAA	14.750	06/15/97	719,733	780,010	748,522
Gov. Natl. Mort. Assn..	AAA	14.750	07/15/97	315,797	342,245	328,429
Gov. Natl. Mort. Assn..	AAA	15.000	09/15/12	803,621	855,439	836,770
Investors GNMA Mtg....	AAA	11.625	08/25/02	2,681,418	2,681,418	2,580,864
Investors GNMA Mtg....	AAA	11.900	01/25/14	5,000,000	4,717,000	4,443,750
Inter-Am. Develop Bk...	AAA	8.250	01/15/85	2,500,000	2,504,323	2,468,575
Total Government Agency				<u>72,222,254</u>	<u>63,966,145</u>	<u>61,407,911</u>
Foreign						
Great Western S&L.....	NR	11.000%	03/21/89	5,000,000	4,862,500	4,868,750
Gulf Canada Ltd.....	NR	15.500	07/01/11	5,200,000	5,730,400	5,494,892
Ontario Prov. Canada...	A-1	8.375	09/01/99	1,000,000	989,451	693,080
Total Foreign				<u>11,200,000</u>	<u>11,582,351</u>	<u>11,056,722</u>
Total All Government Obligations				<u>\$459,295,754</u>	<u>\$425,550,512</u>	<u>\$420,530,622</u>
<b>CORPORATE OBLIGATIONS</b>						
Public Utility						
Central Maine Power Co.	BAA-3	12.250	01/01/13	1,000,000	995,000	754,320
Conn. Light & Power....	BAA-2	17.750	10/01/91	1,000,000	978,750	1,081,390
Consolidated Edison Co.	AA-2	5.900	12/15/96	1,000,000	1,000,000	572,070
Duke Power Co.....	NR	4.500	02/01/95	650,000	651,463	330,083
Duke Power Co.....	AA-3	14.500	08/01/12	1,000,000	1,107,980	1,034,900
Enserch Corp.....	A-2	4.875	09/01/90	500,000	477,605	341,535
Georgia Power Co.....	BAA-1	16.250	07/01/12	2,865,000	3,098,498	3,007,161
Philadelphia Electric..	BAA-3	17.625	07/01/11	2,411,000	2,793,746	2,596,237
Philadelphia Electric..	BAA-3	18.750	09/15/09	2,194,000	2,632,800	2,472,923
Pub. Ser. Co. Indiana..	NR	4.750	08/01/90	3,000,000	1,691,250	1,859,610
Southern Calif. Edison.	AA-2	15.750	12/01/11	1,080,000	1,144,098	1,182,957
United Gas Pipeline....	BAA-2	15.500	06/01/91	6,300,000	6,827,750	6,676,173
Wisconsin Power & Lt...	AAA	3.250	10/01/84	150,000	142,234	149,130
Total Public Utilities				<u>23,150,000</u>	<u>23,541,174</u>	<u>22,058,489</u>

