COMPONENT UNIT FINANCIAL REPORT
for the Fiscal Year Ended June 30, 1989

STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS

COMPONENT UNIT FINANCIAL REPORT
for the Fiscal Year Ended June 30, 1989

STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS

Prepared by: The Accounting Department

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

CONTENTS

INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State Universities Retirement System of Illinois

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1988

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFR's) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

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

December 7, 1989

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

I am pleased to present the forty-eighth Annual Financial Report for the State Universities Retirement System of Illinois (SURS). This retirement system was created in 1941 by the State of Illinois for the benefit of the staff members and employees of the state universities and certain affiliated organizations, certain other state educational and scientific agencies, and the survivors, dependents, and other beneficiaries of those employees.

SURS management is charged with the responsibility of making available to participants and benefit recipients its financial statements, including the opinion of the independent certified public accountants regarding those statements. This report represents that responsibility.

The annual report is divided into five sections: 1) The Introductory Section contains this transmittal letter, identification of the trustees, staff, and consultants, and identification of the administrative organization; 2) the Financial Section contains the report of the independent public accountants and the financial statements and notes; 3) the Actuarial Section contains the report of the actuary and the results of the most recent actuarial valuation; 4) the Statistical Section contains significant data pertaining to participants and benefit recipients; and 5) the Investment Section contains the custodian bank's certification of the assets held in safekeeping, a list of those assets, and reports and tables concerning asset allocation and investment performance.

MAJOR INITIATIVES

The mission statement of SURS provides the foundation for the System's initiatives and ongoing programs. The mission of SURS is "To provide our annuitants, participants and their employers the best cost-effective pension and benefit services in the United States."

The most important service we can provide to our annuitants is accurate and timely benefit payments. At year-end, SURS was providing over 17,400 monthly benefit payments. More than 64 percent of these were paid via electronic funds transfer (EFT), ensuring that the monthly benefit is in the recipient's account on the day it is payable. We have actively recruited for increased use of EFTs this year. Many recipients, however, like to have a more tangible indication of payment; in an effort to provide this sense of security, SURS mails a monthly EFT statement to each benefit recipient's home to confirm the deposit made to his or her account. In addition, SURS keeps its benefit recipients up to date on pertinent pension developments with a bi-annual newsletter.

SURS participants are most interested in the accumulation of pension credits and future benefits. With our state-of-the-art, on-line computer system, they can verify account balances by merely picking up the telephone. Counseling regarding options at termination is often available at the same time. The *Personal Benefits Summary Statement* was issued for the second consecutive year allowing participants to compare projected benefits with projections from the year before. This comparison gave participants a greater sense of what their additional year of service was worth. This statement provides every active participant with estimates of retirement, disability, death, and survivor benefits earned to date, as well as an estimate of the refund due should the participant terminate employment and request a refund of contributions.

SURS maintains an active counseling schedule at its Champaign office, at the location of individual employers, and at local off-campus sites. Pre-retirement planning continues to be at the forefront of our services to active employees. These conferences are filled well in advance, indicating they are meeting a crucial need. In addition, SURS keeps its participants up-to-date on issues related to their prospective retirement with a tri-annual newsletter.

Training is the most important service we can offer SURS employers. Each year, SURS hosts over 150 individuals at annual training seminars.

Numerous administrative projects are being designed to improve the services the System provides. A few of the most significant projects this year were:

Legislative Liason
The services of David T. Wiant were retained to represent the System's interests during the state's legislative sessions.

New Office Location
During the year, the System began to study its needs for the next 20 years. This study has led the System to consider a new office in Champaign, Illinois. Plans call for completion of new construction in the first quarter of 1992.

Enhanced Information and
Communication Systems
Plans were made to replace the System's current mainframe computer system with one that greatly enchances the ability to address emerging demands for information. Additionally, the computer provides the avenue to add an interactive voice communication system in conjunction with a national 800 number.

To better serve participants in northern Illinois, plans were made to open a satellite office in 1990.

Participant and Annuitant Surveys
During the year the System began to survey these groups by holding focus sessions to determine their needs now and in the future. Plans were also made to further scrutinize these groups with a comprehensive written survey.

Fiftieth Anniversary
July 21, 1991 will mark the fiftieth anniversary of SURS. Plans are being made to appropriately commerate this milestone.

FINANCIAL INFORMATION

Accounting System and Internal Control

SURS uses the accrual basis of accounting to record assets, liabilities, revenues, and expenses. Revenues for SURS are taken into account when earned, without regard to date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Governmental Accounting Standards Board Statement #5 has been followed in the preparation of this report.

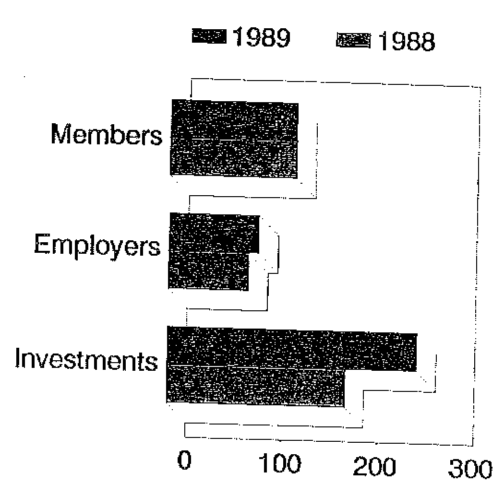
In developing and evaluating the accounting system, consideration has been given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding safekeeping of assets and reliability of financial records. SURS maintains an internal audit program that employs the services of an independent accountant to function as internal auditor to determine that all controls implemented are being accomplished.

Revenues and Expenses

The reserves needed to finance the benefits provided by SURS are accumulated through the collection of member and employer contributions and through income on investments. These income sources for fiscal year 1989 totaled $486.3 million, which is an increase of 21.2 percent over income for 1988. As summarized below, most of the increase is due to increased investment income.

Revenues
(in millions)

Source	1989	1988	Percent Change
Member Contributions	132.1	$132.3	-.1
Employer Contributions	93.8	83.5	12.5
Investment Income	260.4	185.4	40.4
Total	$486.3	$401.2	21.2

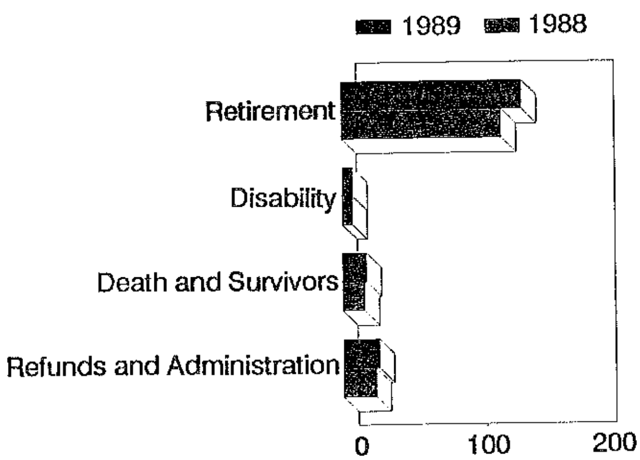


Employer contributions did not meet the state's share of the benefits paid during the year.

The primary expense of a retirement system relates to the purpose for which it is created, namely, the payment of benefits. Consequently, benefits, refunds to terminated employees, and the cost of administering the system comprise the total expenses. These expenses for fiscal year 1989 were $194.3 million, an increase of 11.9 percent over expenses for 1988. As summarized below, the increase is due to an overall growth in benefits paid.

Expenses
(in millions)

Expense	1989	1988	Percent Change
Retirement Benefits	$139.8	$124.1	12.7
Disability	8.0	7.7	3.9
Survivors	12.5	11.5	8.7
Deaths	6.0	5.3	13.2
Refunds	25.4	22.7	11.9
Administrative	2.6	2.4	8.3
Total	$194.3	$173.7	11.9



The cost of administering the System amounted to approximately .5 percent of the income generated. This means that out of every dollar received by SURS, 99.5 cents was available for payment of benefits. Income exceeded expenses by $292.0 million.

FUNDING

The actuarial liability of SURS at June 30, 1989, amounted to $5.6 billion as calculated by the entry age normal method. The assets available at June 30, 1989, amounted to $3.0 billion. The amount by which the liability exceeds the assets is called the "unfunded accrued actuarial liability." This liability amounts to $2.6 billion and reflects the continuing State of Illinois policy of not appropriating sufficient funds to meet the normal costs of benefits being earned by current employees each year.

As in the past eight years, employer contributions for FY 89 from state funds were less than the state's share of the benefits paid to retired and disabled employees and their survivors.

Public Act 86-0273 signed into law after the close of the fiscal year requires increased state appropriations over the next seven years, so that by the end of that period, the appropriation will be equal to normal cost plus an amount to amortize the unfunded liability over 40 years as a level percent of payroll. The financing objective adopted by the State is disclosed in greater detail in the ActuarialSection. As a result of this objective, SURS will change from the entry age normal actuarial cost method for funding purposes to the projected unit credit actuarial cost method in fiscal year 1990. For financial reporting purposes SURS has used the projected unit credit method since 1985. In August, 1989, SURS received an additional $11.2 million in state appropriations for fiscal year 1990.

INVESTMENTS

Investments are made under the authority of the "prudent person rule," which states that fiduciaries must discharge their duties solely in the interest of fund participants and beneficiaries. The rule has enabled the System to invest in different types of asset classes seeking to increase return while lowering risk through diversification.

Current investment policy provides for up to 55 percent of the fund to be invested in common stock of which up to 10 percent may be invested in non-U.S. common stock; 30 percent in bonds; and 15 percent in real estate. The fund is managed by professional firms who serve as fiduciaries and are afforded full discretion.

All of SURS's investments are insured or collateralized with securities held by its agent except for mutual funds, which are not evidenced by securities that exist in physical or book entry form. The Government Accounting Standards Board concludes that risk in investments so held is minimal.

INDEPENDENT AUDIT

The Illinois Pension Code requires an annual audit of the financial statements of the System by independent certified public accountants, selected by the State Auditor General. This requirement has been complied with, and the independent accountant's unqualified report on the System's 1989 financial statement has been included in this report.

APPOINTMENT OF TRUSTEE

During this year the Board of Trustees of the University of Illinois appointed Mr. Donald Grabowski to the SURS board. Mr. Grabowski's term is for an indefinite period.

AWARDS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State Universities Retirement System for its component unit financial report for the fiscal year ended June 30, 1988. This is the fifth consecutive year the System has earned this award. To be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of the annual report reflects the combined efforts of the SURS staff under the leadership of the Board of Trustees. It is intended for use by the Trustees and staff in making management decisions, in judging compliance with legal provisions, and in determining responsible stewardship for the assets contributed by System 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 express my gratitude to the staff, the consultants, and the many other people who work so effectively to assure the successful operation of this System.

Respectively submitted,

Bryan S Bloom

Bryan S. Bloom, CPA
Deputy Director - Finance Division

BOARD of TRUSTEES

OFFICERS

JEROME R. BENDER
Rockford
State Board of Regents
Vice President

JAMES A. GENTRY
Urbana
Participant Trustee
President

WILLIAM R. NORWOOD
Rolling Meadows
Board of Trustees of Southern Illinois University
Treasurer

MEMBERS

ARTHUR L. AIKMAN
Carbondale
Participant Trustee

EUGENE T. FLYNN
Philo
Participant Trustee

WILLIAM P. FROOM
DeKalb
Participant Trustee

DONALD W. GRABOWSKI
Lake Forest
Board of Trustees of the University of Illinois

BETSY P. HARFST
Malta
Participant Trustee

ROBERT J. RUIZ
Chicago
Board of Governors of State Colleges and Universities

ROBERT E. SECHLER
Rockford
Illinois Community College Board

CHARLES P. WOLFF
Elgin
Board of Trustees of the University of Illinois

CONSULTING AND PROFESSIONAL SERVICES

ACTUARY
THE WYATT COMPANY
Chicago, Illinois

AUDITOR
DELOITTE HASKINS + SELLS
Springfield, Illinois

LEGAL COUNSEL
EDWARD S. GIBALA
Champaign, Illinois

MASTER TRUSTEE
THE NORTHERN TRUST COMPANY
Chicago, Illinois

PERFORMANCE MEASUREMENT
THE NORTHERN TRUST COMPANY
Chicago, Illinois

INVESTMENT CONSULTANT & PERFORMANCE MEASUREMENT
ENNIS, KNUPP & ASSOCIATES, INC.
Chicago, Illinois

DATA PROCESSING SERVICE
CAGLE & ASSOCIATES, INC.
Champaign, Illinois

GRAPHIC PHOTOGRAPHY
KANFER PHOTOGRAHPY LTD.
Champaign, Illinois
(on pages 44, 45, 48, 49)

INVESTMENT ADVISOR
AETNA REALTY INVESTORS, INC.
Hartford, Connecticut

INVESTMENT ADVISOR
BATTERYMARCH FINANCIAL MANAGEMENT
Boston, Massachusetts

INVESTMENT ADVISOR
EQUITABLE REAL ESTATE MANAGEMENT, INC.
New York, New York

INVESTMENT ADVISOR
FAYEZ SAROFIM & COMPANY
Houston, Texas

INVESTMENT ADVISOR
JMB INSTITUTIONAL REALTY CORPORATION
Chicago, Illinois

INVESTMENT ADVISOR
PACIFIC INVESTMENT MANAGEMENT COMPANY
Newport Beach, California

INVESTMENT ADVISOR
ROSENBERG REAL ESTATE EQUITY FUND
Chicago, Illinois

INVESTMENT ADVISOR
WELLS FARGO INVESTMENT ADVISORS
San Francisco, California

ADMINISTRATIVE STAFF

SENIOR MANAGEMENT

DONALD E. HOFFMEISTER
Secretary and Executive Director

DENNIS D. SPICE
Associate Executive Director

KENNETH E. CODLIN
Chief Investment Officer

JEANNE VALCIK, CPA
Associate Investment Officer

BRYAN S. BLOOM, CPA
Deputy Director, Finance

JAMES S. BEEDIE
Deputy Director, Participant Services

WILLIAM B. JACKSON, JR.
Deputy Director, Benefit Services

DEPARTMENTAL MANAGEMENT STAFF

STEVEN L. HAYWARD, CPA
Internal Auditor

LARRY HURSH
Medical Director

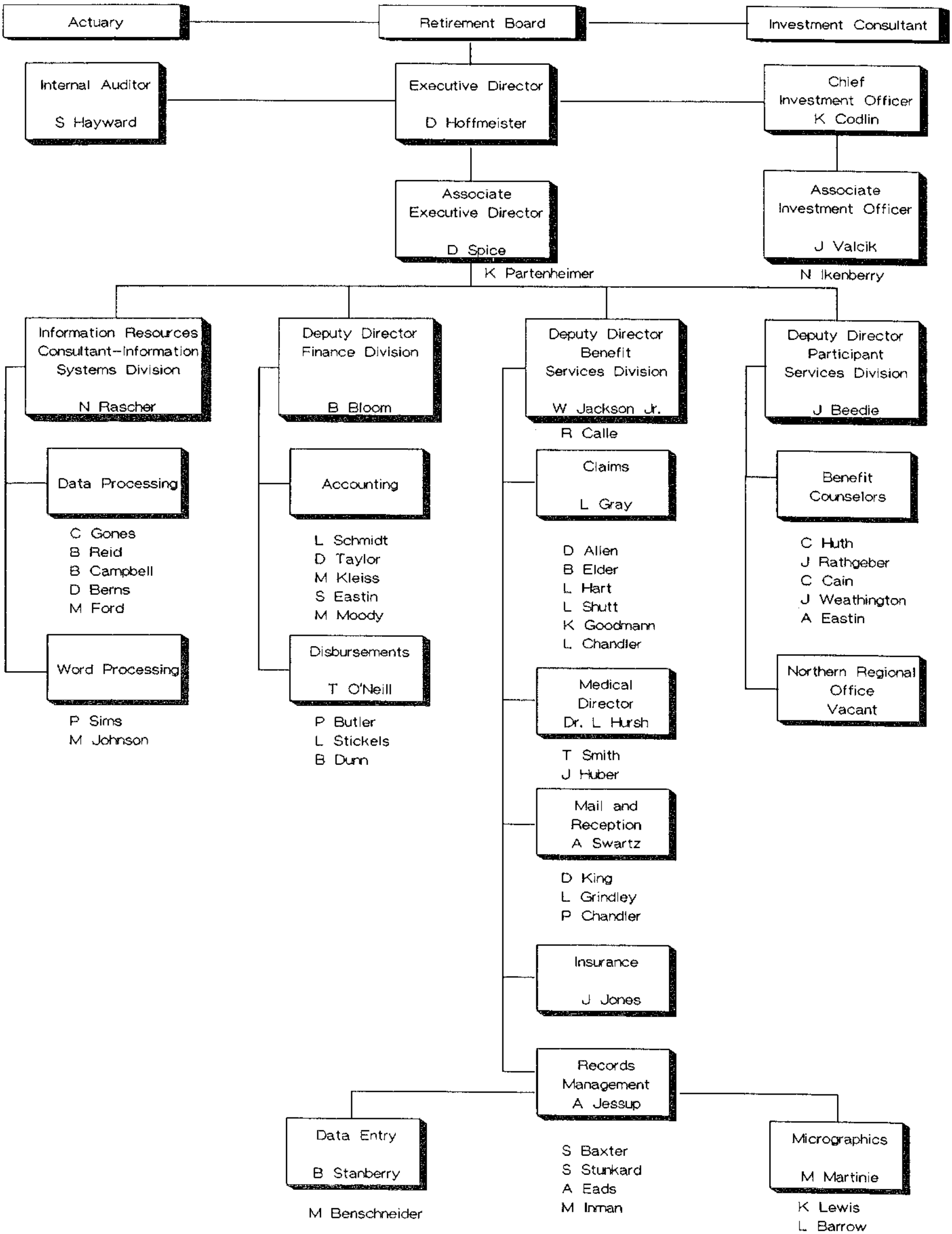
TERRY A. O'NEILL
Disbursing Officer

LINDA L. GRAY
Claims Manager

ANNIE L. JESSUP
Records Manager

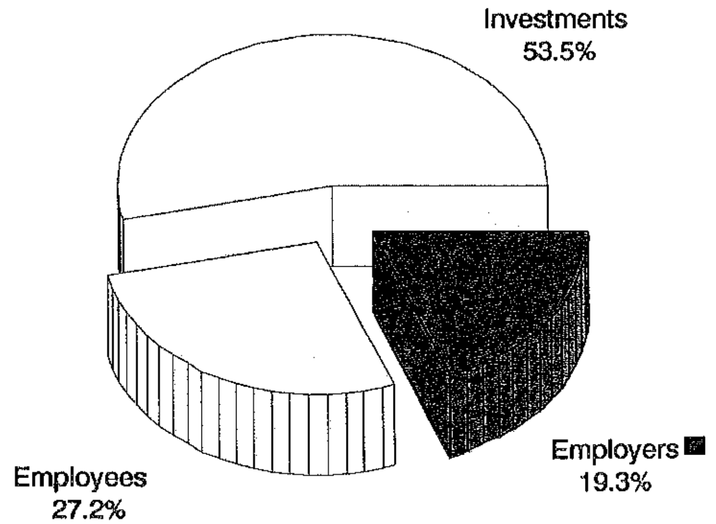
ANN F. SWARTZ
Administrative Services Manager

ORGANIZATIONAL CHART

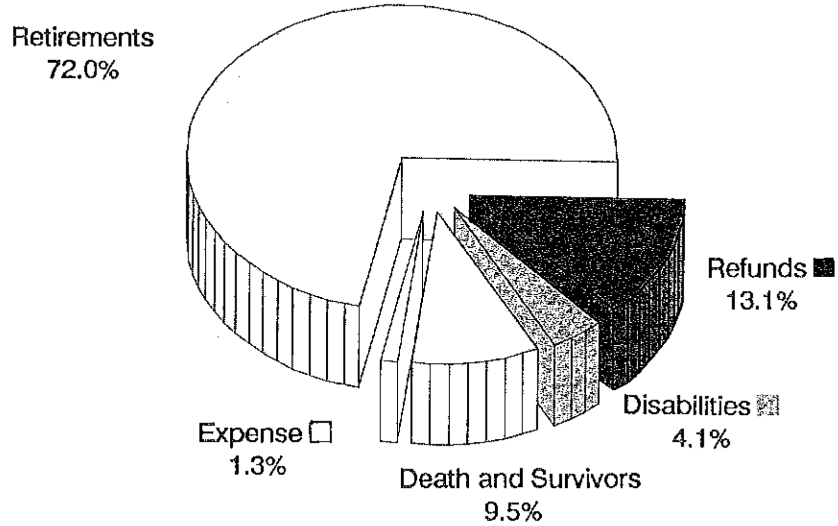


FINANCIAL SECTION

WHERE THE MONEY CAME FROM



WHERE THE MONEY WENT



INDEPENDENT AUDITORS' REPORT

Deloitte Haskins+Sells

645 First National Bank Building
Springfield, Illinois 62794-9428
(217) 753-1375
ITT Telex: 4995726

INDEPENDENT AUDITORS' REPORT

Honorable Robert G. Cronson
Auditor General
State of Illinois

Board of Trustees
State Universities Retirement
System of Illinois

We have audited the accompanying balance sheet of the State Universities Retirement System of Illinois as of June 30, 1989 and the related statements of revenues, expenses and changes in fund balance and of changes in financial position for the year then ended. These financial statements and the supplemental schedules discussed below are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The System's financial statements for the year ended June 30, 1988 were audited by other auditors whose report thereon dated September 8, 1988, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the State Universities Retirement System of Illinois at June 30, 1989 and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles.

Our audit also comprehended the supporting schedules listed in the foregoing table of contents at June 30, 1989 and for the year then ended. In our opinion, such supplemental information, when considered in relation to the basic financial statements, presents fairly in all material respects, the information shown therein. The related supporting schedules for the years 1980 through 1988 have been derived from financial statements audited by other auditors whose reports thereon expressed an unqualified opinion.

Deloitte Haskins & Sells

October 13, 1989

FINANCIAL STATEMENT 1989

BALANCE SHEETS
June 30, 1989 and 1988

	1989	1988
ASSETS		
Contributions Receivable		
Participants	$5,035,941	$4,669,495
Federal, trust funds, and other	1,074,894	1,232,670
State of Illinois	0	337,233
	6,110,835	6,239,398
Prepaid Expenses	25,284	9,053
Accrued Investment Income Receivable	22,021,961	9,163,752
Investments (note III) Market Value: $3,560,024,906 at 6-30-89 $3,020,015,968 at 6-30-88	2,967,656,056	2,687,395,799
Property and Equipment (notes II-D and IV)	1,005,469	912,053
TOTAL ASSETS	$2,996,819,605	$2,703,720,055
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$1,554,893	$1,881,846
Benefits payable	1,615,789	1,448,496
Refunds payable	3,330,033	2,137,683
Deferred income (note II-C)	303,253	251,421
Total Liabilities	6,803,968	5,719,446
Fund Balance (Reserved) (note II-E and VII)		
Participant contributions	1,492,995,467	1,360,624,347
Benefits from employee and employer contributions	3,723,347,500	3,280,286,265
Less unfunded accrued actuarial liability	(2,226,327,330)	(1,942,910,003)
Total Fund Balance	2,990,015,637	2,698,000,609
TOTAL LIABILITIES AND FUND BALANCE	$2,996,819,605	$2,703,720,055

The notes to the financial statements are an integral part of the Component Unit Financial Statements.

FINANCIAL STATEMENT 1989

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the Years Ended June 30, 1989 and 1988

	1989	1988
REVENUES		
Contributions		
Participants	$132,153,246	$132,331,310
Federal, trust funds, and other	13,254,751	12,362,253
State of Illinois		
Employer units	76,075,429	66,238,000
Pension fund	4,136,800	4,458,700
Reciprocity	338,203	377,401
	225,958,429	215,767,664
Investment Income		
Interest	97,559,443	91,270,504
Dividends	89,427,480	61,551,142
Other	368,557	338,431
	187,355,480	153,160,077
Less investment expense	7,690,178	6,704,232
	179,665,302	146,455,845
Net Gain on Sale of Investments	80,722,329	38,985,426
Total Revenues	486,346,060	401,208,935
EXPENSES		
Benefits		
Retirement	139,462,335	123,715,516
Disability	7,963,807	7,696,865
Survivors	12,488,739	11,469,636
Death	6,015,056	5,323,957
Reversionary	233,784	236,948
Beneficiary	141,421	131,247
	166,305,142	148,574,169
Refunds	25,397,698	22,708,289
Administrative Expense	2,628,192	2,416,363
Total Expenses	194,331,032	173,698,821
Excess of Revenues over Expenses	292,015,028	227,510,114
Fund Balance		
Beginning of year	2,698,000,609	2,470,490,495
End of year	$2,990,015,637	$2,698,000,609

The notes to the financial statements are an integral part of the Component Unit Financial Statements.

FINANCIAL STATEMENT 1989

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Years Ended June 30, 1989 and 1988

	1989	1988
Sources of Working Capital		
Operations:		
Excess of revenues over expenses	$292,015,028	$227,510,114
Add back item not requiring working capital:		
Depreciation	118,660	110,035
Loss on Disposition of Property	0	657
Total Sources of Working Capital	292,133,688	227,620,806
Use of Working Capital		
Purchases of capital equipment	212,076	111,633
Net Increase in Working Capital	$291,921,612	$227,509,173
Elements of Net Increase in Working Capital		
Contributions receivable	($128,563)	$ 4,034,943
Prepaid expense	16,231	(90,947)
Accrued investment income receivable	12,858,209	(3,570,834)
Short-term cash equivalents	(332,151,073)	226,751,851
Investments	612,411,330	2,637,515
Accounts payable	326,953	(400,692)
Benefits payable	(167,293)	86,903
Refunds payable	(1,192,350)	(1,845,661)
Deferred income	(51,832)	(93,905)
Net Increase in Working Capital	$291,921,612	$227,509,173

The notes to the financial statements are an integral part of the Component Unit Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS 1989

I. DESCRIPTION OF PLAN

The State Universities Retirement System of Illinois (SURS) is the administrator of a cost-sharing, multiple-employer public employee retirement system established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered part of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Article 15, Chapter 108-1/2 of the "Illinois Revised Statutes." It is also these statutes that define the scope of SURS's reporting entity. SURS does not have oversight responsibility of any agencies. As a result, this financial report represents financial information of SURS only. There are no statutory provisions for termination of the System. The Illinois Constitution provides that the pension obligation of the state "shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

At June 30, 1989 and 1988, the number of participating employers was

	1989	1988
Universities	12	12
Community Colleges	38	38
Allied Agencies	18	18
State of Illinois	1	1
	69	69

At June 30, 1989 and 1988, SURS membership consisted of

	1989	1988
Members currently receiving benefits	16,991	16,201
Current employees		
Active	53,296	52,722
Inactive	6,646	5,953
	76,933	74,876

The following is a summary of the provisions of SURS in effect as of June 30, 1989, as defined in the "Illinois Revised Statutes." Interested parties should refer to SURS brochures or the Statutes for more complete information.

A. Membership

Participation is required as a condition of employment, except for residents in medical training and postdoctoral research associates at state universities. Such employees may participate at any time during their first three years of employment, after which time participation is mandatory. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50 percent of full-time; (c) employed less than full-time and attending classes with an employer; or (d) receiving a retirement annuity from SURS.

B. Member Contributions

Members contribute 8 percent of their gross earnings; 6-1/2 percent of those are designated for retirement annuities, 1/2 percent for post-retirement increases, and 1 percent for survivor benefits. Police officers and fire fighters contribute 9-1/2 percent of earnings; the additional 1-1/2 percent 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 repayments, and leave payments and the employee portion of Early Retirement Option payments are considered as previously taxed. Previously taxed contributions will be recovered tax-free when distributed to the employee in the form of benefits or refunds or to his or her beneficiary as a death and/or survivor benefit.

C. Interest Credited on Member Contributions

The interest rate credited is fixed by the Board of Trustees and is currently 7-1/2 percent. For purposes of lump sum refunds to former members, the interest rate is 4-1/2 percent, compounded annually.

D. Retirement Benefits

1. Normal Retirement

Members are eligible for normal retirement at any age after 35 years of covered service, after eight years of covered service and age 55, or after five years of covered service and age 62. Police officers and fire fighters are eligible for normal retirement at age 55 with 20 years of service as a police officer or fire fighter or at age 50 with 25 years of service. The annuity payable is based on the largest calculation of three formulas:

a. The following percentages of "average earnings," which is the average of the highest earnings for any four consecutive academic years or, in some cases, the 48 months immediately preceding retirement, whichever is larger.

		General	Police and Fire Fighters
i.	For each of the first 10 years of service	1.67%	2.25%
ii.	For each of the second 10 years of service	1.90%	2.50%
iii.	For each of the third 10 years of service	2.10%	2.75%
iv.	For each year of service over 30	2.30%	

b. The actuarial equivalent of 2.4 times the accumulated member contributions plus interest for retirement annuities (6-1/2 percent of earnings), divided by an annuity conversion factor. Purchase of other public employment is matched dollar for dollar. The actuarial equivalent assumes an annuity payable for life.

c. The following monthly amounts, based on average earnings, for each year of service at half-time or greater employment to a maximum of 30 years:

Average Annual Earnings	
Under $3,500	$8
3,500 - 4,499	9
4,500 - 5,499	10
5,500 - 6,499	11
6,500 - 7,499	12
7,500 - 8,499	13
8,500 - 9,499	14
9,500 and over	15

d. The pre-1969 law provided a pension of 1.67 percent of average earnings during the highest five consecutive fiscal years multiplied by the total years of service.

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

2. Early Retirement

Members are eligible for early retirement after eight years of service and age 55, but the annuity calculated under formula (a) or (c) above is reduced by 1/2 percent for each full 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 eight, but less than 35, years of service credit without the 1/2 percent reduction provided the following conditions are met:

a. The member retires before September 1, 1992.

b. The member retires within six months of the last day of employment for which he or she appeared on a payroll.

c. The member and the employer make one-time lump sum payments to SURS based upon the member's highest full-time annual salary rate during the four-year average salary period or, if not full-time, the full-time equivalent. The member pays 7 percent 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 percent 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 eliminate the 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 percent 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 percent of the original retirement annuity. Note that the increase is not compounded and does not apply to survivors' or disability benefits. In most cases, the first automatic annual increase in retirement annuity is paid on the January 1st immediately following the date of retirement.

5. Reversionary Annuity

A participant nearing retirement age may elect to receive a reduced retirement annuity in order to provide the spouse or other dependent with a monthly income in addition to that which would be payable under the survivors' insurance program. This provision of the law, called a reversionary annuity, gives the individual electing this benefit two options. Under the first option, the participant receives a reduced retirement annuity throughout his or her lifetime in exchange for the reversionary annuity to be paid to the dependent upon the participant's death. If the dependent predeceases the annuitant, the annuitant continues to receive the reduced retirement annuity. Under the second option, the annuitant's retirement annuity reverts to the full unreduced amount upon the death of the prospective reversionary annuitant.

E. Disability Benefits

Members with at least two years of covered service who are unable to perform the duties of their job because of illness, or members with any amount of covered service who are unable to perform their duties because of an accident, are eligible to receive disability benefits after 60 days of disability or when sick leave payments are exhausted, whichever is later.

The amount of the disability benefit is determined as follows:

1. Fifty percent of basic compensation at disability or 50 percent of average earnings for the 24 months preceding disability, whichever is greater, payable until the total benefits paid equal 50 percent of the total earnings in covered service, but in no event after August 31st following the employee's 70th birthday.

2. After cessation of the benefit in (1), a member with eight years of covered service may 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 ceases upon death or recovery.

F. Disability Retirement Allowance

If a member's disability benefits (see note E1) are discontinued due to the 50 percent of total earnings limitation, the member is entitled to a disability retirement allowance of 35 percent of the basic compensation that was payable at the time the disability began, provided at least two licensed and practicing physicians appointed by the Board certify that the member has a medically determined physical or mental impairment that would prevent him or her from engaging in any substantial gainful activity, and that can be expected to result in death, or that 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.

G. Death Benefits

1. Before Retirement

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

   a. a death benefit equal to the retirement and AAI contributions (7 percent) and interest, plus

   b. a lump sum payment of $1,000, plus

   c. a monthly survivors' annuity equal to 50 percent of the member's accrued normal retirement benefit or the following amounts if greater:

i) 30 percent of average earnings to a spouse, child, or parent, up to $400 monthly

ii) 60 percent of average earnings to two dependents, up to $600 monthly

iii) 80 percent of average earnings to three or more dependents, up to $600 monthly

Survivors' benefits are payable until children attain age 18, to a spouse after age 50, and to 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 the dependent survivors so elect in lieu of any other benefits, the following amounts will be paid:

a. a death benefit equal to all contributions and interest, and

b. if death occurred in active service, a lump sum payment of $2,500 or, if the beneficiary is a dependent, an amount equal to the member's average annual earnings up to $5,000.

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 survivors' 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.

H. Termination of Service

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by SURS. The System's financial statements have been prepared in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB). The accounts of the System are organized in one fund. The System's assets, liabilities, fund equity, revenues, and expenses are recorded in that fund.

A. Basis of Accounting

The financial transactions are recorded on the accrual basis.

B. Investments

Investments are governed by Article 15, Chapter 108-1/2 of the "Illinois Revised Statutes." The most important aspect of the Statutes is the "prudent person rule", which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent person rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time.

Investments are carried at acquisition cost. Gain or loss on the sale of investments is determined based on average cost for stocks and identified cost for debt securities. 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 employer and employee contributions.

D. Property and Equipment

Property and equipment are carried at cost, except for the land, which is carried at the fair market value on the date it was received as a gift. Depreciation is computed by the straight-line method based upon estimated useful lives of 50 years for building and improvements and five to 10 years for furniture and equipment.

E. Fund Balance Accounts

The System maintains two reserve accounts that reflect the assignment of assets to participant and benefit accounts:

1. The Participant Contribution Reserve records the pension assets contributed by each participant.

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.

III. INVESTMENTS

Investments at June 30, 1989 and 1988, are summarized below (in millions of dollars):

1989	Cost	Percent of Cost	Market	Percent of Market	Risk Category
Short-term investments	$48.4	1.6	$48.5	1.4	1
Fixed income	1,035.3	34.9	1,069.4	30.0	1
Equities	1,478.0	49.8	2,011.7	56.5	1
Real Estate	406.0	13.7	430.4	12.1	1
	$2,967.7	100.0	$3,560.0	100.0	

1988	Cost	Percent of Cost	Market	Percent of Market	Risk Category
Short-term investments	$380.5	14.2	$383.1	12.7	1
Fixed income	602.9	22.4	601.6	19.9	1
Equities	1,322.1	49.2	1,636.3	54.2	1
Real Estate	381.9	14.2	399.0	13.2	1
	$2,687.4	100.0	$3,020.0	100.0	

The investments have been categorized to give an indication of the level of risk assumed by the System at June 30, 1989 and 1988. All investments subject to categorization are held by the Master Trustee, SURS agent, in the System's name. Therefore, all SURS investments are Category 1.