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# Investment Portfolio 1984

## FIXED INCOME SECURITIES

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>CORPORATE OBLIGATIONS</b>						
<b>Industrial &amp; Miscellaneous</b>						
Beneficial Corp.....	NR	15.875	02/09/87	1,000,000	1,000,000	1,054,280
Beneficial Corp.....	NR	16.000	01/15/85	3,000,000	3,000,000	3,044,070
Bethlehem Steel.....	BAA-2	5.400	01/15/92	485,000	489,183	300,971
Deere & Co.....	A-2	8.000	11/15/02	5,500,000	3,847,920	3,528,965
Geico Corp.....	M1G-3	13.750	06/15/99	4,000,000	4,145,000	3,962,760
Gen. Motors Accept....	AA-3	8.150	08/15/86	750,000	571,200	692,498
Gen. Motors Accept....	NR	16.250	11/03/86	2,000,000	2,070,000	2,125,420
Kerr McGee Corp.....	A-2	7.000	11/01/11	450,000	236,039	234,166
Owens-Illinois Inc....	A-3	7.625	04/01/01	1,000,000	996,713	608,020
Scott Paper Co.....	A-2	8.875	06/01/00	1,660,000	1,657,404	1,187,066
Sears Roebuck & Co....	AA-2	7.000	11/15/01	2,500,000	1,510,025	1,439,550
Standard Oil of Ohio...	A-1	7.600	07/01/99	1,000,000	1,000,000	637,170
Standard Oil of Ohio...	A-1	8.375	03/15/07	3,700,000	2,304,193	2,421,539
Standard Oil of Ohio...	A-1	8.500	01/01/00	500,000	499,231	348,030
<b>Total Industrial &amp; Miscellaneous</b>				<b>27,545,000</b>	<b>23,326,908</b>	<b>21,584,505</b>
<b>CORPORATE OBLIGATIONS</b>						
<b>Finance</b>						
Bank of America.....	NR	9.500	12/01/08	928,142	625,916	723,607
Bank of America.....	AAA	11.875	07/01/10	875,741	684,994	780,198
Citicorp.....	NR	13.625	08/01/96	5,885,000	5,879,115	5,877,644
Ford Motor Credit Co..	A-3	7.500	10/15/92	2,000,000	2,000,000	1,458,060
Ford Motor Credit Co..	NR	13.062	01/22/86	10,000,000	10,039,000	10,033,000
Gen. Motors Acc. Corp..	NR	10.550	08/01/85	18,510,000	18,286,125	18,139,800
TransAmerica Fin. Corp.	NR	6.500	03/15/11	4,400,000	2,375,868	2,164,536
<b>Total Finance</b>				<b>42,598,883</b>	<b>39,891,018</b>	<b>39,176,845</b>
<b>Demand Notes - Common Papers</b>						
Beneficial Corp.....	NR	16.250	12/10/86	4,500,000	4,500,000	4,771,305
Gen. Motors Acc. Corp..	NR	16.000	03/02/87	2,000,000	2,000,000	2,129,120
Gen. Motors Acc. Corp..	NR	16.000	03/05/87	3,000,000	3,000,000	3,194,220
Manufacturers HSG.....	NR	13.250	01/01/99	7,096,775	7,052,419	7,096,775
Manufacturers HSG.....	NR	13.250	01/15/99	3,959,094	3,934,350	3,959,094
<b>Total Demand Notes - Common Papers</b>				<b>20,555,869</b>	<b>20,486,769</b>	<b>21,150,514</b>
<b>Telephone</b>						
SW Bell Telephone.....	A-2	6.875	02/01/11	2,000,000	1,828,800	1,053,700
<b>Total Telephone</b>				<b>2,000,000</b>	<b>1,828,800</b>	<b>1,053,700</b>
<b>Total Corporate Bonds</b>				<b>115,849,752</b>	<b>109,074,669</b>	<b>105,024,053</b>

# Investment Portfolio 1984

## FIXED INCOME SECURITIES

COMPANY	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>CORPORATE OBLIGATIONS</b>						
Notes, Mortgages & Contracts						
New York G.I.C.....	NR	14.570%	07/31/88	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Union Central G.I.C....	NR	13.400	08/15/87	2,000,000	2,000,000	2,000,000
Conn. Mutual G.I.C.....	NR	13.000	08/15/92	3,000,000	3,000,000	3,000,000
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
Total Notes, Mortgages & 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	1,242,800
Total Convertible Issues				956,000	1,031,285	1,242,800
Short-Term Reserves						
Bank of Nova Scotia....	NR	12.062	10/09/84	20,000,000	20,000,000	20,000,000
Chevron Inc.....	NR	11.350	09/07/84	35,000,000	34,823,444	34,823,444
Harris Bank Inv. Fund..	NR	*	*	182,480,244	182,480,244	182,480,244
Mobil Oil Credit.....	NR	11.250	09/07/84	3,000,000	2,992,500	2,992,500
Security Pacific Corp..	NR	11.625	09/12/84	20,000,000	20,000,000	20,000,000
U.S. Treasury Bills....	AAA	10.499	12/06/84	160,000	151,507	155,666
U.S. Treasury Bills....	AAA	10.640	11/08/84	550,000	535,527	539,517
Total Short-Term Reserves				261,190,244	260,983,222	260,991,371
Total All Corporate Obligations				393,995,996	387,089,176	383,258,224
Total Bonds and Corporate Notes				<u>\$853,291,750</u>	<u>\$812,639,688</u>	<u>\$803,788,846</u>

\*The Harris Bank Investment Reserve Fund provides a vehicle for investments of liquid reserves on a daily basis. The fund, available to employee benefit plans only, had an annualized yield at August 31, 1984 of 11.45%.

## REAL ESTATE

FUND	Units	Book Value	Market Value
RREEF MidAmerica East-IV.....	25	\$ 5,254,400	\$ 5,254,400
RREEF USA Fund-III.....	9	9,185,094	9,185,094
RREEF West-VI.....	16	3,285,856	3,285,856
Total Real Estate		<u>\$17,725,350</u>	<u>\$17,725,350</u>