Investments may also be categorized as Category 2, which includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name, and Category 3, which is defined as uninsured or unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent, but not in the System's name. The System has no investments that would be classified in Categories 2 or 3.

IV. PROPERTY AND EQUIPMENT

Property and equipment and the related accumulated depreciation at June 30, 1989 and 1988, are summarized below:

	1989	1988
Land	$70,000	$70,000
Land improvements	12,799	12,799
Office building	559,621	559,621
Office building improvements	52,765	52,765
Furniture and fixtures	1,255,142	1,046,558
	1,950,327	1,741,743
Less accumulated depreciation	(944,858)	(829,690)
Net property and equipment	$1,005,469	$912,053

V. FUNDING POLICY

A. Funding Status and Progress

The "Pension Benefit Obligation" shown below is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, to assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among public employee retirement systems. The amount is computed using a unit credit actuarial method required by GASB Statement #5. This measure is different from the entry age normal method used to determine contributions to SURS as presented in the Actuarial Section of this report.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1989 and 1988. Significant actuarial assumptions used include a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually; b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation; and c) additional projected salary increases of 2.5 percent per year, attributable to seniority and merit.

The unfunded pension benefit obligation at June 30, 1989 and 1988, was as follows (in millions of dollars):

	1989	1988
Accumulated contributions of current employees	$1,375.0	$1,261.5
Accumulated contributions of inactive members	101.9	77.8
Payable to retirees and beneficiaries	1,677.1	1,498.9
Payable to terminated employees not yet receiving benefits--Employer financed portion	131.3	99.0
Payable to vested current employees--Employer-financed portion	1,843.1	1,621.7
Payable to nonvested current employees--Employer-financed portion	87.9	82.0
Total Pension Benefit Obligation	$5,216.3	$4,640.9
Net Assets Available for Benefits (market value $3,582.4 million in 1989 and $3,030.6 million in 1988)	2,990.0	2,698.0
Unfunded Pension Benefit Obligation	$2,226.3	$1,942.9

During the year there were no changes in the actuarial assumptions. Changes in benefit provisions resulted in an increase of $2.1 million in the pension benefit obligation.

B. Contributions Required and Contributions Made

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

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

A comparison of the actuarially determined funding requirement for the year ended June 30, 1989, versus the actual funding from employers is presented below (in millions of dollars):

Basis	Required FY 89 Funding	Receipts from Employers
Employer Normal Cost & Interest	$284.6	$93.8

C. Actuarial Statements

The results of the basic calculations prepared for the System by its actuary are presented in Section III of this report, along with 10-year historical trend information designed to provide information about SURS progress in accumulating sufficient assets to pay benefits when due.

D. Analysis of Funding Progress

Fiscal Year	Net Assets	Pension Benefit Obligation	Percent Funded	Unfunded PBO	Covered Payroll	Unfunded PBO as a Percent of Covered Payroll
1985	$1,752.3	$3,549.1	49.4	$1,796.8	$1,141.9	157.4
1986*	2,258.0	3,886.0	58.1	1,628.0	1,275.9	127.6
1987	2,470.5	4,234.9	58.3	1,764.4	1,370.2	128.8
1988	2,698.0	4,640.9	58.1	1,942.9	1,427.6	136.1
1989	2,990.0	5,216.3	57.3	2,226.3	1,536.7	144.9

*Actuarial assumptions were changed in fiscal year 1986. Salary increment assumption was changed from 8 percent to 7 percent.

NOTES TO THE FINANCIAL STATEMENTS 1989

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of SURS funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger a retirement system is. Trends in the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjust for the effects of inflation and aid analysis of SURS progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement system is.

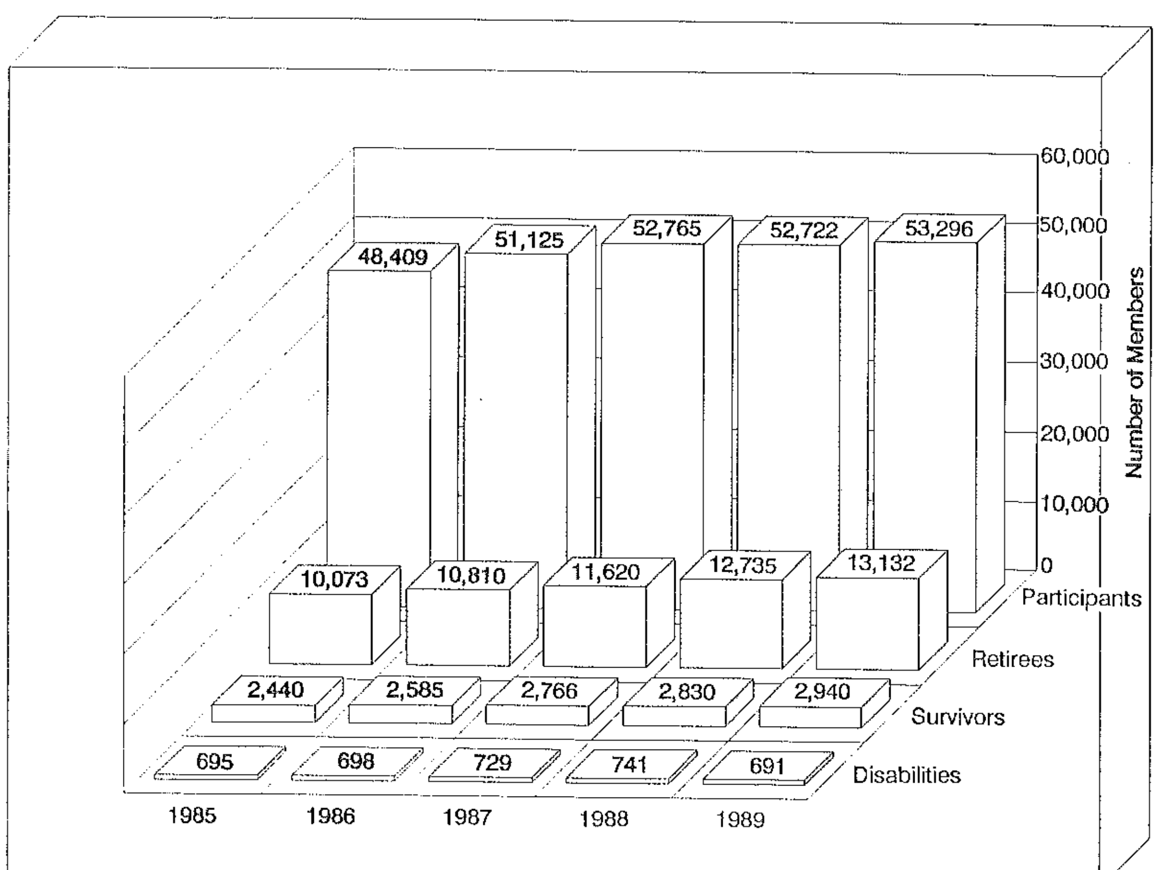
VI. COMPENSATED ABSENCES

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 June 30, 1989, the System had a liability of $199,729 for compensated absences. At June 30, 1988, the liability was $177,478 . The annual increase in liability is reflected in the financial statements as an increase in salary expense.

VII. SUBSEQUENT EVENTS

On August 23, 1989, Governor James Thompson signed into law legislation that improved SURS benefits. The effect on both the System's fund balance for benefits from employee and employer contributions and the unfunded accrued actuarial liability is an increase to both of $373.5 million.

MEMBER DATA



SUPPORTING SCHEDULE 1989

SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Years Ended June 30, 1989 and 1988

	1989 Budget	1989 Expense	1988 Expense
Personal Services	$1,555,749	$1,424,093	$1,360,758
Supplies	46,000	40,493	38,336
Contractual Services	1,162,490	1,044,946	907,234
Depreciation	125,120	118,660	110,035
TOTALS	$2,889,359	$2,628,192	$2,416,363

SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Years Ended June 30, 1989 and 1988

	1989	1988
Master Trustee & Custodian		
The Northern Trust Company	$354,163	$347,509
Investment Management & Consulting		
Aetna Realty Investors, Inc.	875,866	692,689
Batterymarch Financial Management	540,491	518,329
Equitable Real Estate Investment Management	748,056	119,367
Fayez Sarofim & Company	878,225	867,259
Pacific Investment Management Company	1,048,929	951,902
Rosenberg Real Estate Equity Fund	2,345,820	2,340,122
Wells Fargo Investment Advisors	783,288	750,342
	7,220,675	6,240,010
Investment Consulting & Measurement		
Ennis, Knupp & Associates	115,340	116,713
Total Investment Expense	$7,690,178	$6,704,232
Actuary		
The Wyatt Company	$35,244	$40,242
Investment Brokerage Firm		
Abel Noser Corporation	19,311	9,400
Bear, Stearns & Company	24,320	51,847
Dean Witter Reynolds, Inc.	7,311	
Drexel Burnham Lambert, Inc.		6,510
First Boston Corporation	11,130	11,542
Goldman, Sachs & Company	12,558	19,824
Instinet	60,953	35,946
Jones & Associates	18,465	10,050
Kidder Peabody, Clark Dodge	6,535	
Merrill Lynch, Pierce, Fenner & Smith	10,281	10,834
Morgan Stanley & Company	6,895	8,100
Paine Webber Inc.		11,541
All others	67,587	55,922
	$245,346	$231,516

SUPPORTING SCHEDULE 1989

INVESTMENT PORTFOLIO ACTIVITY AT BOOK VALUE
For the Year Ended June 30, 1989
(in millions of dollars)

	July 1 Book Value	Acquisitions	Dispositions	June 30 Book Value
Fixed income	$602.9	$1,115.9	($683.5)	$1,035.3
Equity securities	1,322.1	304.6	(148.7)	1,478.0
Real estate	381.9	25.6	(1.5)	406.0
Short-term cash equivalents	380.5	2,326.5	(2,658.6)	48.4
TOTALS	$2,687.4	$3,772.6	($3,492.3)	$2,967.7

INVESTMENT PORTFOLIO AT MARKET VALUE
For the Year Ended June 30, 1989
(in millions of dollars)

	July 1 Market Value	June 30 Market Value
Fixed income	$601.6	$1,069.4
Equity securities	1,636.3	2,011.7
Real estate	399.0	430.4
Short-term cash equivalents	383.1	48.5
TOTALS	$3,020.0	$3,560.0

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 1989
(in millions of dollars)

Receipts	
Member contributions	$131.8
Employer contributions	94.3
Interest, dividends, and miscellaneous investment income	174.5
Investments redeemed	3,492.4
Gain on disposition of investments	80.7
TOTAL RECEIPTS	$3,973.7
Disbursements	
Benefit payments	$166.1
Administrative expenses	2.6
Investment expenses	8.0
Refunds	24.2
Equipment purchased	0.2
Investments purchased	3,772.6
TOTAL DISBURSEMENTS	$3,973.7

SUPPORTING SCHEDULE 1989

REVENUE BY SOURCE
10-YEAR SUMMARY
(in millions of dollars)

Fiscal Year (A)	Contributions by Members	Investment Income	Contributions by Employers	Total
1980	$64.0	$62.8	$72.7	$199.5
1981	68.8	70.7	74.4	213.9
1982	76.7	68.6	55.0	200.3
1983	78.4	126.0	52.3	256.7
1984	85.5	72.1	70.2	227.8
1985	97.8	166.4	83.5	347.7
1986	110.8	434.6	94.7	640.1
1987	95.8	165.4	77.9	339.1
1988	132.3	185.5	83.4	401.2
1989	132.2	260.3	93.8	486.3

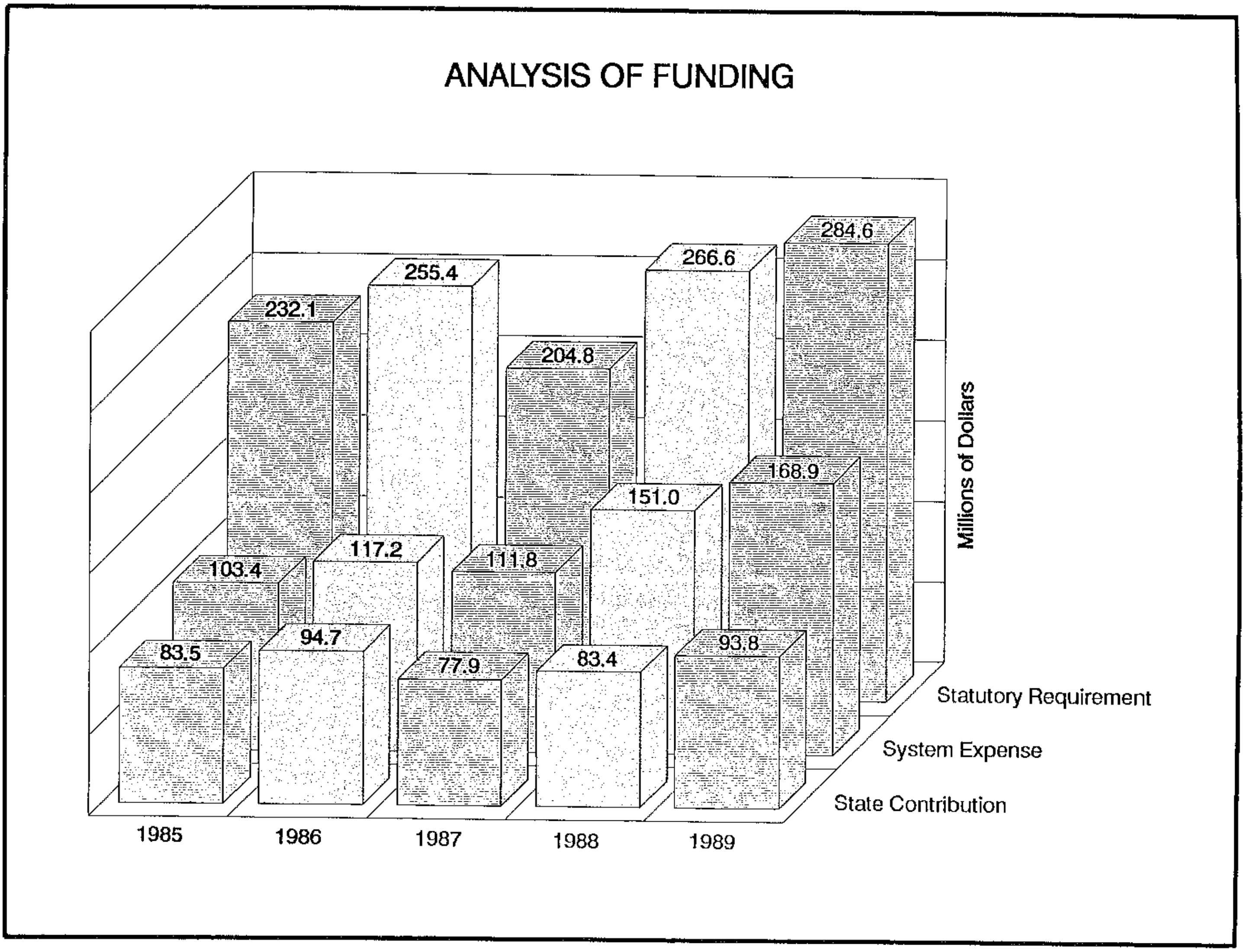
(A) Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

TOTAL EXPENSES
10-YEAR SUMMARY
(in millions of dollars)

Fiscal Year (A)	Benefits	Contribution Refunds	Administrative Expenses	Total
1980	$54.6	$13.4	$1.2	$69.2
1981	61.8	14.1	0.9	76.8
1982	70.0	14.0	1.2	85.2
1983	78.7	12.2	1.5	92.4
1984	91.1	14.5	1.6	107.2
1985	101.7	16.4	1.7	119.8
1986	115.4	17.2	1.9	134.5
1987	109.9	14.8	1.9	126.6
1988	148.6	22.7	2.4	173.7
1989	166.3	25.4	2.6	194.3

(A) Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

ACTUARIAL SECTION



CERTIFICATION LETTER

THE *Wyatt* COMPANY

October 26, 1989

Board of Trustees and Executive Director
State Universities Retirement System of Illinois
50 Gerty Drive
P.O. Box 2710 - Station A
Champaign, Illinois 61820

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the assets and liabilities of the State Universities Retirement System of Illinois as of June 30, 1989. Since the last valuation there have been several changes which affected SURS costs and liabilities. Legislation affecting benefit provisions and appropriation requirements was enacted (disclosed liabilities were not affected). Additional individual data was provided by the System, and the money purchase factors were revised retroactive to 1982, resulting in increases of approximately 0.4% and 0.2%, respectively, in the accrued actuarial liabilities. The actuarial assumptions used to process the valuation were unchanged from last year.

Senate Bill 95 (SB95) and House Bill 332 (HB332), passed in June and approved in August, affect the current funding of the System, but not the liabilities disclosed at June 30, 1989. Significant benefit changes included in these bills were: The retirees' 3% automatic annual increase is based on the total annuity payable at the time of each increase rather than on the original pension, and a 3% compounded annual increase is payable to recipients of widow's and survivor's annuities. The provisions requiring discontinuance of disability benefits upon attainment of age 70 were removed. Ad hoc benefit increases granted to retirees in 1981 and 1982 will now be used in the calculation of survivor benefits. This year (effective retroactive to January 26, 1988) all annuitants who terminated employment after August 14, 1969 and before January 26, 1988 will qualify for the automatic annual increase on the January 1 immediately following the date their retirement annuity begins. SB95 contained a provision requiring annual State appropriations to be based on the Projected Unit Credit cost method, and requiring the unfunded accrued actuarial liability (UAAL) to be funded as a level percent of payroll over a 40-year period, after an initial phase-in period ending June 30, 1996.

Pursuant to the law establishing the System, the actuary shall investigate the experience under the System at least once every five years and recommend as a result of such investigation the actuarial assumptions to be adopted. The Wyatt Company, as the actuary, completed such a review for the five years ending August 31, 1986 and the assumptions used for the current valuation were based on that study. We believe that, in the aggregate, the current assumptions relate reasonably to the past and anticipated experience of the plan.

A contribution rate for fiscal year 1991 has been determined using the Projected Unit Credit cost method, providing for the normal cost plus an amortization of the unfunded accrued actuarial liability as required by SB95. (The UAAL to be amortized includes the effect of SB95 and HB332.) Normal cost rates are expected to remain constant as a percentage of payroll, while the amortization contribution rate will increase in equal annual increments from the 1990 fiscal year rate until the 1996 fiscal year rate is reached. The total contribution rate can thus be expected to rise gradually until June 30, 1996, remain level until June 30, 2035, and then drop to a constant normal cost rate. Employer contributions in recent years have been less than that required to meet this new financing objective.

For purposes of determining contribution rates, assets have been valued at amortized cost value. The liabilities have been valued based on employee data which is supplied by the administrative staff of the System and verified by the System's auditor. We have made additional tests to ensure its accuracy.

In our opinion, the following schedule of valuation results fairly presents the financial condition of the State Universities Retirement System of Illinois as of June 30, 1989. The contribution rate determined complies with the applicable law in force as of August 23, 1989.

THE WYATT COMPANY

By *S. Lynn Hill*
S. Lynn Hill
Consultant

By
Lloyd L. Nordstrom
Fellow Of The Society of Actuaries

By
Robert R. Barnes
Fellow Of The Society Of Actuaries

ACTUARIAL REPORT 1989

PENSION FINANCING

The State Universities Retirement System of Illinois (SURS) is financed by employee contributions, employer contributions (state appropriations and contributions from trust and federal funds), and investment earnings. Employee contributions are established by the "Illinois Revised Statutes" at 8 percent of pay. Investment earnings and state funding are primary determinants of the System's financial status.

Estimates of accrued benefit cost are obtained through annual actuarial valuations. To estimate the amount, actuaries use demographic data (such as employee age, salary, and service credits), economic assumptions (such as estimated salary increases and interest rates), and decrement assumptions (such as employee mortality and disability rates).

Accrued benefit cost is the present value of benefits earned by SURS members. It is the estimate of the value of pension benefits at the time the estimate is prepared. Although accrued during each member's employment, benefits are not paid until the member retires; thus the value changes as the member's salary and years of service change. Furthermore, membership continually changes as some members leave and are replaced by new members.

The amount of benefits payable in the future is estimated by the actuary for all participants at the valuation date. Important assumptions in this computation are the retirement age and earnings progression for active members and mortality for all participants. Once the amount of benefits is computed, the actuary estimates the money necessary to be invested at the valuation date to provide an amount adequate to fund benefit payments as they come due. Each year's adjusted benefit payments are discounted by an assumed interest rate to determine the present dollar value of benefits.

The final step in a valuation is to apply a cost method assigning portions of the total value of benefits to past, present, and future periods of employee service. This allocation is accomplished by development of normal cost and accrued benefit cost.

There are several accepted actuarial cost methods. The one used for funding requirements by SURS is the entry age normal cost method. This method expresses the normal cost as a uniform percentage of each employee's earnings from entry into the plan until retirement. This is compatible with the idea that the cost of the pension plan should be accrued in an orderly manner over the employee's service. The past service liability is the actuarial value of all normal cost amounts accrued prior to the date of the valuation; it is determined at each valuation date.

The normal cost during FY 89 was 15.7 percent of payroll. Eight percent of this normal cost is paid by the members' contributions. The remaining 7.7 percent is the employer's portion of the normal cost.

Actuarial funding of System benefits would require annual state appropriations funding the employer's normal cost (7.7 percent of payroll) plus interest on the System's unfunded accrued benefit cost. The employer's normal cost plus interest is called employer cost (see "Schedule of Payroll Percentages"). The state has not funded the System on this basis. Until 1982, the state funded the System by reimbursement of benefit payments. Beginning in 1982, the state appropriation has been set to reimburse a portion of benefit payments averaging 60 percent. Beginning in 1988, the appropriation has averaged 48 percent. The current practices do not reflect an actuarially sound funding method (see "Schedule of Funding").

As the membership matures, as is happening with SURS, and more members retire, the benefit payments significantly escalate. When funding is based on benefit payments, the unfunded accrued benefit cost grows. If funding is based on actuarial recommendations, the unfunded accrued benefit cost stabilizes or decreases.

ACTUARIAL REPORT 1989

VALUATION RESULTS
(in millions of dollars)

1.	Actuarial Liability (Reserves)	
	a. For members receiving annuities	
	i. Retirement annuities	$1,511.1
	ii. Survivor annuities	107.5
	iii. Disability	58.5
	iv. Total	$1,677.1
	b. For inactive members	233.2
	c. For active members	3,686.9
	d. Total	$5,597.2
2.	Assets (Amortized Cost Value)	$2,990.0
3.	Unfunded Accrued Actuarial Liabilities	$2,607.2

CHANGES IN THE UNFUNDED ACCRUED ACTUARIAL LIABILITY
(in millions of dollars)

1.	Unfunded Accrued Actuarial Liability at June 30, 1988	$2,279.8
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	188.4
3.	Actuarial (Gains) Losses	
	a. (Gain) from investment return greater than 8%	(43.3)
	b. (Loss) from salary increases greater than 7%	77.4
	c. Loss from other sources	58.2
4.	Increase Due to Plan Amendments and Procedural Changes	46.7
5.	Unfunded Accrued Actuarial Liability at June 30, 1989	$2,607.2

ACTUARIAL REPORT 1989

ACTUARIAL COST METHOD

The entry age normal method is used for both the retirement and ancillary benefits. This method determines annual contributions that are expected to remain a constant percentage of each employee's compensation for each year of service. These contributions, when combined with the employee contributions, will be sufficient to fully provide for all employee benefits by the time employees retire, based on the assumptions used. Any unfunded liability determined under this method, as well as any actuarial gains or losses, is amortized over a 40-year period commencing July 1, 1989.

EMPLOYEE DATA

Employee data are 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.

FINANCING OBJECTIVE

The law governing the System provides that

Starting with... fiscal year... 1990, the State's contribution shall be increased incrementally over a 7-year period so that by... fiscal year... 1996, the minimum contribution... shall be... sufficient to meet the normal cost and amortize the unfunded liability over 40 years as a level percentage of payroll, determined under the projected unit credit actuarial cost method. (Chapter 108-1/2, Par. 15-155(a))

The required contribution rates and amounts are as follows:

Fiscal Year	Normal Cost	Amortization of Unfunded Liability	Total Required Rate	Assumed Payroll (Billions)	Total Required Contribution
1991	9.354%	(0.991%)	8.363%	$1.710	$143,007,000
1992	9.354%	0.672	10.026%	1.799	180,368,000
1993	9.354%	2.336%	11.690%	1.894	221,409,000
1994	9.354%	3.999%	13.353%	1.993	266,125,000
1995	9.354%	5.662%	15.016%	2.098	315,036,000
1996	9.354%	7.325%	16.679%	2.208	368,272,000

Contribution levels are shown on a gross basis. The net State appropriation requirements can be determined by adjusting for such things as State Pension Fund appropriations and contributions from federal and trust funds.

The results are based on the projected unit credit actuarial cost method, and on the data provided, and assumptions used, for the June 30, 1989 actuarial valuations. In order to determine projected contribution rates and amounts the following additional assumptions and estimates were used.

1) Covered payroll of $1,624,000,000 for fiscal year 1990.
2) 5.25% per annum rate of increase in covered payroll.
3) Total employer contributions of $108,803,947 for fiscal year 1990.

As of June 30, 1989, the unfunded accrued actuarial liability to be amortized was

1)	Unfunded accrued liability for purposes of disclosure	$2,226,327,330
2)	Increase due to Senate Bill 95 and House Bill 332	373,452,795
3)	Total	$2,599,780,125

ACTUARIAL REPORT 1989

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 three-year setback for males and a two-year setback for females.

Interest: 8 percent per annum, compounded annually.

Termination: Illustrative rates of withdrawal from the plan are as follows:

Age	Males	Females
20	0.184	0.224
25	0.152	0.188
30	0.120	0.152
35	0.087	0.116
40	0.059	0.083
45	0.041	0.059
50	0.029	0.045
55		

It is assumed that terminated employees will not be rehired.

Salary Increases: 7 percent per annum, compounded annually.

Retirement Age: General employees are assumed to retire 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.

Spouse's Age: The female spouse is assumed to be three years younger than the male spouse.

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

These assumptions were adopted September 1, 1985, and have been applied consistently since then.

ANALYSIS OF FUNDING 1989

ANALYSIS OF FINANCIAL EXPERIENCE

Gains and losses in Accrued Actuarial Liability for Fiscal Year ending June 30, 1989 (in millions of dollars);

	Activity	Gain (Loss)
1.	Actuarial Gains and Losses	
	a) Age & Service Retirements	($33.9)
	b) Incidence of Disability	.7
	c) In-Service Mortality	(4.0)
	d) Retiree Mortality	(.3)
	e) Disabled Mortality	(.7)
	f) Termination of Employment	(19.9)
	g) Salary Increases	(77.4)
	h) Investment Income	43.3
	i) Other	(.1)
	j) Total Actuarial Gain (Loss)	($92.3)
2.	Contribution Income	($188.4)
3.	Non-Recurring Items (Plan amendments, change in actuarial assumptions, etc.)	($46.7)
4.	Total Financial Gain (Loss)	($327.4)

SCHEDULE OF INCREASES AND DECREASES OF BENEFIT RECIPIENTS

Fiscal Year (A)	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
1985	12,560	1,583	740	13,403
1986	13,403	1,720	735	14,388
1987	14,388	1,440	597	15,231
1988	15,231	1,872	662	16,441
1989	16,441	1,672	835	17,278

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

ANALYSIS OF FUNDING

10-YEAR SUMMARY

TESTS OF FINANCIAL SOUNDNESS

The following four exhibits illustrate different measures of the financial soundness of the System.

The "Schedule of Funding" compares state appropriations to the actuarial funding requirements, statutory funding requirement, and System expense.

The "Funding Ratios" exhibit shows the percentage of the System's accrued benefit cost covered by net assets. This funding ratio is used to assess the System's ability to make future benefit payments. The exhibit illustrates the ratio of net assets to the System's accrued benefit cost over 10 years, with net assets valued both at cost and at market.

The "Percentage of Benefits Covered by Net Assets" exhibit compares the plan's net assets with the members' accumulated contributions, the amount necessary to cover the present value of benefits currently being paid, and the employer's portion of future benefits for active members.

The final test, "Payroll Percentages," compares member payroll to unfunded accrued benefit cost, normal cost, and normal cost plus interest. These percentages should decrease over the years if SURS is growing stronger.

SCHEDULE OF FUNDING
(in millions of dollars)

	Funding Requirements				Covered Percentages		
Fiscal Year {A}	Statutory Requirement (1)	With 40-Year Amortization (2){B}	System Expense (3){C}	State Cont. (4){D}	Statutory Requirement (5){E}	With 40-Year Amortization (6){F}	System Expense (7){G}
1980	126.5	131.3	56.2	72.7	57.4	55.4	129.3
1981	133.9	141.8	63.4	74.4	55.6	52.4	117.4
1982	176.4	182.0	73.0	55.0	31.2	30.2	75.4
1983	196.6	203.4	80.2	52.3	26.6	25.7	65.2
1984	208.6	216.4	92.7	70.2	33.6	32.4	75.7
1985	232.1	241.6	103.4	83.5	36.0	34.6	80.7
1986	255.4	266.6	117.2	94.7	37.1	35.5	80.8
1987	204.8	210.8	111.8	77.9	38.0	37.0	69.7
1988	266.6	274.4	151.0	83.4	31.3	30.4	55.3
1989	284.6	293.1	168.9	93.8	33.0	32.0	55.5

{A} Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were12 months in length.

{B} Appropriation amount required by Sections 15-155 and 15-156 of the "Illinois Revised Statutes."

{C} Benefit and administrative expense.

{D} Contributions from The State of Illinois employer units and Pension Fund, and employer contributions from trust and federal funds.

{E} State contributions divided by Statutory Requirement (Column 4 divided by Column 1).

{F} State contributions divided by the 40-year amortization requirement (Column 4 divided by Column 2).

{G} State contributions divided by System expense (Column 4 divided by Column 3).

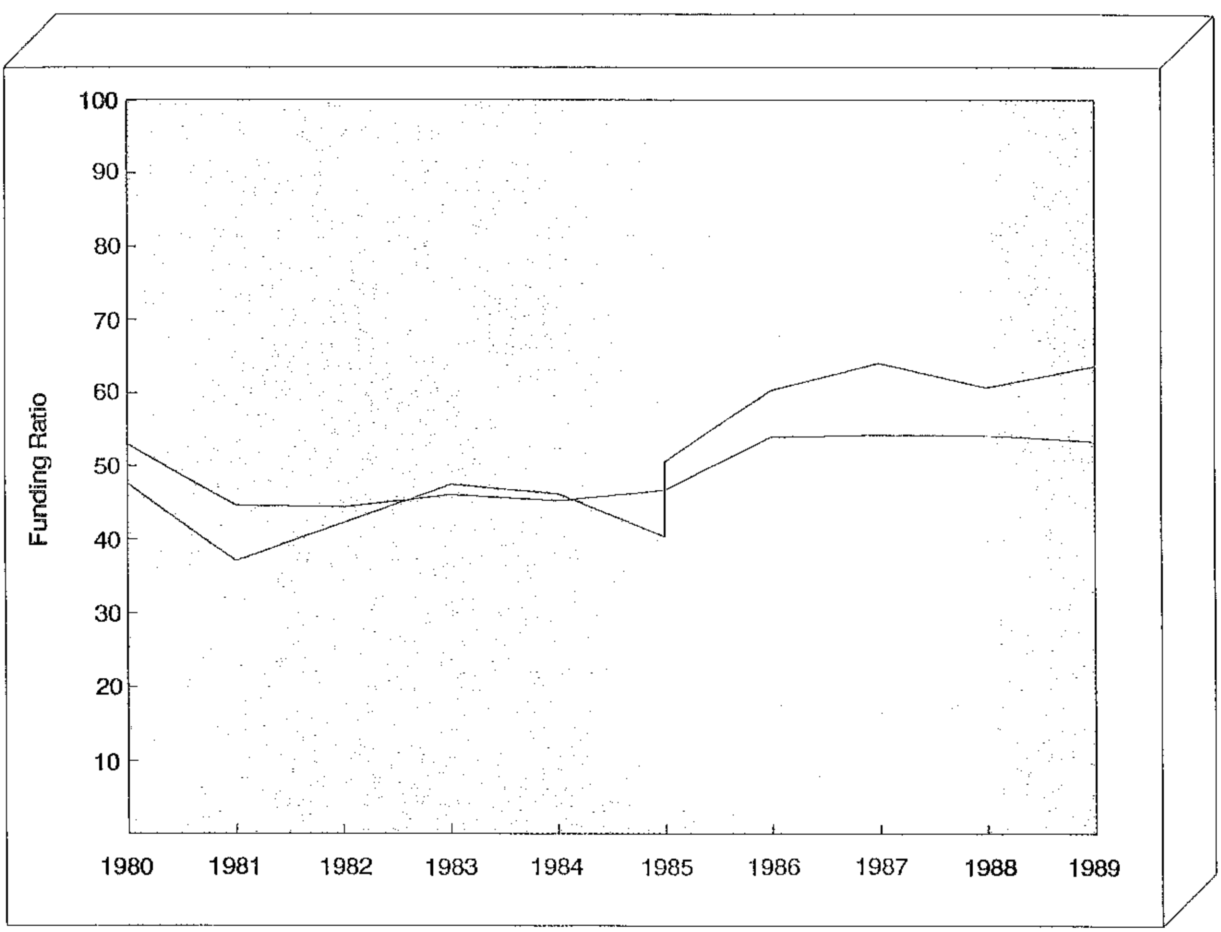
ANALYSIS OF FUNDING 1989

10-YEAR SUMMARY

FUNDING RATIOS
(in millions of dollars)

Fiscal Year (A)	Net Assets at Cost	Net Assets at Market	Actuarial Funding Requirements	Funding Ratio Cost	Funding Ratio Market
1980	$987.3	$891.3	$1,866.4	52.9%	47.8%
1981	1,124.4	932.5	2,513.6	44.7	37.1
1982	1,239.5	1,130.7	2,801.0	44.3	40.4
1983	1,403.4	1,444.6	3,043.4	46.1	47.5
1984	1,524.4	1,563.1	3,374.0	45.2	46.3
1985	1,752.3	1,903.4	3,761.9	46.6	50.6
1986	2,258.0	2,527.7	4,182.2	54.0	60.4
1987	2,470.5	2,912.9	4,561.0	54.2	63.9
1988	2,698.0	3,030.6	4,977.8	54.2	60.9
1989	2,990.0	3,582.4	5,597.2	53.4	64.0

(A) Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.



----------- at Cost ----------- at Market

ANALYSIS OF FUNDING 1989

10-YEAR SUMMARY

PERCENTAGE OF BENEFITS COVERED BY NET ASSETS
(in millions of dollars)

Fiscal Year {A}	Member Accumulated Contributions (1){B}	Members Currently Receiving Benefits (2){B}	Active and Inactive Members' Employer Portion (3){B}	Net Assets	Percentage of Benefits Covered By Net Assets for (1)	(2)	(3)
1980	$577.3	$488.7	$800.4	$987.3	100	83.9	0
1981	654.2	597.2	1,262.2{C}	1,124.4	100	78.7	0
1982	741.0	712.7	1,347.3	1,239.6	100	70.0	0
1983	828.4	780.7	1,434.4	1,403.4	100	73.7	0
1984	918.2	861.2	1,594.2	1,524.4	100	70.4	0
1985	1,018.2	984.7	1,759.0	1,752.3	100	74.6	0
1986	1,134.7	1,145.9	1,901.6{D}	2,258.0	100	98.0	0
1987	1,237.0	1,289.0	2,035.0	2,470.5	100	95.7	0
1988	1,360.6	1,498.9	2,118.3	2,698.0	100	89.2	0
1989	1,493.0	1,677.1	2,427.1	2,990.0	100	71.9	0

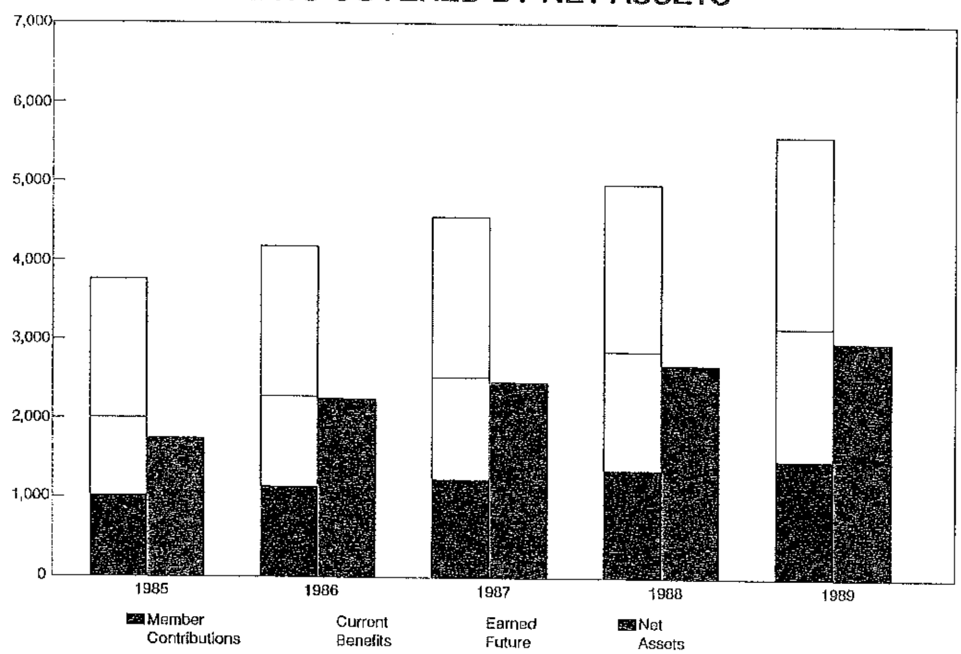
{A} Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months long. Fiscal years 1988 and after ended June 30 and were 12 months long.

{B} A test of financial soundness of a system is its ability to pay all promised benefits when due. Column 1 represents the value of members' accumulated contributions. Column 2 represents the amount necessary to pay participants currently receivingbenefits. Column 3 represents the employer's portion of future benefits for active members. Section 15-156 of the "Illinois Pension Code" provides an order of priority: that is, members' contributions would be covered first, then current benefit recipients and the employer portion of active and inactive employees. For a system receiving actuarially determined contribution amounts, the total of actuarial values in Columns 1 and 2 should generally be fully covered by assets, and the portion of the actuarial value of Column 3 covered by assets should increase over time.

{C} Actuarial assumptions were changed in fiscal year 1981. Interest rate assumption was changed from 5% to 8%. Salary increment assumption was changed from 4% to 8%.

{D} Actuarial assumptions were changed in fiscal year 1986. Salary increment assumption was changed from 8% to 7%.

BENEFITS COVERED BY NET ASSETS



ANALYSIS OF FUNDING 1989

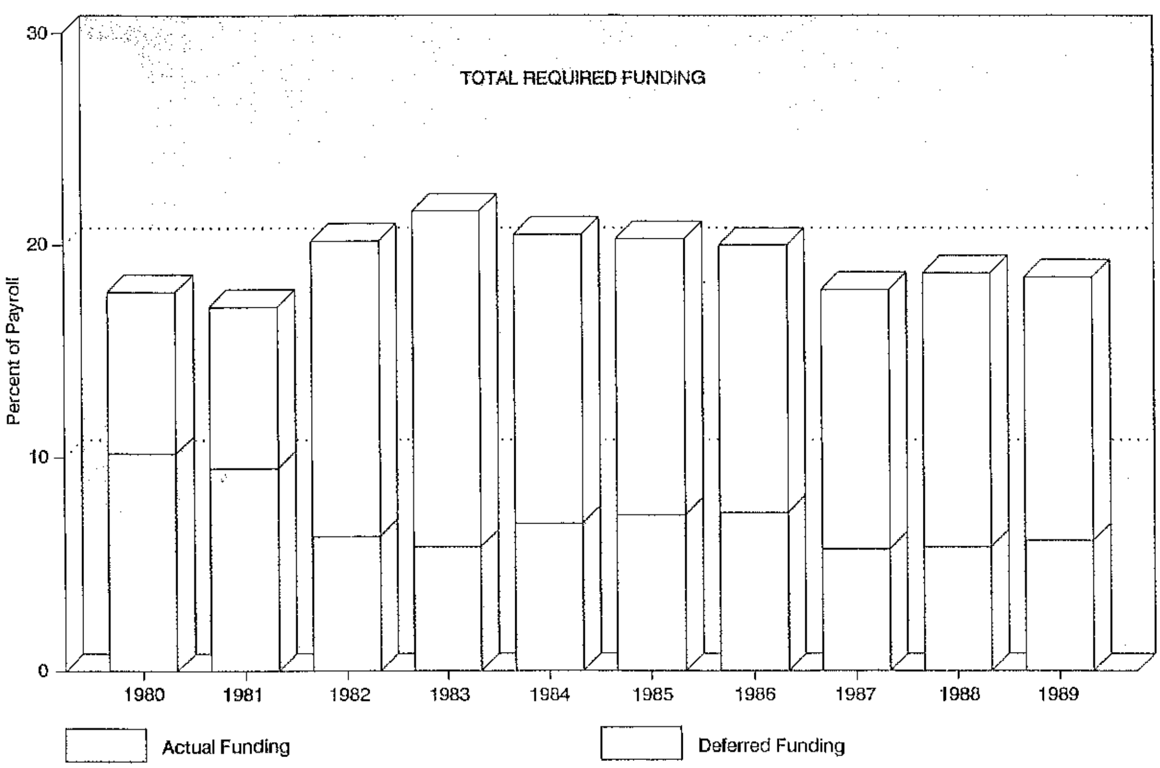
10-YEAR SUMMARY

PAYROLL PERCENTAGES
(in millions of dollars)

		Unfunded Accrued Benefit Cost		Employer's Cost					State Contributions	
Fiscal Year{A}	Member Payroll	Amount	% of Payroll	Employers' Normal Cost	% of Payroll	Interest on Unfunded	Total {D}	% of Payroll	State Cont.	% of Payroll
1980	$710.1	$879.1	123.8	$84.1	11.8	$42.5	$126.5	17.8	$72.7	10.2
1981	784.7	1,389.1	177.0	89.9	11.5{B}	44.0	133.9	17.1	74.7	9.5
1982	872.4	1,561.4	179.0	69.1	7.9	107.3	176.4	20.0	55.0	6.3
1983	908.3	1,640.0	180.6	76.0	8.4	120.6	196.6	21.6	52.3	5.8
1984	1,016.2	1,849.7	182.0	82.0	8.1	126.6	208.6	20.5	70.2	6.9
1985	1,141.9	2,009.6	176.0	89.3	7.8	142.8	232.1	20.3	83.5	7.3
1986	1,275.9	1,924.2	150.8	100.2	7.9{C}	155.2	255.4	20.0	94.7	7.4
1987	1,370.2	2,090.5	152.6	97.2	7.1	107.6	204.8	14.9	77.9	5.7
1988	1,427.6	2,279.8	159.7	105.2	7.4	161.4	266.6	18.7	83.4	5.8
1989	1,536.7	2,607.2	169.7	114.6	7.5	170.0	284.6	18.5	93.8	6.1

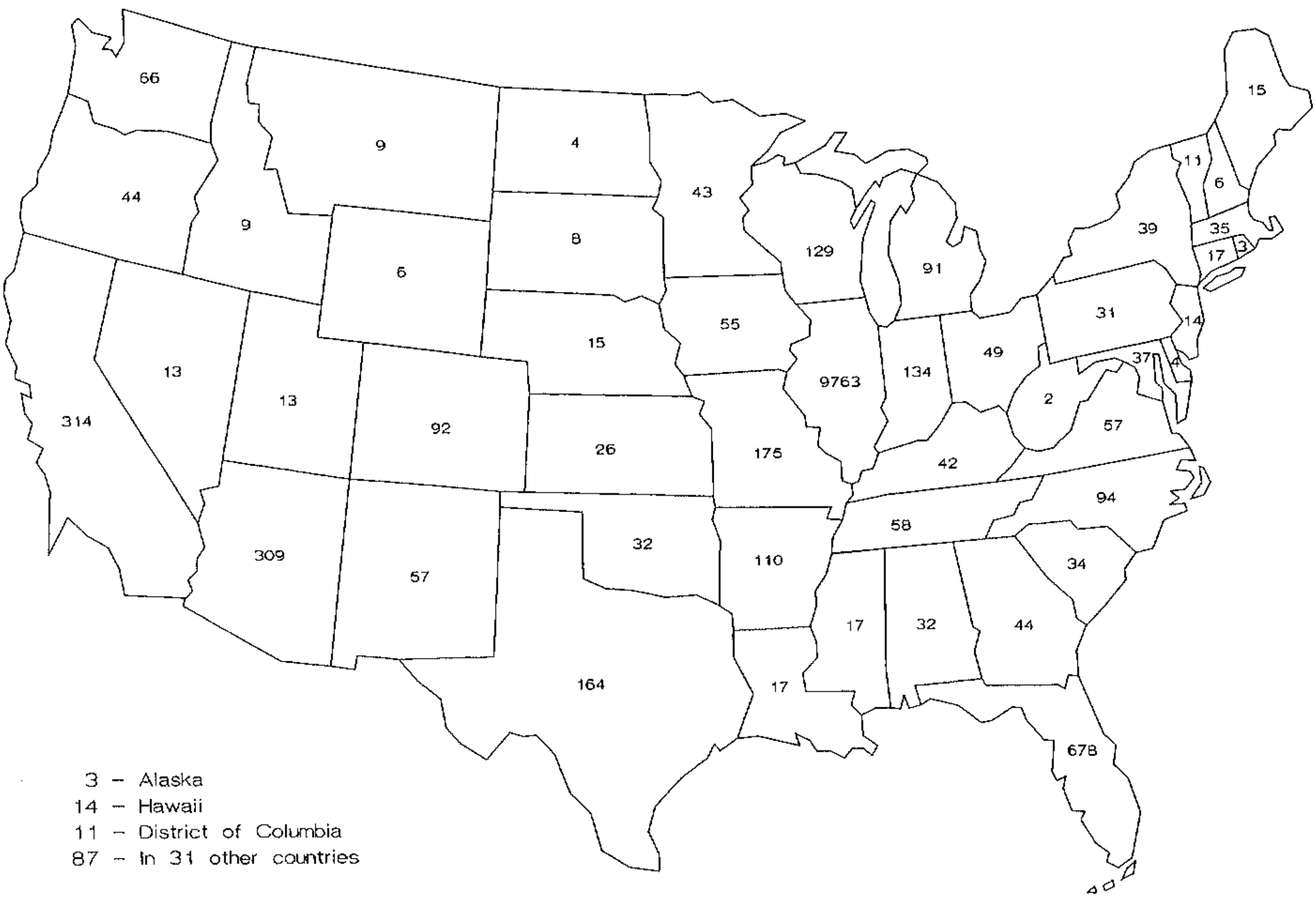
{A} Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months long. Fiscal years 1988 and after ended June 30 and were 12 months long.
{B} Actuarial assumptions were changed in fiscal year 1981. Interest rate assumption was changed from 5% to 8%. Salary increment assumption was changed from 4$ to 8%.
{C} Actuarial assumptions were changed in fiscal year 1986. Salary increment assumption was changed from 8% to 7%.
{D} Normal cost plus interest.

ACTUAL vs. REQUIRED EMPLOYER FUNDING



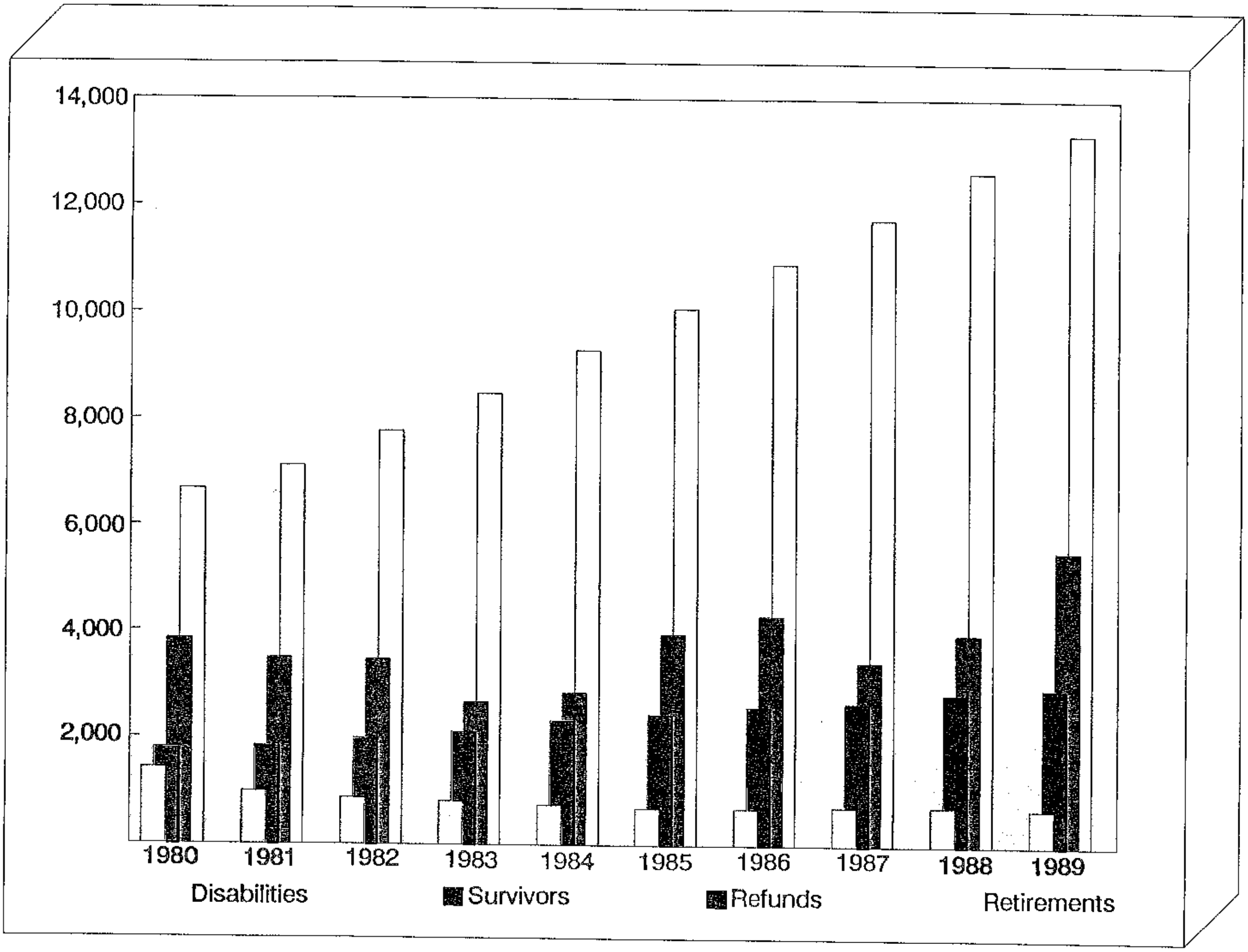
STATISTICAL SECTION

LOCATION OF SURS RETIREES WORLDWIDE



BENEFIT RECIPIENTS

10-YEAR SUMMARY



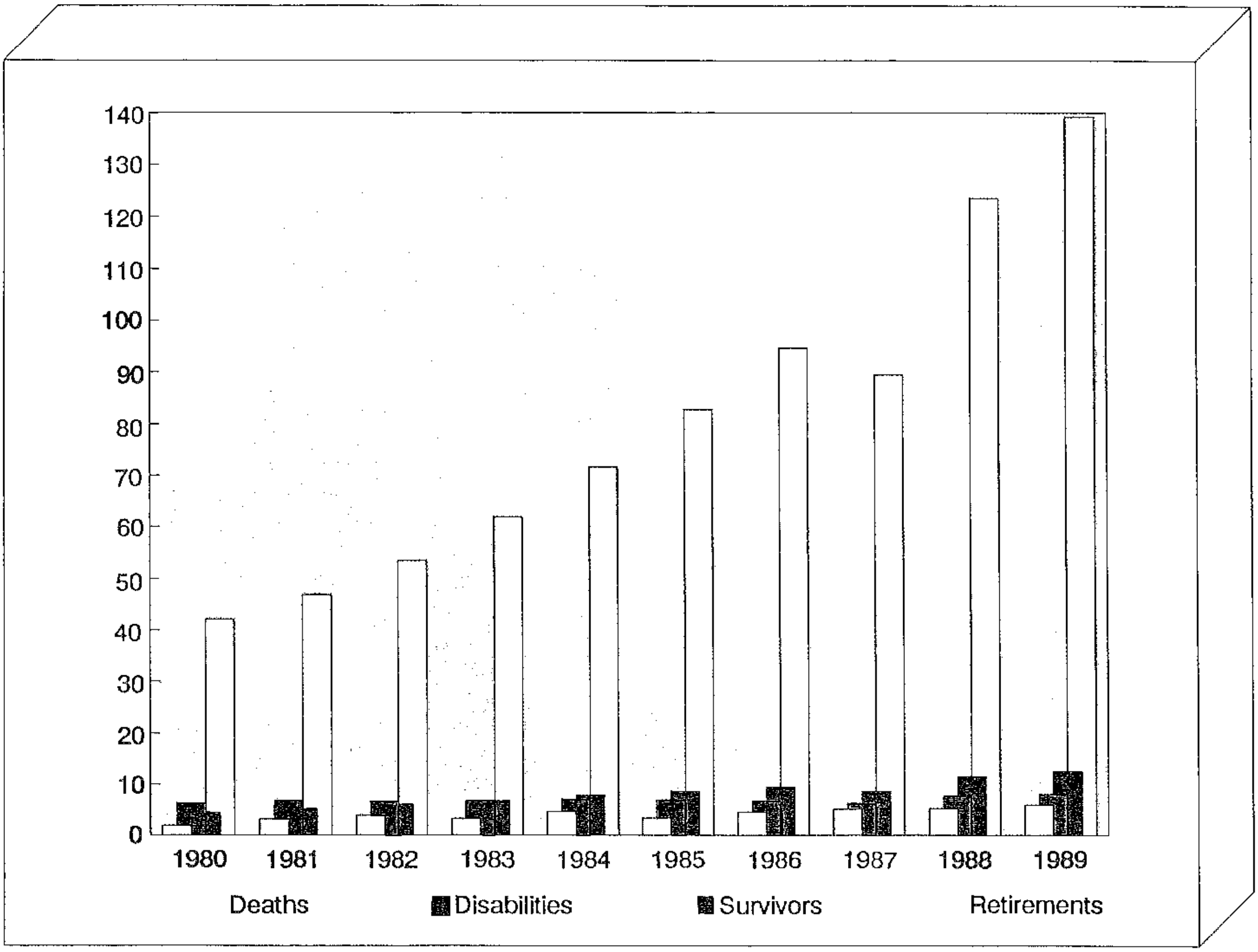
Number of Recipients

Fiscal Year (A)	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
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
1985	2,440	695	3,943	9,982	91
1986	2,585	698	4,305	10,809	101
1987	2,766	729	3,421	11,620	116
1988	2,830	741	3,955	12,495	135
1989	2,959	722	4,399	13,132	149

(A) Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

BENEFIT EXPENSES

10-YEAR SUMMARY



(in millions of dollars)

Fiscal Year (A)	Survivors' Annuities	Disability Benefits	Disability Retirement Allowance	Retirement Annuities	Lump Sum Death Benefits	Total
1980	$4.5	$6.2		$42.0	$2.0	$54.6
1981	5.1	6.7		46.8	3.2	61.8
1982	6.0	6.7	$0.1	53.4	3.8	70.0
1983	6.8	6.8	0.1	61.7	3.3	78.7
1984	7.8	7.1	0.2	71.4	4.7	91.1
1985	8.7	6.9	0.3	82.5	3.4	101.7
1986	9.4	6.8	0.4	94.3	4.6	115.4
1987	8.7	6.2	0.4	89.4	5.2	109.9
1988	11.5	7.7	0.5	123.6	5.3	148.6
1989	12.5	8.0	0.6	139.2	6.0	166.3

(A) Fiscal years 1980 through 1987 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

BENEFIT SUMMARY

SCHEDULE OF NEW BENEFIT PAYMENTS
July 1, 1988 through June 30, 1989

Age	Retirement Number	Retirement Average Monthly Benefit	Disability Number	Disability Average Monthly Benefit	Survivors Number	Survivors Average Monthly Benefit
Under 9					11	$206
10-14					13	246
15-19					8	237
20-24						
25-29			5	$552	1	180
30-34			9	834	1	300
35-39			11	844	5	232
40-44			9	881	5	257
45-49			9	937	4	298
50-54	6	$1,723	17	934	19	547
55-59	243	1,382	22	983	21	540
60-64	396	1,171	28	1,032	46	549
65-69	258	1,351	12	991	36	494
70-74	67	1,307			39	489
Over 74	1	86			36	408
TOTALS	971	$1,244	122	$936	245	$449

Average Age 62.7 years

BENEFIT SUMMARY

SCHEDULE OF AVERAGE BENEFIT PAYMENTS
For Retirees As Of June 30, 1989

	Years of Credited Service						
	0-10	11-15	16-20	21-25	26-30	30+	Total
Fiscal Year 1985							
Number of Retirees	1,940	2,074	1,858	1,163	992	1,955	9,982
Average Monthly Annuity	$ 219	$ 335	$ 544	$ 751	$1,031	$1,523	$ 701
Final Average Salary	$13,484	$15,550	$18,364	$19,360	$21,127	$23,674	$18,256
Average Credited Service							19.53
Fiscal Year 1986							
Number of Retirees	2,070	2,172	2,088	1,342	1,077	2,060	10,809
Average Monthly Annuity	$ 223	$ 351	$ 582	$ 807	$1,101	$1,606	$ 741
Final Average Salary	$13,771	$16,194	$19,430	$20,858	$22,378	$24,763	$19,181
Average Credited Service							19.54
Fiscal Year 1987							
Number of Retirees	2,161	2,372	2,242	1,484	1,183	2,178	11,620
Average Monthly Annuity	$ 229	$ 370	$ 616	$ 860	$1,169	$1,710	$ 790
Final Average Salary	$13,984	$16,723	$20,177	$22,006	$23,502	$25,920	$19,996
Average Credited Service							19.63
Fiscal Year 1988							
Number of Retirees	2,428	2,326	2,371	1,742	1,303	2,325	12,495
Average Monthly Annuity	$ 277	$ 380	$ 649	$ 937	$1,250	$1,820	$ 847
Final Average Salary	$14,343	$17,863	$20,856	$23,743	$24,800	$27,338	$21,132
Average Credited Service							19.54
Fiscal Year 1989							
Number of Retirees	2,385	2,402	2,492	1,981	1,424	2,448	13,132
Average Monthly Annuity	$ 244	$ 399	$686	$1,011	$1,337	$1,933	$905
Final Average Salary	$14,702	$18,369	$21,680	$25,245	$26,170	$28,755	$22,154
Average Credited Service							19.86

BENEFIT SUMMARY

SCHEDULE OF BENEFIT RECIPIENTS BY TYPE OF BENEFIT
For the Year Ended June 30, 1989

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivors
$0-200	2,743	619	297		1,124	4	1	698
201-400	4,303	1,280	459		859	90	21	1,594
401-600	2,242	1,196	359	1	205	45	130	306
601-800	1,682	1,001	242	2	24	6	226	181
801-1000	1,186	852	125	5	2	3	116	83
1001-1200	948	713	116	4	2	1	71	41
1201-1400	808	609	87	14			66	32
1401-1600	673	540	65	8	1		47	12
1601-1800	513	420	51	16	1		20	5
1801-2000	450	392	37	8	1		10	2
2001-2200	341	305	22	7			6	1
2201-2400	274	247	15	5			3	4
2401-2600	191	178	6	4			3	
2601-2800	167	150	14	3				
2801-3000	116	109	6				1	
3000-3200	80	75	4				1	
3200-3400	65	64	1					
3400-3600	42	39	2	1				
3600-3800	33	31	2					
3800-4000	28	27	1					
Over 4000	77	76	1					
TOTALS	16,962	8,923	1,912	78	2,219	149	722	2,959

(A) Minimum annuity and retirements of participants who terminated prior to 1969.

ASSETS AND LIABILITIES

10-YEAR SUMMARY

ASSETS
(in millions of dollars)

Fiscal Year (A)	Receivables	Investments	Property and Equipment	Total
1980	$25.9	$964.8	$0.4	$991.1
1981	25.2	1,104.5	0.4	1,130.1
1982	32.2	1,212.1	0.5	1,244.8
1983	23.4	1,389.0	0.6	1,413.0
1984	21.3	1,516.0	0.7	1,538.0
1985	34.5	1,725.9	0.6	1,761.0
1986	23.1	2,249.3	0.8	2,273.2
1987	15.1	2,458.0	0.9	2,474.0
1988	15.4	2,687.4	0.9	2,703.7
1989	28.1	2,967.7	1.0	2,996.8

(A) Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

LIABILITIES
(in millions of dollars)

Fiscal Year (A)	Accounts Payable	Deferred Income	Fund Balances	Total
1980	$1.2	$2.2	$987.3	$990.7
1981	2.1	3.2	1,124.4	1,129.7
1982	3.0	1.8	1,239.5	1,244.3
1983	2.5	6.2	1,403.8	1,412.5
1984	6.3	6.7	1,524.4	1,537.4
1985	3.0	5.8	1,752.3	1,761.1
1986	9.7	5.5	2,258.0	2,273.2
1987	3.3	0.2	2,470.5	2,474.0
1988	5.5	0.3	2,698.0	2,703.7
1989	6.5	0.3	2,990.0	2,996.8

(A) Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 were 12 months in length.

ACTIVE PARTICIPANT STATISTICS

10-Year Summary

Fiscal Year (A)	Males	Females	Total Actives	Percent Change	Average Salary	Average Age	Average Service Credit
1980	21,812	17,739	39,551	2.5	17,954	43.1	8.7
1981	22,134	18,490	40,624	2.6	19,316	42.7	8.8
1982	22,111	19,208	41,319	1.7	21,114	43.5	9.0
1983	22,004	19,585	41,589	0.6	21,840	43.3	9.7
1984	22,919	21,607	44,526	6.6	22,823	43.1	8.9
1985	24,327	24,082	48,409	8.0	23,589	42.6	8.5
1986	25,259	25,866	51,125	5.3	24,956	42.4	8.4
1987	26,009	26,756	52,765	3.1	25,968	42.7	7.8
1988	25,824	26,898	52,722	-0.1	27,078	42.8	9.0
1989	25,694	27,602	53,296	1.1	28,834	43.0	9.1

(A) Fiscal years 1980 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

ANALYSIS OF CHANGE IN MEMBERSHIP

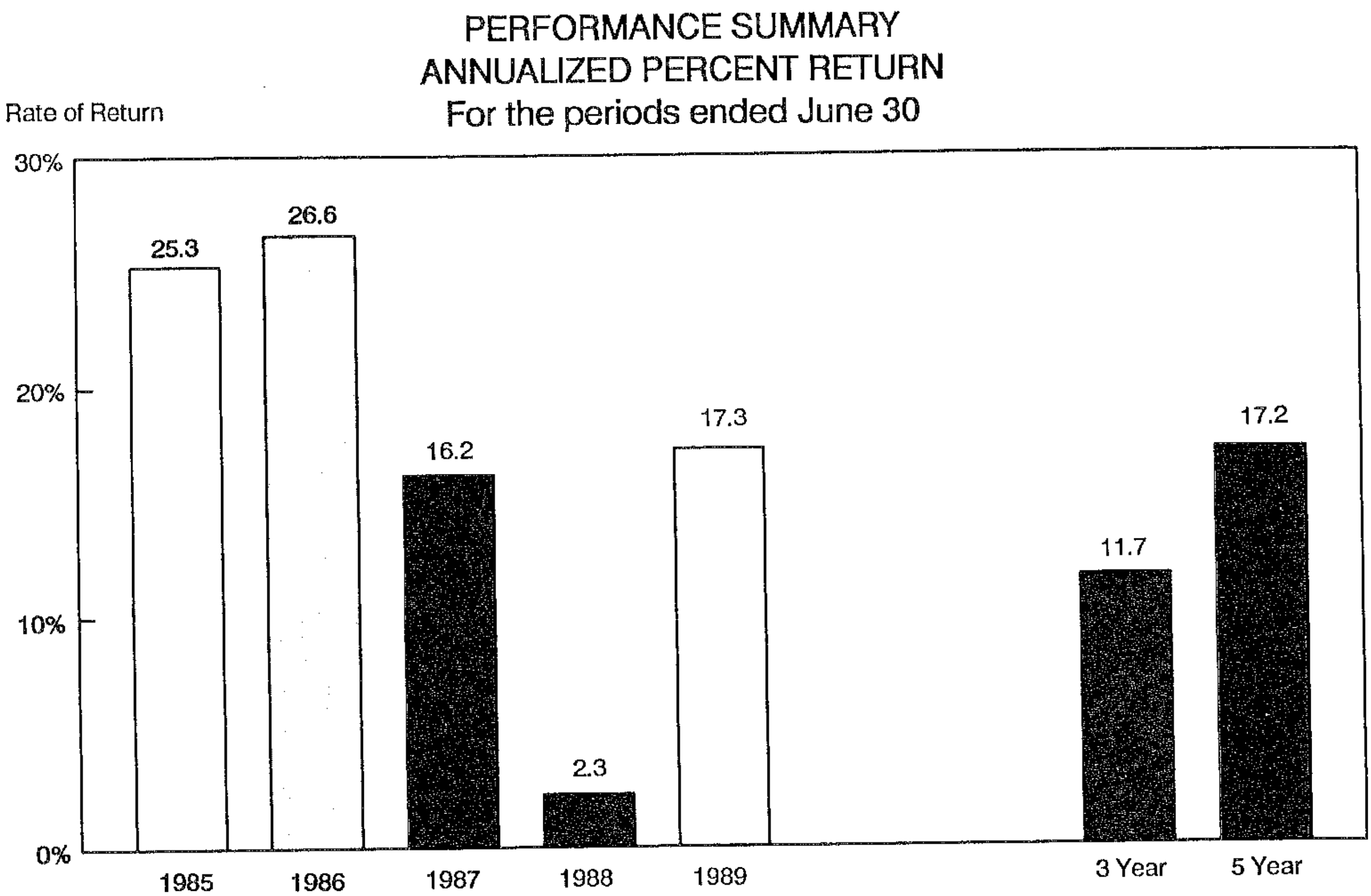
Fiscal Year (A)	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
1984	41,589	7,700	464	130	4,169	44,526
1985	44,526	8,861	459	85	4,434	48,409
1986	48,409	8,191	513	95	4,867	51,125
1987	51,125	5,228	346	77	3,165	52,765
1988	52,765	6,790	904	109	5,820	52,722
1989	52,722	7,503	759	101	6,069	53,296

(A) Fiscal years 1984 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

PARTICIPATING EMPLOYERS 1989

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

INVESTMENT SECTION



CERTIFICATION LETTER

THE NORTHERN TRUST COMPANY
FIFTY SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60675

TELEPHONE (312) 630-6000

Master Trustee's Comments on the Services Provided

To the Board of Trustees and the Executive Director:

The Northern Trust Company 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 period July 1, 1988 through June 30, 1989. Also, a statement of assets together with their fair market value was provided, showing the properties held as of June 30, 1989. The Northern Trust Company certifies that the statements contained therein are fairly presented and are true and accurate.

In addition to the Custody of the assets, The Northern Trust Company 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 with 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 NORTHERN TRUST COMPANY

By: Randall C. Hampton

Randall C. Hampton
Vice President

INVESTMENT SUMMARY 1989

STATEMENT OF INVESTMENT POLICY

Investment Policy

Permissible Equity Investment

Up to 55 percent of the market value of the fund may be invested in equity securities with a target of 10 percent of the market value of the fund invested in non-U.S. equity securities.

Permissible Real Estate Investment

Up to 15 percent of the market value of the fund may be invested in diversified equity real estate or mortgages.

Diversification

The State Universities Retirement System (SURS) invests in different types of assets and uses multiple managers as a method to ensure overall fund diversification. As of June 30, 1989, the System had retained the services of eight investment managers.

Each investment management firm is afforded full discretion to diversify its portfolio in a manner it deems appropriate. The Trustees have created guidelines to direct the investment managers in their execution of the overall investment policy. The guidelines are specific to the type of portfolio managed.

INVESTMENT SUMMARY

The investment policy of SURS provides an efficient allocation of assets to achieve overall risk and return objectives. Proper implementation of this policy requires that a periodic adjustment, or "rebalancing," of assets be made to ensure conformance with policy target levels. Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among asset classes and investment managers.

The fund did not require rebalancing during fiscal year 1989, as the asset allocation stayed within target levels throughout the year. At year end, the 57 percent of the fund invested in stocks was slightly over the 55 percent target. Bonds with a goal of 30 percent stood at 31 percent. The combined overweighting for stocks and bonds (3 percent of the total fund) was offset by a like underweighting in real estate, 12 percent invested versus a 15 percent goal.

The goal for SURS equities is to equal or exceed the average result of a broadly diversified portfolio which is representative of a cross section of the American economy. The goal of SURS is based on the premise that our equity portfolio should capture for System participants the beneficial effects of growth in the American economy. During the fourth quarter of 1988, the Board shifted $75 million of funds actively managed by Fayez Sarofim to the passively managed Wells Fargo Extended Market Fund. The Wells Extended Market Fund consists of all stocks in the Wilshire 5000 Index except for those in the S&P 500 Index. Stocks in the S&P 500 Index tend to be the largest companies in the U.S. and in fact represent 70 percent of the capitalization of the Wilshire 5000. The remaining 30 percent capitalization is held by 4,500 different companies; therefore, the Extended Market Fund is representative of a broad investment in small company stocks. Analysis had shown SURS allocation of equity funds among Fayez Sarofim, Batterymarch, and Wells Fargo provided a well diversified combination, but with an over emphasis upon larger company stocks.

INVESTMENT SUMMARY 1989

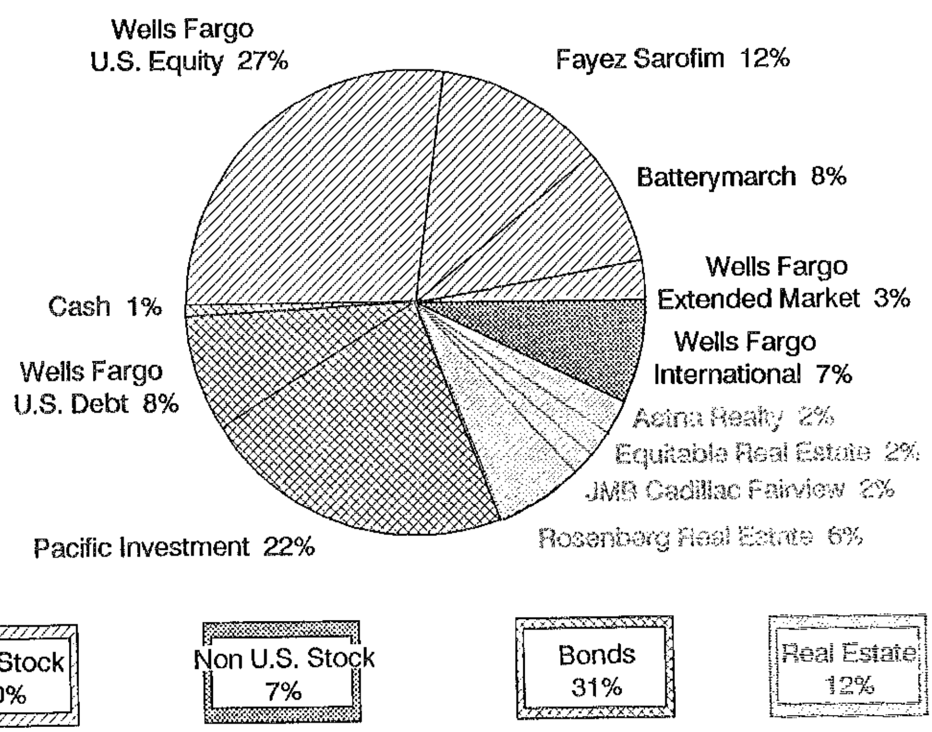
The effect of an over emphasis upon larger companies are several:

1. Possibility of reduced long-term return.
2. Possibility of under performing SURS total equity goal.
3. Less volatility of total fund results, but greater difficulty in closely tracking SURS total fund goal.

The effect of the move was to invest more in small company stocks to reduce the larger company bias, reduce annual fees by shifting from active to passive management, and provide a more even balance between SURS active equity managers.

In April, 1989 SURS commenced a program of currency hedging the assets invested in foreign stocks. Investing in foreign stocks provides diversification but unfortunately adds the risk of currency flucuations. Study has shown that the currency risk does not add to the total return and is largely an uncompensated risk. By currency hedging the foreign investments SURS can participate in the foreign stock return while passing off the currency risk. The Board also authorized increasing the percentage of the market value of the fund that can be invested in foreign stocks from 5 percent to 10 percent.

ASSET ALLOCATION AS OF JUNE 30, 1989



INVESTMENT SUMMARY 1989

ASSET ALLOCATION AS OF JUNE 30, 1989
($000)

	Stocks	Bonds	Real Estate	Total	Percent
Stock Managers - Passive					
Wells Fargo Investment Advisors					
U.S. Equity Fund	$973,777	$0	$0	$973,777	27
Extended Market Fund	88,126	0	0	88,126	3
International Fund	229,459	18,166	0	247,625	7
Subtotal	1,291,362	18,166	0	1,309,528	37
Stock Managers - Active					
Batterymarch Financial Management	281,807	2,752	0	284,559	8
Fayez Sarofim	423,561	106	0	423,667	12
Pacific Investment Management Company					
StocksPlus	10,680	0	0	10,680	0
Subtotal	716,048	2,858	0	718,906	20
Bond Managers - Passive					
Wells Fargo Investment Advisors					
U.S. Debt Fund	0	290,903	0	290,903	8
Subtotal	0	290,903	0	290,903	8
Bond Managers - Active					
Pacific Investment Management Company	4,253	765,741	0	769,994	22
The Northern Trust Company					
(Short-term cash and GICs)	0	37,550	0	37,550	1
Subtotal	4,253	803,291	0	807,544	23
Real Estate Managers					
Aetna Realty Investors					
Real Estate Separate Account	0	0	81,067	81,067	2
Equitable Real Estate Management					
Prime Property Fund	0	0	82,290	82,290	2
JMB Institutional Realty					
Cadillac Fairview	0	1,001	62,293	63,294	2
Rosenberg Real Estate Equity Funds	0	1,723	204,769	206,492	6
Subtotal	0	2,724	430,419	433,143	12
TOTAL ASSET ALLOCATION	$2,011,663	$1,117,942	$430,419	$3,560,024	100
PERCENT	57	31	12	100	

INVESTMENT SUMMARY 1989

INVESTMENT RESULTS

Investment Objectives

Overall fund performance will be compared with the performance of a "policy portfolio" comprised of 50 percent of the Wilshire 5000 Stock Index, 5 percent of the Capital International Europe, Australia, Far East (EAFE) Index, 30 percent of the Salomon Brothers Broad Investment Grade Bond Index, and 15 percent of the Ennis, Knupp & Associates Real Estate Index. The investment objective is to equal or exceed the policy portfolio rate of return. The policy portfolio has been continually updated to reflect a passive implementation of the investment policy. Comparisons of total fund performance will also be made with a universe of funds implementing generally comparable investment policies.

Summary of Investment Results

Investment results for the fiscal year ended June 30, 1989, exceeded established goals for all categories. Total fund results exceeded the policy portfolio goal by 2.0 percent and the CDA Associates Public Funds Median by 3.0 percent for FY 89. U.S. stocks exceeded their goal by 1.4 percent and foreign stocks by 0.1 percent. Bonds and real estate each exceeded their goals by 1.2 percent.

The year ended June 30 was unusually favorable for U.S. stocks, foreign stocks, and U.S. bond markets, returning 19.5 percent, 17.4 percent, and 12.2 percent, respectively. Real estate returns continue to suffer from overcapacity in certain areas. Inflation was 5.2 percent for fiscal year 1989 -- 1 percent above the rate for fiscal year 1988. Nevertheless, total fund return over inflation amounted to 12.1 percent for the year. Longer-term results have slightly exceeded the goal for the total fund.

While returns over the past five years have been substantially in excess of inflation, employer funding has lagged. Past inadequate funding, in addition to creating future cost problems for the System, has meant missing the important opportunity during the past five years to earn a very high return over inflation.

The following table summarizes investment results for the past five years.

INVESTMENT SUMMARY 1989

PERFORMANCE SUMMARY
Annualized Percent Return for Periods Ending June 30

	1985	1986	1987	1988	1989	Annualized 3 Years	Annualized 5 Years
Total Fund							
SURS	25.3%	26.6%	16.2%	2.3%	17.3%	11.7%	17.2%
Policy Portfolio	29.3	27.3	15.0	0.5	15.2	10.0	17.0
CDA Public Retirement Funds Index	26.6	26.1	13.7	0.4	14.2	9.3	15.8
CPI	3.7	1.9	3.3	3.9	5.2	4.1	3.6
U.S. Common Stock Returns							
SURS	26.6	35.2	22.9	-5.8	21.9	12.2	19.0
S&P 500 Stock Index	31.2	35.8	25.1	-6.9	20.5	12.0	20.1
Wilshire 5000	31.2	35.3	20.1	-6.0	19.5	10.5	19.1
Foreign Stock Returns							
SURS			60.2	4.8	17.5	25.5	
EAFE Index			59.0	4.4	17.4	25.0	
Bond Returns							
SURS	27.7	21.8	6.3	9.0	13.4	9.5	15.4
Shearson/Lehman G/C Bond Index	28.7	20.6	4.7	7.5	12.3	8.1	13.1
Salomon Broad Investment Grade Index	29.9	19.9	5.6	8.1	12.2	8.6	14.8
Real Estate Returns							
SURS		8.9	5.3	7.4	9.9	7.5	
Ennis, Knupp & Assoc-Real Estate Index		8.4	6.4	6.4	6.8	6.7	
Asset Allocation							
U.S. Stock	48	47	49	47	50	49	48
Non-U.S. Stock		5	7	7	7	7	5
Bonds	52	42	36	33	31	33	39
Real Estate		6	8	13	12	11	8

INVESTMENT PORTFOLIO 1989

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
Abbott Lab	120,000	$6,203,225	$6,960,000
Advanced Micro Devices Inc	286,900	2,656,526	2,797,275
Aluminum Co America	131,600	5,297,595	8,438,850
Amax Inc	34,000	936,893	820,250
Ambase Corp	101,400	1,865,253	1,394,250
Amer Telephone & Telegraph	163,700	4,181,487	5,729,500
American Ecology Corp	4,300	21,932	40,850
American Express Co	310,952	4,579,152	10,339,153
American General Corp	222,341	6,152,022	7,920,898
American Home Prod Corp	80,000	3,574,701	7,540,000
American Software Inc Cl A	77,100	894,103	1,214,325
American Stores Co	65,000	3,626,762	3,997,500
Amoco Corp	165,800	2,462,370	7,315,925
AMR Corp	130,000	6,931,303	7,946,250
Anheuser-Busch Companies	260,000	2,824,190	10,855,000
Ashland Oil Inc	25,600	649,856	988,800
Ask Computer Sys Inc	27,400	398,069	342,500
AST Research Inc	48,900	666,263	427,875
Atlantic Richfield Co	22,500	817,851	2,106,563
Bally Mfg Corp	152,200	3,735,507	3,690,850
Bancflorida Fncl Corp	5,400	53,083	47,250
Bay View Fed S&L San Mateo	46,900	879,375	1,055,250
Bergen Brunswig Corp Cl A	44,251	689,476	1,305,405
Bethlehem Steel Corp	116,400	1,323,028	2,444,400
Boeing Co	224,925	7,295,659	10,796,398
Bowater Inc	279,900	7,818,523	7,627,275
Burlington Resources Inc	50,549	1,426,737	2,287,342
Cabot Corp	28,700	883,099	1,119,300
Calfed Inc	38,100	858,012	923,925
Carolina Pwr & Lt Co	21,700	826,119	878,850
CBI Ind Inc	26,600	745,598	884,450
Champion Intl Corp	99,900	2,302,191	3,321,675
Chevron Corp	239,000	11,401,411	12,906,000
Chrysler Corp	122,300	3,059,871	3,026,925
Cigna Corp	151,000	7,049,108	8,437,125
Cipher Data Prod Inc	109,400	945,763	861,525
Coca Cola Co	365,000	9,173,931	20,576,873
Coca Cola Enterprises Inc	65,000	1,072,500	1,113,125
Commodore Intl Ltd	88,300	805,481	1,214,125
Cons Freightways Inc	35,250	755,395	1,017,844
Control Data Corp	114,600	3,488,230	2,492,550
Crane Co	54,600	1,035,019	1,453,725
CTS Corp	16,200	662,419	362,475
Cubic Corp	38,600	733,916	550,050
Dayton-Hudson Corp	65,000	2,939,365	3,225,625
Delta Air Lines Inc	73,000	5,079,909	4,954,875
Dennison Mfg Co	48,400	1,547,868	1,476,200
Dow Chemical Co	110,000	9,511,715	9,240,000

INVESTMENT PORTFOLIO 1989

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
Dresser Ind Inc	83,600	$2,128,804	$3,417,150
DuPont E I De Nemours & Co	106,700	6,195,775	11,603,623
Eastman Kodak Co	157,500	6,373,343	7,402,500
Edison Bros Stores Inc	23,100	855,850	1,316,700
EDO Corp	5,200	88,004	49,400
Electromagnetic Sci Inc	28,000	476,560	185,500
Emulex Corp	100,100	899,940	900,900
Engelhard Corp	59,100	1,616,688	1,233,713
Enron Corp	56,200	2,055,574	2,578,175
Excell Bancorp Inc	4,000	48,080	48,500
Federal National Mortgage	64,700	3,026,019	5,766,388
First Fed Financial Corp	400	7,658	8,150
First Republic Bank Corp	86,800	609,336	2,604
Fluke John Mfg Co Inc	34,949	836,716	825,670
Ford Motor Co	380,500	6,425,832	18,454,250
FPL Group Inc	33,800	1,007,916	1,043,575
General Dynamics Corp	146,700	8,186,884	8,545,275
General Electric Co	335,000	7,468,437	17,294,375
General Motor Corp	191,300	7,119,459	7,986,775
General Nutrition Inc	122,200	658,047	1,267,825
Golden West Financial Corp	19,500	936,344	899,438
Greater N.Y. Svgs Bank	9,000	105,830	103,500
Greentree Accep Inc	20,700	321,418	163,013
Greyhound Corp	25,300	633,006	844,388
Grumman Corp	63,400	1,628,443	1,299,700
Harris Corp	65,000	2,063,380	2,088,125
Harsco Corp	87,000	1,629,215	2,088,000
Heinz H J Co	160,000	5,696,732	8,480,000
Honeywell Inc	27,300	1,575,434	2,003,138
Household Intl Inc	50,100	2,501,016	2,730,450
Imperial Corp Amer	12,800	97,856	73,600
Inco Ltd	370,000	7,933,361	10,082,500
Inland Steel Ind Inc	89,600	3,755,105	3,595,200
Integrated Res Inc	36,900	750,970	147,600
Intl Business Mach Corp	38,900	4,851,811	4,351,936
Intl Min & Chem Corp	32,800	1,298,806	1,398,100
Intl Multifoods Corp	24,000	636,480	714,000
Jeffsn Smurfit Corp	36,500	954,293	949,000
K Mart Corp	414,900	10,296,792	14,936,400
Kellogg Co	145,000	4,674,865	10,240,625
Kerr-Mc Gee Corp	49,500	1,783,592	2,184,188
Lennar Corp	44,000	660,880	962,500
Lilly Eli & Co	180,000	3,423,865	9,810,000
Lockheed Corp	260,800	11,677,118	12,485,800
Loews Corp	90,000	6,068,169	9,832,500
Lukens Inc	21,450	272,129	557,700
Marriott Corp	125,000	4,124,551	4,453,125
Marsh & Mc Lennan Co	65,000	4,172,519	4,216,875

INVESTMENT PORTFOLIO 1989

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
May Dept Stores Co	190,000	$5,315,611	$7,932,500
Mc Donnell Douglas Corp	102,500	7,869,251	7,546,563
Mc Graw-Hill Inc	78,000	2,387,909	5,430,750
Medusa Corp Com	24,644	290,738	335,775
Mercantile Stores Co Inc	51,900	1,869,957	2,341,988
Merck & Co Inc	295,000	10,942,965	19,728,125
Merrill Lynch & Co Inc	282,300	6,536,971	8,045,550
Minn Mng & Mfg Co	100,000	4,887,119	7,100,000
Mobil Corp	212,600	3,039,174	10,497,122
Monsanto Co	62,000	6,270,365	6,533,250
Morgan Stanley Group Inc	50,700	3,546,002	3,295,500
Mosinee Paper Corp	24,000	411,158	495,000
Murphy Oil Corp	53,500	1,682,728	1,979,500
Natl Intergroup Inc	37,900	858,246	620,613
Natl Semiconductor Corp	231,900	1,879,045	1,652,288
NCR Corp	42,300	1,186,301	2,220,750
Newport Corp	47,200	613,600	525,100
Nike Inc Cl B	87,600	1,609,650	3,569,700
Northrop Corp	103,100	2,727,187	2,693,488
Northside Svg Bank Bronx N.Y.	49,300	916,874	899,725
Norton Co	31,500	1,191,381	1,610,438
NWNL Companies Inc	24,800	753,300	899,000
N.L Industries Inc	68,200	699,534	1,500,400
Occidental Petro Corp	267,800	7,373,265	7,331,025
Olin Corp	34,600	1,429,042	2,015,450
Orion Pictures Corp	12,600	187,677	274,050
Outboard Marine Corp	29,700	1,066,082	980,100
Owens Corning Fiberglass	190,000	4,191,832	5,605,000
Penney J.C. Co Inc	140,000	4,371,987	7,770,000
Pennwalt Corp	12,235	781,489	1,570,790
Pennzoil Co	110,000	3,672,348	8,662,500
Peoples Heritage Fncl Grp	43,400	916,825	851,725
Peoples Westchester Svg Bk	9,500	255,503	256,500
Pepsico Inc	200,000	4,990,184	10,650,000
Petrolite Corp	18,500	593,510	430,125
Pfizer Inc	140,000	4,813,527	8,032,500
Philip Morris Companies	215,000	6,080,917	29,804,375
Phillips Petroleum Co	355,100	7,595,022	7,723,425
Poughskeepie Svg Bank	2,900	58,058	60,538
Procter & Gamble Co	75,000	3,991,631	8,128,125
Quaker St Corp	52,500	1,392,300	833,438
Rochester Cmnty Svg Bank	48,500	845,895	776,000
Royal Dutch Peteroleum	130,000	3,335,325	8,157,500
Russ Togs Inc	15,450	229,484	193,125
San Diego Gas & Elec Co	78,000	2,944,168	3,159,000
Scherer R P Corp	3,889	61,754	58,335

INVESTMENT PORTFOLIO 1989

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
Sequa Corp Cl A	8,500	$294,250	$582,250
Sprague Technologies Inc	36,000	418,860	405,000
SPX Corp	47,400	1,067,993	1,344,975
St Paul Bancorp Inc	1,700	22,559	28,900
Stone & Webster Inc	17,300	865,346	1,524,563
Tambrands Inc	70,000	1,767,063	4,217,500
Teledyne Inc	20,000	3,054,816	7,267,500
Temple Inland Inc	47,550	1,242,772	2,680,631
Texaco Inc	16,300	518,447	821,113
Texas Eastern Corp	69,500	2,002,828	3,683,500
Texas Instruments Inc	12,700	622,554	496,888
TGI Friday S Inc	13,300	108,379	201,163
Time Inc	62,000	2,268,690	9,625,500
Times Mirror Co Cl A	175,000	4,898,974	7,240,625
TJX Companies, Inc.	94,500	914,224	1,712,813
Tosco Corp	220,100	829,777	907,913
Travelers Corp	183,600	6,784,493	7,458,750
TRW Inc	96,900	4,382,201	4,166,700
Union Carbide Corp	166,300	4,664,601	4,386,163
Unisys Corp	20,100	620,990	494,963
United Technologies Corp	73,700	3,775,734	3,703,425
Unocal Corp	73,746	2,177,583	3,309,352
USX Corp	110,000	3,537,164	3,795,000
Varian Assoc Inc	46,800	1,837,836	1,134,900
VF Corp	39,000	777,936	1,243,125
VWR Corp	39,100	454,522	791,775
Waban Inc	47,250	521,535	714,656
Warner Communications Inc	190,000	6,030,927	11,471,250
Warner-Lambert Co	75,000	4,293,103	6,618,750
Wash Fed Svg & Ln Assn	1,600	40,232	56,400
Webb Del Corp	23,600	516,722	238,950
Westcorp Inc	1,000	7,280	8,875
Willamette Ind Inc	38,000	932,662	1,629,250
Woolworth F.W. Co	25,200	470,315	1,304,100
Zenith Electric Corp	237,500	4,654,974	4,393,750
MUTUTAL FUNDS AND LIMITED PARTNERSHIPS			
StocksPlus, LTD P'ship	100,000	10,000,000	10,680,256
Wells Fargo U.S. Equity Fd	81,503,364	784,381,361	973,777,416
Wells Fargo Extd Mkt Fd	3,152,575	76,795,332	88,125,508
Wells Fargo Internat'l Fd	3,974,709	126,329,224	229,458,893
PERFERRED STOCK			
Toledo Ed Ser A Adj Rate	50,000	1,000,000	1,093,750
TOTAL EQUITIES		$1,477,993,913	$2,011,663,167

INVESTMENT PORTFOLIO 1989

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
GOVERNMENT AGENCIES						
Fed Natl Mtg Assn	AAA	8.500	05/01/01	$89,921	$88,375	$86,857
Fed Natl Mtg Assn	AAA	8.500	08/01/01	36,071	35,452	34,842
Fed Natl Mtg Assn	AAA	8.500	09/01/01	452,369	444,594	436,956
Fed Natl Mtg Assn	AAA	8.500	10/01/01	1,258,800	1,237,163	1,215,912
Fed Natl Mtg Assn	AAA	8.500	05/01/02	897,502	852,065	866,924
Fed Natl Mtg Assn	AAA	8.500	06/01/02	4,982,544	4,732,429	4,812,789
Fed Natl Mtg Assn	AAA	8.750	04/01/08	693,942	554,286	670,521
Fed Natl Mtg Assn	AAA	9.400	09/15/08	1,555,200	1,104,192	1,543,116
Fed Natl Mtg Assn	AAA	8.000	07/01/09	4,092,443	3,775,279	3,805,972
Fed Natl Mtg Assn	AAA	16.250	11/01/11	321,771	335,446	348,529
Fed Natl Mtg Assn	AAA	15.750	12/01/11	831,856	874,491	904,369
Fed Natl Mtg Assn	AAA	14.750	08/01/12	1,477,185	1,623,980	1,591,194
Fed Natl Mtg Assn	AAA	16.000	09/01/12	354,920	380,194	382,313
Fed Natl Mtg Assn	AAA	16.000	09/12/12	938,301	996,676	1,010,719
Fed Natl Mtg Assn	AAA	15.500	12/01/12	65,641	69,189	71,363
Gov Natl Mtg Assn	AAA	8.500	12/15/05	127,381	107,219	122,923
Gov Natl Mtg Assn	AAA	14.750	06/15/97	69,669	75,504	72,978
Gov Natl Mtg Assn	AAA	14.750	07/15/97	30,227	32,758	31,662
Gov Natl Mtg Assn	AAA	8.500	02/15/07	184,140	154,994	177,696
Gov Natl Mtg Assn	AAA	9.000	09/15/08	11,533	10,206	11,352
Gov Natl Mtg Assn	AAA	9.000	11/15/08	22,038	19,503	21,693
Gov Natl Mtg Assn	AAA	9.000	01/15/09	27,863	24,659	27,427
Gov Natl Mtg Assn	AAA	9.500	05/15/09	70,432	63,476	70,651
Gov Natl Mtg Assn	AAA	9.500	06/15/09	184,409	166,513	184,985
Gov Natl Mtg Assn	AAA	9.500	08/15/09	878,888	740,319	886,930
Gov Natl Mtg Assn	AAA	9.500	09/15/09	297,596	268,357	298,525
Gov Natl Mtg Assn	AAA	9.500	10/15/09	102,331	92,225	102,650
Gov Natl Mtg Assn	AAA	9.500	01/15/10	72,729	65,547	72,956
Gov Natl Mtg Assn	AAA	10.500	09/15/10	11,136	11,025	11,578
Gov Natl Mtg Assn	AAA	13.500	10/15/12	11,211	12,121	12,458
Gov Natl Mtg Assn	AAA	9.500	05/15/13	54,746	49,339	54,711
Gov Natl Mtg Assn	AAA	11.000	08/20/13	1,110,478	989,942	1,153,853
Gov Natl Mtg Assn	AAA	11.500	10/20/13	1,028,896	940,602	1,072,624
Gov Natl Mtg Assn	AAA	10.500	12/20/13	373,443	318,722	382,312
Gov Natl Mtg Assn	AAA	11.500	12/20/13	332,323	303,061	346,447
Gov Natl Mtg Assn	AAA	11.500	04/20/14	202,068	180,861	210,656
Gov Natl Mtg Assn	AAA	10.500	01/15/16	17,894	17,715	18,604
Total Government Agencies				$23,269,897	$21,748,479	$23,128,047
U.S. GOVERNMENT						
U.S. Treasury Bond	AAA	11.375	05/15/90	9,000,000	9,191,250	9,225,000
U.S. Treasury Bond	AAA	6.750	03/31/91	21,000,000	20,398,578	20,520,990
U.S. Treasury Bond	AAA	7.875	06/30/91	3,400,000	3,337,057	3,388,307

INVESTMENT PORTFOLIO 1989

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
U.S. GOVERNMENT						
U.S. Treasury Bond	AAA	8.750	09/30/92	$1,250,000	$1,233,594	$1,272,263
U.S. Treasury Bond	AAA	7.625	05/15/93	23,800,000	22,513,537	23,413,250
U.S. Treasury Bond	AAA	11.750	11/15/93	20,000,000	22,085,938	22,575,000
U.S. Treasury Bond	AAA	8.875	02/15/94	64,800,000	66,211,001	66,764,088
U.S. Treasury Bond	AAA	9.500	05/15/94	57,400,000	60,089,738	60,557,000
U.S. Treasury Bond	AAA	8.625	08/15/94	5,000,000	4,976,850	5,123,450
U.S. Treasury Bond	AAA	12.625	08/15/94	8,250,000	9,533,906	9,768,495
U.S. Treasury Bond	AAA	11.625	11/15/94	24,500,000	27,267,969	28,128,940
U.S. Treasury Bond	AAA	11.250	05/15/95	8,100,000	9,207,234	9,241,614
U.S. Treasury Bond	AAA	7.375	05/15/96	5,000,000	4,555,469	4,796,850
U.S. Treasury Bond	AAA	7.250	11/15/96	26,400,000	23,908,781	25,088,184
U.S. Treasury Bond	AAA	8.500	05/15/97	22,300,000	21,849,024	22,731,951
U.S. Treasury Bond	AAA	8.625	08/15/97	36,000,000	35,175,000	36,978,840
U.S. Treasury Bond	AAA	8.125	02/15/98	35,200,000	34,607,409	35,122,912
U.S. Treasury Bond	AAA	12.000	08/15/13	72,800,000	96,370,682	98,826,000
U.S. Treasury Bond	AAA	12.500	08/15/14	2,500,000	3,435,975	3,537,500
U.S. Treasury Bond	AAA	8.875	02/15/19	4,000,000	4,356,250	4,376,240
Total U.S. Government				450,700,000	480,305,242	491,436,874
Total Government Obligations				$473,969,897	$502,053,721	$514,564,921
CORPORATE OBLIGATIONS						
AMR Secured Equip Cert	NR	14.375	01/06/05	3,000,000	3,772,500	3,589,920
BVPS Fnding Crp Coll Lease	BBB	11.000	06/01/17	10,500,000	10,500,000	11,148,690
Chrysler Corp	BBB	12.000	11/15/15	4,000,000	4,441,250	4,316,560
Chrysler Financial Corp	NR	9.650	10/31/89	5,000,000	5,124,200	5,001,600
Citicorp	AA	11.875	02/01/95	13,442,000	14,432,675	13,606,127
Consumers Power Co	BBB	8.750	02/15/98	900,000	897,480	895,761
General Motors Accept Corp	NR	6.950	12/11/89	5,000,000	4,814,450	4,956,250
Gulf States Utilities Co	B	13.750	03/01/94	6,000,000	6,660,000	6,105,000
Gulf States Utilities Co	B	12.300	12/01/09	1,191,000	1,207,376	1,196,955
Gulf States Utilities Co	B	15.000	09/01/12	1,750,000	2,023,438	1,815,625
Gulf States Utilities Co	B	13.125	03/01/13	1,500,000	1,543,125	1,524,375
Gulf States Utilities Co	B	12.375	09/01/15	4,000,000	4,015,000	4,025,000
Gulf States Utilities Co	B	12.125	07/01/16	3,250,000	3,298,750	3,266,250
Long Island Lighting	BB	11.700	11/15/93	2,610,000	2,685,038	2,675,250
Long Island Lighting	BB	11.750	11/15/94	1,000,000	1,028,750	1,047,500
Long Island Lighting	BB	13.250	06/15/95	5,000,000	5,171,900	5,375,000
Long Island Lighting	B	15.250	10/01/00	3,750,000	4,087,500	4,162,500
Long Island Lighting	BB	17.125	06/01/12	5,000,000	5,643,750	5,650,000
Louisiana Power And Light	BBB	15.250	12/01/14	8,600,000	10,063,539	8,600,000
NERCO Inc	NR	9.650	06/01/99	7,500,000	7,645,500	7,645,500

INVESTMENT PORTFOLIO 1989

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
CORPORATE OBLIGATIONS						
Niagara Mohawk Power Corp	A	9.100	05/15/91	$4,000,000	$3,998,000	$3,998,000
Occidental Petroleum Corp	BBB	11.750	03/15/11	6,000,000	6,300,000	6,403,140
Ohio Edison Co	BB	11.875	06/15/10	2,700,000	2,802,587	2,909,817
Philadelphia Electric Co	BB	10.375	02/15/96	6,500,000	6,461,875	6,581,250
Philip Morris Cos Inc	A	10.500	04/05/90	16,100,000	16,095,975	16,254,560
Phillips Petroleum Co	NR	12.250	10/15/12	17,500,000	15,624,175	19,007,975
Texaco Capital Euroclear	NR	10.500	11/15/90	3,776,000	3,799,600	3,794,880
Total Corporate Obligations				149,569,000	154,138,433	155,553,485
MISCELLANEOUS FIXED INCOME SECURITIES						
INSURANCE CONTRACTS						
Connecticut General	NR	13.000	08/15/92	3,339,763	3,339,763	3,339,763
MORTGAGE BACKED SECURITIES						
Bk of Amer Natl T&S Assn	BBB	11.875	04/01/17	135,453	105,947	140,198
Coll Mtg Oblig Trst 27	NR	7.250	04/23/17	3,910,496	3,773,629	3,638,326
Home Savings & Loan Assn	NR	10.000	07/01/09	398,858	367,946	394,869
Investors GNMA Mtg Backed	NR	11.900	01/25/14	5,000,000	4,717,000	5,574,950
ISFA Mtg Funding Corp	NR	10.950	11/01/15	5,838,024	5,191,969	6,216,795
Manufactured Hsg Part Cert	NR	13.25	01/01/99	2,367,150	2,342,464	2,666,121
Manufactured Hsg Part Cert	NR	13.25	01/15/99	1,324,430	1,309,745	1,491,705
Rural Housing Tr 87-1	AAA	6.830	05/01/94	388,867	367,425	387,895
Rural Housing Tr 87-1	AAA	6.330	06/01/97	5,000,000	4,157,500	4,795,300
Ryland Accep Corp	NR	11.600	06/01/03	1,442,468	1,487,546	1,475,375
Ryland Acceptance Corp	NR	8.900	02/01/02	2,815,987	2,817,747	2,771,987
USAT Mtg Secs Inc	NR	8.600	06/25/03	2,164,691	2,144,397	2,138,986
MUTUAL FUNDS						
Wells Fargo U.S. Debt Fund	NR	N/A	N/A	22,761,244	292,533,029	290,902,696
FLOATING RATE NOTES						
Boston Safe FLT RT CD	NR	10.000	05/01/90	7,000,000	7,000,000	7,000,000
Western Fed Svgs & Ln ARM	NR	8.300	03/01/19	19,792,190	19,489,122	19,792,190
Fed Natl Mtg Assn ARM	AAA	9.898	07/01/18	20,138,904	20,019,329	20,019,279
PRIVATE PLACEMENTS						
Sys Energy Riv Fuel Tr #3	NR	10.190	02/15/91	3,000,000	3,000,000	2,970,000
RJR Holdings Capital Corp	NR	13.563	02/15/97	1,600,000	1,592,000	1,600,000
Wilmgtn Tr Ctf Emerson Cap	NR	10.500	07/01/08	660,000	660,000	598,297
Wilmgtn Tr Ctf Philip Mo	NR	10.500	07/01/08	2,640,000	2,640,000	3,241,075
Total Miscellaneous Fixed Income				111,718,525	379,056,558	381,155,807
TOTAL FIXED INCOME SECURITIES				$735,257,422	$1,035,248,712	$1,051,274,213

INVESTMENT PORTFOLIO 1989

SHORT-TERM INVESTMENTS

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
U.S. Treasury Bills	AAA	8.650	08/03/89	$4,025,000	$3,869,703	$3,996,825
Northern Trust Gov't Fund	NR	*	*	36,096,141	34,209,989	34,209,983
Northern Tr Short Term Fd	NR	*	*	10,294,823	10,294,823	10,294,823
TOTAL SHORT-TERM INVESTMENTS				$50,415,964	$48,374,515	$48,501,631

REAL ESTATE

	Book Value	Market Value
Aetna Realty, Real Estate Separate Acct.	$86,305,378	$81,066,638
Cadillac Fairview, Common Stock	10,526,316	13,052,434
Cadillac Fairview 13.5 % Deb, Due 10/31/12	39,473,684	49,241,444
Equitable Real Estate Prime Property Fund	80,284,723	82,290,332
Rosenberg Real Estate Equity Funds	189,448,815	204,768,627
TOTAL REAL ESTATE	$406,038,916	$430,419,475

FORWARDS AND FUTURES

FORWARDS		
Wells Currency Hedge	NR	$18,166,420
TOTAL FORWARDS		$18,166,420

FUTURES	Number of Contracts	Expiration Date
U.S. Treasury Bond - Long	90	September, 1989
U.S. Treasury Bond - Long	138	December, 1989
U.S. Treasury Note - Long	15	September, 1989

Printed by authority of the State of Illinois, 1,750 copies